Aleris International, Inc.
Form 4
January 04, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
FETTEROLF C FREDERICK

(Last) (First) (Middle)

25825 SCIENCE PARK DRIVE, SUITE 400

(Street)

BEACHWOOD, OH 44122

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Aleris International, Inc. [ARS]

3. Date of Earliest Transaction (Month/Day/Year)
01/03/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.10 per share	01/03/2006		A		156 (1)	A	$ 32.02	25,519	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FETTEROLF C FREDERICK 25825 SCIENCE PARK DRIVE SUITE 400 BEACHWOOD, OH 44122	X			

Signatures

Christopher R. Clegg (POA)	01/04/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Award of stock as a portion of Director's fee payment in a transaction exempt under Rule 16b-3.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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50,000

Series B Term Loan, due April 1, 2019, interest at LIBOR plus 18% PIK, 20% at June 30, 2014
36,127

32,750

Total long term debt
86,127

82,750

Less current portion of long term debt
(86,127
)

(82,750
)
Total long term debt, net of current portion
$
—

$
—

Series A Credit Agreement

On April 1, 2011, pursuant to the Company's second Amended Joint Plan of Reorganization (as amended and supplemented, the "Plan"), entered into in connection with the Company's reorganization proceedings under the United States Bankruptcy Code that were consummated on April 1, 2011 (the "Substantial Consummation Date"), RHC entered into a first lien credit agreement (the "Series A Credit Agreement") with ROC and our former subsidiary Riviera Black Hawk, Inc., as guarantors, Cantor Fitzgerald Securities, as administrative agent, and the lenders from time to time party thereto. The Series A Credit Agreement provides for initial aggregate lender commitments of $60 million, including a $50 million term loan facility (the "Series A Term Loan") and a $10 million revolving loan (the "Working Capital Facility"). The Working Capital Facility provides for a letter of credit facility and a swingline loan facility with sublimits of $5 million and $2 million, respectively. The Series A Credit Agreement has a maturity date of April 1, 2016. Availability of the revolving loans under the Working Capital Facility is subject to certain conditions provided for in the Series A Credit Agreement. The proceeds of extensions of credit under the Series A Credit Agreement can be used by RHC for working capital and other general corporate purposes.

Interest accrues at a LIBOR Rate (as defined in the Series A Credit Agreement) for a specified interest period (with a floor of 2.0%) plus a margin rate of 5.0% per annum or the Alternate Base Rate (as defined below) plus a margin rate of 4.0% per annum. Alternate base rate ("Alternate Base Rate") interest is an alternate base rate equal to the highest of (i) the prime rate (as defined in the Series A Credit Agreement), (ii) the Federal Funds Effective rate (as defined in the Series A Credit Agreement) in effect on such day plus 1/2 of 1.0% and (iii) the LIBOR Rate that would be payable on such day for LIBOR Rate Loan (as defined in the Series A Credit Agreement) with one month interest period plus 1.0%.

RHC is required to pay a quarterly unused commitment fee and customary fees to the administrative agent. RHC is also required to pay quarterly participation and fronting fees based on the amount of the letter of credit exposure of the applicable lenders and letter of credit issuers, respectively.

The obligations under the Series A Credit Agreement are guaranteed by RHC's Domestic Subsidiaries (as defined in the Series A Credit Agreement) pursuant to the terms of the Series A Credit Agreement and are secured by a first priority security interest on substantially all of RHC's and its Domestic Subsidiaries' assets, other than a deposit account into which the proceeds of the Series B Term Loan (as defined below) was deposited on the Substantial Consummation Date (the "Series B Term Loan Controlled Account"). Proceeds deposited in the Series B Term Loan Controlled Account are earmarked primarily for capital improvements.

The Series A Credit Agreement subjects RHC to certain customary affirmative covenants, including the delivery of financial statements and annual operating budgets. In addition, the Series A Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on RHC's ability to incur additional indebtedness, create liens, make investments, pay dividends, and merge. Beginning on June 30, 2012 and as of each subsequent quarter, including as of June 30, 2014, the Company was not in compliance with the financial covenants in, and in default under, the Series A Credit Agreement. The Required Lenders (as defined in the Series A Credit Agreement) temporarily waived such default with respect to the June 30, 2012 default and this waiver expired on July 31, 2012. On April 29, 2014, we entered into a forbearance agreement with the Required Lenders pursuant to which the Required Lenders agreed to forbear from exercising their remedies under the Series A Credit Agreement arising out of the default for a period up to and including July 31, 2014 (the "Series A Forbearance Agreement"). On July 31, 2014, the Series A Forbearance Agreement was amended to extend the forbearance period through August 31, 2014. The lenders and administrative agent under the Series A Credit Agreement have not taken any action to exercise any remedies under the Series A Credit Agreement.

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In addition, the Series A Credit Agreement contains provisions concerning customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of bankruptcy and insolvency, judgment defaults, failure of any guarantee of the loan obligations or any loan document to be in full force and effect, the occurrence of a Change of Control (as defined in the Series A Credit Agreement), certain ERISA defaults and failure to keep any necessary casino licenses in full force and effect. If an event of default occurs and is continuing, amounts due under the Series A Credit Agreement may be accelerated, and the rights and remedies of the lenders under the Series A Credit Agreement may be exercised, including rights with respect to the collateral securing obligations under the Series A Credit Agreement. As such, the balance of the Series A Term Loan, as of December 31, 2013 and June 30, 2014, is classified as a current obligation.

Upon the occurrence of the event of default described above, and for so long as such event of default is continuing, the Required Lenders (as defined in the Series A Credit Agreement) have the ability to increase the interest accruing on amounts owed under the Series A Credit Agreement. Different default interest rates would apply to the principal of the loans, the accrued but unpaid interest on the loans and any other amounts owed under the Series A Credit Agreement. With respect to the principal of the loans made pursuant to the Series A Credit Agreement, the default interest rate is equal to the current interest rate plus 2.0%. Although the Required Lenders under the Series A Credit Agreement have not taken any action to increase the interest rate under the Series A Credit Agreement, the Company is accruing for the additional 2.0% default interest.

The Company is currently in discussions with the Required Lenders (who also hold similar percentage equity interests in the Company) concerning new financial covenants and other amendments to the Series A Credit Agreement to resolve the existing default. There can be no assurance that the Company and its Required Lenders (in their dual capacity as debt holder and equity holder) will be successful in doing so or that such amendments will be on favorable terms to the Company.

Series B Credit Agreement

On April 1, 2011, pursuant to the Plan, RHC also entered into a second lien credit agreement (the “Series B Credit Agreement”) with ROC and our former subsidiary Riviera Black Hawk, Inc., as guarantors, Cantor Fitzgerald Securities, as administrative agent, and the lenders from time to time party thereto. The Series B Credit Agreement provides for, and governs the terms of, a $20 million term loan facility (the “Series B Term Loan”).

The Series B Term Loan bears interest at a per annum rate equal to the sum of the LIBOR Rate (as defined in the Series B Credit Agreement) plus 3.0%, payable in cash, and the LIBOR Rate plus 13.0%, payable in kind (PIK) in interest that will be recapitalized as principal. The Series B Credit Agreement has a maturity date of April 1, 2019.

RHC is required to pay a customary fee to the administrative agent. The obligations under the Series B Credit Agreement are guaranteed by RHC's Domestic Subsidiaries (as defined in the Series B Credit Agreement) pursuant to the terms of the Series B Credit Agreement and are secured by (i) a first priority security interest on Series B Term Loan Controlled Account and (ii) a second priority security interest on substantially all of RHC's and its Domestic Subsidiaries’ other assets.

The Series B Credit Agreement subjects RHC to certain customary affirmative covenants, including the delivery of financial statements and annual operating budgets. In addition, the Series B Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on RHC's ability to incur additional indebtedness, create liens, make investments, pay dividends, and merge. Beginning on June 30, 2012 and as of each subsequent quarter, including as of June 30, 2014, the Company was not in compliance with the financial covenants in, and in default under, the Series B Credit Agreement. The Required Lenders (as defined in the Series B Credit Agreement) temporarily waived such default with respect to the June 30, 2012 default and this waiver expired on July 31, 2012. On April 29, 2014, we entered into a forbearance agreement with the Required Lenders pursuant to which the Required Lenders agreed to forbear from exercising their remedies under the Series B Credit Agreement arising out of the default for a period up to and including July 31, 2014 ("Series B Forbearance Agreement", collectively with the Series A Forbearance Agreement, the "Forbearance Agreement"). On July 31, 2014, the Series B Forbearance Agreement was amended to extend the forbearance period through August 31, 2014. The lenders and administrative agent under the Series B Credit Agreement have not taken any action to exercise any remedies under the Series B Credit Agreement.

In addition, the Series B Credit Agreement contains provisions concerning customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of bankruptcy and insolvency, judgment defaults, failure of any guarantee of the loan obligations or any loan document to be in full force and effect, the occurrence of a Change of Control (as defined in the Series B Credit Agreement), certain ERISA defaults and failure to keep any necessary casino licenses in full force and effect. If an event of default occurs and is continuing, amounts due under the Series B Credit Agreement may be accelerated and the rights and remedies of the lenders under the Series B Credit

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Agreement may be exercised, including rights with respect to the collateral securing obligations under the Series B Credit Agreement. As such, the balance of the Series B Term Loan, as of December 31, 2013 and June 30, 2014, is classified as a current obligation.

Upon the occurrence of the event of default described above, and for so long as such event of default is continuing, the Required Lenders (as defined in the Series B Credit Agreement) have the ability to increase the interest accruing on amounts owed under the Series B Credit Agreement. Different default interest rates would apply to the principal of the loan, the accrued but unpaid interest on the loan and any other amounts owed under the Series B Credit Agreement. With respect to the principal of the loan made pursuant to the Series B Credit Agreement, the default interest rate is equal to the current interest rate plus 2.0%. Although the Required Lenders under the Series B Credit Agreement have not taken any action to increase the interest rate under the Series B Credit Agreement, the Company is accruing for the additional 2.0% default interest.

The Company is currently in discussions with the Required Lenders (who also hold similar percentage equity interests in the Company) concerning new financial covenants and other amendments to the Series B Credit Agreement to resolve the existing default. There can be no assurance that the Company and its Required Lenders (in their dual capacity as debt holder and equity holder) will be successful in doing so or that such amendments will be on favorable terms to the Company.

6. STOCKHOLDERS’ EQUITY

Common Stock

The Company is authorized to issue up to 10,000,011 shares of common stock, consisting of (i) 10 Class A Shares, par value $0.001 per share (the “Class A Voting Common Stock”), and (ii) 10,000,001 Class B Shares, par value $0.001 per share (the “Class B Non-Voting Common Stock”), of which 10 shares of Class A Voting common stock, and 9,135,318 shares of Class B Non-Voting Common Stock were issued and outstanding as of June 30, 2014.

The Company, Riviera Voteco, L.L.C. (“Voteco”), the stockholder holding 100% of the Class A Voting Common Stock, and certain stockholders holding a majority of the Class B Non-Voting Common Stock have entered into a Stockholders Agreement (the “Stockholders Agreement”). The Stockholders Agreement, among other things, contemplates an agreed composition of the Company’s Board of Directors and prohibits the transfer of the Class A Voting Common Stock and Class B Non-Voting Common Stock unless Voteco determines that such transfer is not to a person who is a competitor of, or otherwise adverse to, the Company, and the Company is reasonably satisfied that such transfer will comply with certain requirements relating to securities, regulatory and other specified laws. Any purported transfer of the Class A Voting Common Stock and Class B Non-Voting Common Stock will be null and void if not made in compliance with all applicable gaming laws and following receipt of all required gaming approvals. The Stockholders Agreement also subjects transfers of Class B Non-Voting Common Stock, other than to certain affiliated transferees, to specified tag-along rights, drag-along rights, and a right of first offer. In addition, the Stockholders Agreement contains agreements among the parties with respect to certain governance matters, including director appointment and board observer rights and restrictions on the issuance of shares of Class A Voting Common Stock, Class B Non-Voting Common Stock and other equity securities of the Company or other rights convertible into or to acquire such securities, restrictions on distributions, repurchases and pledges of Class B Non-Voting Common Stock, registration rights with respect to holders of Class B Non-Voting Common Stock, rights to indemnification and contribution and provisions related to conflicts of interests and transactions with affiliates.

Preferred Stock

We are authorized to issue up to 500,000 shares of preferred stock, $0.001 par value per share, of which none were issued as of June 30, 2014. Our Board of Directors, without further action by the holders of common stock, may issue shares of preferred stock in one or more classes or series and to fix for each such class or series such voting powers, preferences and relative participating, optional or other special rights, and such qualifications, limitations or restrictions thereof. Our Board of Directors, without further stockholder approval, may issue shares of preferred stock with rights that could adversely affect the rights of the holders of common stock.

Warrants

Creditors under our $245 million Credit Agreement, dated June 8, 2007, that ceased to be in effect on April 1, 2011 upon consummation of the Plan, who elected to participate in the designated new money investment and Working Capital Facility received warrants exercisable into Class B Non-Voting Common Stock (the “Class B Warrants”) to purchase an aggregate of 950,000 shares of our Class B Non-Voting Common Stock. The Class B Warrants do not have a stated term; the stated exercise

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price is $0.01 per exercise. The Company evaluated the Class B Warrants under current accounting pronouncements and determined they were properly classified as equity on the accompanying consolidated balance sheet. The Company valued the shares of Class B Non-Voting Common Stock with attached Class B Warrants using the Chaffee option valuation model assuming a life of 1 and 1.5 years, volatility factors of 48.5% and 53.18%, risk free rates of 0.27% and 0.54% and implied discounts for lack of marketability of 20% and 25%, respectively. The resulting value of the Class B Non-Voting Common Stock (with attached Class B Warrants) for future holders of, or current stockholders viewed as having an indirect interest in, Class A Voting Common Stock held by Riviera Voteco, L.L.C. for accounting purposes, is $17.72 per share. The resulting value of the Class B Non-Voting Common Stock (with attached Class B Warrants) for holders of warrants exercisable into membership interests in Voteco is $16.61 per share.

On May 23, 2014, one holder of our Class B Warrants exercised its Class B Warrant at the stated aggregate exercise price of $0.01 and we issued to the holder 96,283 shares of Class B Non-Voting Common Stock as a result.

7. SUBSEQUENT EVENTS

On April 29, 2014, the Company entered into the Forbearance Agreement with the Required Lenders pursuant to which the Required Lenders agreed to forbear from exercising their remedies under the Credit Agreements arising out of the existing default under the Credit Agreements for a period up to and including July 31, 2014. On July 31, 2014, the Forbearance Agreement was amended to extend the forbearance period through August 31, 2014.

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

Overview

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

In addition to the above, we continuously strive to maximize the number of people who patronize the Riviera Hotel & Casino but who are not guests in our hotel. To achieve this, we attempt to capitalize on our Las Vegas Strip location, convention center proximity and availability of our entertainment productions and other amenities. We are well-situated for walk-in traffic on the Las Vegas Strip near several major properties including the Circus Circus Las Vegas Resort and Casino, LVH (Las Vegas Hotel and Casino), Las Vegas Convention Center, Wynn Las Vegas, Wynn Encore and several timeshare and condominium projects. While we benefit from our proximity to several major properties, the still dormant Resorts World Las Vegas (formerly known as Echelon) construction project (construction is expected to begin in the summer of 2014), the dormant Fontainebleau construction project and the SLS Las Vegas property (formerly known as the Sahara Hotel & Casino) closed for renovation have caused a major reduction in walk-in traffic. We anticipate that our walk-in traffic will be adversely impacted until the opening of SLS Las Vegas, anticipated to occur late August 2014.

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Results of Operations

Three Months Ended June 30, 2014 Compared to 2013 (unaudited)

(In thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Percentage Increase (Decrease) 2014 vs 2013
Revenues			
Casino	$7,940	$6,627	19.8%
Rooms	10,288	7,276	41.4%
Food and beverage	2,819	2,552	10.5%
Entertainment	239	198	20.7%
Other	775	720	7.6%
Total revenues	22,061	17,373	27.0%
Less-promotional allowances	(1,231)	(1,659)	(25.8)%
Net revenues	20,830	15,714	32.6%
Expenses			
Casino	3,593	4,301	(16.5)%
Rooms	5,920	4,392	34.8%
Food and beverage	2,420	2,455	(1.4)%
Entertainment	515	196	162.8%
Other	240	257	(6.6)%
Other operating expenses:			
Other general and administrative	7,856	7,206	9.0%
Depreciation and amortization	1,655	1,511	9.5%
Total expenses	22,199	20,318	9.3%
Loss from Operations	$(1,369)	$(4,604)	(70.3)%

Revenues

Net revenues for the three months ended June 30, 2014 were $20.8 million, an increase of $5.1 million, or 33%, from $15.7 million for the comparable period in the prior year.

Casino revenues for the quarter ended June 30, 2014 were $7.9 million, an increase of $1.3 million, or 19.8%, from $6.6 million for the comparable period in the prior year. Casino revenues are comprised primarily of slot machine and table game revenues. In comparison to the period in the prior year, slot machine revenue was $6.4 million, an increase of $1.0 million, or 18.5%, from $5.4 million, and table game revenue was $1.6 million, an increase of $0.2 million, or 14.3%, from $1.4 million. Slot machine win increased due to higher visitation and volume during 2014. Coin-in increased to $76.3 million for the quarter ended June 30, 2014 from $69.1 million for the comparable period in the prior year, and hold percentage increased to 8.3% from 7.9% for the comparable period in the prior year. Table game drop was $9.6 million for the quarter ended June 30, 2014, compared to $8.9 million for the comparable period in the prior year, and hold percentage was 15.7% for the quarter ended June 30, 2014 which was consistent with the same period in the prior year.

Room revenues for the quarter ended June 30, 2014 were 41.4% higher than the prior year period. Occupancy increased to 84.8% for the quarter ended June 30, 2014 from 55.3% in the prior year period due primarily to increases in wholesale and retail channels. Our average daily room rate decreased $7.92 across all channels. Room revenues included $0.5 million and $1.0 million related to rooms provided to casino guests on a complimentary basis for each of the quarters ended June 30, 2014 and 2013. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Food and beverage revenues for the quarter ended June 30, 2014 increased $0.3 million, or 10.5% from the prior year period. The increase was primarily due to our operation of Wicked Vicky Tavern, which was previously a leased outlet, as well as an increase of 27% in Java Stop, and a $0.2 million increase in beverage sales in our bars. Food and beverage revenues included $0.8 million

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and $0.6 million related to food and beverage provided to casino guests on a complimentary basis for the quarters ended June 30, 2014 and 2013, respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Entertainment revenues for the quarter ended June 30, 2014 increased 20.7% from the prior year period. In January 2014, we completed the transition of all box office operations to Red Mercury Entertainment. Our agreement with Red Mercury Entertainment includes bringing a minimum of four new shows to the property, all of which had launched as of April 2014. In addition, as of January 2014, we completed remodeling the Versailles Theatre, which has been vacant since 2009, and anticipate having entertainment offerings in the space in 2014. Entertainment revenues included $0 million and $0.03 million in revenues related to show tickets offered to guests on a complimentary basis for the quarters ended June 30, 2014 and 2013, respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Other revenues for the quarter ended June 30, 2014 increased 7.6% from the prior year period. The increase was primarily due to increased use of ATM machines on the property from which we receive commissions.

Promotional allowances were $1.2 million and $1.7 million for the three months ended June 30, 2014 and 2013, respectively. Promotional allowances are comprised of food, beverage, hotel room nights and other items provided on a complimentary basis primarily to our high-value casino players and convention guests. Promotional allowances decreased primarily due to our efforts to focus complimentaries on our most valuable customers.

Costs and Expenses

Costs and expenses for the quarter ended June 30, 2014 were $22.2 million, an increase of $1.9 million, or 9.3%, from $20.3 million for the comparable period in the prior year.

Casino costs and expenses for the quarter ended June 30, 2014 decreased $0.7 million or 16.5% from the prior year period. The decrease in casino expenses was primarily due to a decrease in table game and slots payroll and related costs due to a reduction in staffing due to a more condensed gaming floor layout which resulted in savings of 15.4% from prior year. Marketing expenses decreased as a result of fewer specials events and tournaments.

Room department costs and expenses for the quarter ended June 30, 2014 increased $1.5 million or 34.8% from the prior year period. The increase in room expenses was primarily due to an increase in staffing and other expenses related to higher occupancy.

Food and beverage costs and expenses for the quarter ended June 30, 2014 decreased 1.4% from the comparable period in the prior year. The slight decrease is primarily due to cost savings measures in other operating expenses.

Entertainment department costs and expenses for the quarter ended June 30, 2014 increased 162.8% from the same period in the prior year primarily due to an increase in payroll and benefits and professional services.

Other general and administrative costs and expenses increased 9.0% as a result of increased staffing and related expenses and increase in property operations and maintenance.

Loss from Operations

Loss from operations for the three months ended June 30, 2014 was $1.4 million, compared to a loss from operations for the three months ended June 30, 2013 of $4.6 million.

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Six Months Ended June 30, 2014 Compared to 2013 (unaudited)

(In thousands)	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Percentage Increase (Decrease) 2014 vs 2013
Revenues			
Casino	$16,164	$12,931	25.0 %
Rooms	21,192	14,094	50.4 %
Food and beverage	5,978	4,812	24.2 %
Entertainment	387	376	2.9 %
Other	1,554	1,651	(5.9)%
Total revenues	45,275	33,864	33.7 %
Less-promotional allowances	(2,716)	(3,264)	(16.8)%
Net revenues	42,559	30,600	39.1 %
Expenses			
Casino	7,399	9,156	(19.2)%
Rooms	11,746	8,501	38.2 %
Food and beverage	4,793	4,423	8.4 %
Entertainment	764	392	94.9 %
Other	428	493	(13.2)%
Other operating expenses:			
Other general and administrative	14,818	13,616	8.8 %
Depreciation and amortization	3,271	3,507	(6.7)%
Total expenses	43,219	40,088	7.8 %
Loss from Operations	$(660)	$(9,488)	(93.0)%

Revenues

Net revenues for the six months ended June 30, 2014 were $42.6 million, an increase of $12 million, or 39.1%, from $30.6 million for the comparable period in the prior year.

Casino revenues for the six months ended June 30, 2014 were $16.2 million, an increase of $3.2 million, or 25.0%, from $12.9 million for the comparable period in the prior year. Casino revenues are comprised primarily of slot machine and table game revenues. In comparison to the period in the prior year, slot machine revenue was $12.9 million, an increase of $2.0 million, or 18.0%, from $10.9 million, and table game revenue was $3.2 million, an increase of $0.7 million, or 28.0%, from $2.5 million. Slot machine win increased due to higher visitation and volume during 2014. Coin-in increased to $157.3 million for the six months ended June 30, 2014 from $134.4 million for the comparable period in the prior year, and hold percentage increased to 8.2% from 8.1% for the comparable period in the prior year. Table game drop was $19.2 million for the six months ended June 30, 2014, compared to $17.4 million for the comparable period in the prior year, and hold percentage was 16.4% for the six months ended June 30, 2014 compared to 14.1% for the comparable period in the prior year.

Room revenues for the six months ended June 30, 2014 were 50.4% higher than the prior year period. Occupancy increased to 85.3% for the six months ended June 30, 2014 from 53.0% in the prior year period mainly due to increases in wholesale and retail channels. Our average daily room rate decreased $6.82 across all channels. Room revenues included $1.1 million and $1.8 million related to rooms provided to casino guests on a complimentary basis for each of the six months ended June 30, 2014 and 2013. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Food and beverage revenues for the six months ended June 30, 2014 increased $1.2 million, or 24.2%, from the prior year period. The increase was primarily due to our operation of Wicked Vicky Tavern, which was previously a leased outlet, as well as an increase of $0.2 million in catered banquet food and beverage sales, a $0.4 million increase in beverage sales in our bars, and a $0.2 million increase in R Steak & Seafood business. Food and beverage revenues included $1.6 million and $1.4 million related to food and beverage provided to casino guests on a complimentary basis for the six months ended June 30, 2014 and 2013,

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respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Entertainment revenues for the six months ended June 30, 2014 increased 2.9% from the prior year period. Our agreement with Red Mercury Entertainment includes bringing a minimum of four new shows to the property, all of which have launched in April 2014. In addition, as of January 2014, we completed remodeling the Versailles Theatre, which has been vacant since 2009, and anticipate having entertainment offerings in the space in 2014. Entertainment revenues included $0 million and $0.1 million in revenues related to show tickets offered to guests on a complimentary basis for the six months ended June 30, 2014 and 2013, respectively. These revenues are included in promotional allowances, which are deducted from total revenues to arrive at net revenues.

Other revenues for the six months ended June 30, 2014 decreased 5.9% from the prior year period. The decrease was primarily due to amounts received by tenants for percentage rent.

Promotional allowances were $2.7 million and $3.3 million for the six months ended June 30, 2014 and 2013, respectively. Promotional allowances are comprised of food, beverage, hotel room nights and other items provided on a complimentary basis primarily to our high-value casino players and convention guests. Promotional allowances decreased primarily due to our efforts to focus complimentaries on our most valuable customers.

Costs and Expenses

Costs and expenses for the six months ended June 30, 2014 were $43.2 million, an increase of $3.1 million, or 7.8%, from $40.1 million for the comparable period in the prior year.

Casino costs and expenses for the six months ended June 30, 2014 decreased 19.2% from the prior year period. The decrease in casino expenses was primarily due to a decrease in table game and slots payroll and related costs due to a reduction in staffing due to a more condensed gaming floor layout which resulted in savings of 14.8% from prior year. Marketing expenses decreased as a result of fewer specials events and tournaments.

Room department costs and expenses for the six months ended June 30, 2014 increased 38.2% from the prior year period. The increase in room expenses was primarily due to an increase in staffing and other expenses related to higher occupancy.

Food and beverage costs and expenses for the six months ended June 30, 2014 increased 8.4% from the comparable period in the prior year. The increase was primarily related to an increase in food and beverage sales and an increase in staffing and related costs.

Entertainment department costs and expenses for the six months ended June 30, 2014 increased 94.9% from the same period in the prior year due to an increase in payroll and benefits and professional services

Other general and administrative costs and expenses increased 8.8% as a result of increased staffing and related expenses and increase in property operations and maintenance.

Loss from Operations

Loss from operations for the six months ended June 30, 2014 was $0.7 million, compared to a loss from operations for the six months ended June 30, 2013 of $9.5 million.

Liquidity and Capital Resources as of June 30, 2014

Our independent registered public accounting firm included an explanatory paragraph in its audit report contained in our Form 10-K for the year ended December 31, 2013 that expresses doubt as to our ability to continue as a going concern. We cannot provide any assurance that we will in fact operate our business profitably, maintain existing financings, or obtain sufficient financing in the future to sustain our business in the event we are not successful in our efforts to generate sufficient revenue and operating cash flow. The accompanying unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue in existence.

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The Company had $59.0 million (unaudited) and $60.1 million in cash, cash equivalents and restricted cash (of which $0.4 million (unaudited) and $39.3 million, respectively, was restricted) as of June 30, 2014 and December 31, 2013, respectively. On April 28, 2014, the Company requested and received approval from the Required Lenders, as defined in each of the Series A Credit Agreement and the Series B Credit Agreement, to withdraw the full amount, $38.9 million, held in the Company's segregated cash account for working capital purposes. Additionally, effective April 1, 2011, the Company has access to a $10.0 million Working Capital Facility. However, due to the default under the Series A Credit Agreement and the Series B Credit Agreement described in Note 5 to the consolidated financial statements, we do not currently have the ability to draw any funds under the Working Capital Facility until such time as the default is cured or waived. The lenders under our Series A Credit Agreement and our Series B Credit Agreement also hold 100% of our Class B Non-Voting Common Stock. As a result of the default, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) have the ability to increase the interest accruing on amounts owed under the Series A Credit Agreement and the Series B Credit Agreement, respectively. An increase in the interest rate would negatively affect our available cash and results from operations. Further, the Required Lenders and administrative agent under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have the right to accelerate repayment of all amounts owed under each of the agreements and require us to repay such amounts immediately. We do not currently have sufficient funds to repay the Series A and Series B debt. Repaying these amounts and covering our operating losses will require additional cash, which may include the issuance of additional equity, debt financing and/or capital contributions from stockholders, if available to us. There can be no assurance that we will be successful in obtaining additional capital resources. The inability to obtain additional capital will restrict our ability to grow and inhibit our ability to continue to conduct business operations. Any additional equity financing may result in substantial dilution to our then existing stockholders. We do not provide any guarantees or assurances that the Company will have ample liquidity and capital resources to meet future financial obligations. If repayment of the indebtedness under our Series A Credit Agreement and Series B Credit Agreement were accelerated, we do not believe the Company has sufficient liquidity and capital resources to meet both debt service and normal operating expenditures.

Current Economic and Operating Environment

We believe that a number of factors affect consumer sentiment and behavior. We believe that results of operations for the three and six month periods ended June 30, 2014 improved in relation to the comparable periods of 2013 partially as a result of improved economic conditions. During the six months ended June 30, 2014, visitor volume to Las Vegas increased 4.2% and the average daily Las Vegas Strip room rate increased 6.8% compared to the same period in the prior year, as reported by the Las Vegas Convention and Visitors Authority. We expect to benefit from a continued trend of improvements in general economic conditions in 2014.

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations and other commitments as of June 30, 2014:

	Payments Due by Period (In thousands)				
Contractual Obligations	Total	less than 1 year	1 to 3 years	4 to 5 years	more than 5 years
Operating Leases	$104	$35	$69	$—	$—
Capital Leases	329	110	219	—	—
Resort Management Agreement*	2,400	2,200	200	—	—
Maturities of Borrowings Under Credit Facility (Note 5)	86,127	86,127	—	—	—
Total Contractual Cash Obligations	$88,960	$88,472	$488	$—	$—

*This amount represents the total un-accrued contractual obligations. $1.5 million of the $2.4 million is due and payable to Paragon if the Company achieves certain EBITDAM targets set forth in the Management Agreement.

Off-Balance Sheet Arrangements

It is not our usual business practice to enter into off-balance sheet arrangements such as guarantees on loans and financial commitments, indemnification arrangements and retained interests in assets transferred to an unconsolidated entity for securitization purposes. Consequently, we have no off-balance sheet arrangements.

Critical Accounting Policies

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A description of our critical accounting policies and estimates can be found in Item 7 of our Form 10-K for the year ended December 31, 2013. For a further discussion of our accounting policies, see Note 2 to the consolidated financial statements in this Form 10-Q. During the three and six month periods ended June 30, 2014, there were no significant changes other than those described in this Form 10-Q, from the critical accounting policies described in our Form 10-K for the year ended December 31, 2013.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

At times, we are exposed to market risk from adverse changes in interest rates with respect to the short-term floating interest rate on borrowings under our credit agreements. As of June 30, 2014, we had $86.1 million in borrowings outstanding under our credit agreements. Any borrowings outstanding accrue interest at LIBOR plus a margin determined by the credit agreements. As of June 30, 2014, if LIBOR rates were to increase or decrease by one percentage point, our interest expense would increase or decrease by approximately $0.8 million per year.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our President (“CEO”) and chief financial officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2014, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our CEO and CFO concluded that our disclosure controls and procedures were effective.

During our last fiscal quarter ended June 30, 2014, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time a party to routine lawsuits, either as plaintiff or as defendant, arising from the normal operations of a hotel and casino. We do not believe that the outcome of such litigation, in the aggregate, will have a material adverse effect on the Company's financial position or results of operations.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A of our Form 10-K for the fiscal year ended December 31, 2013.

Forward-Looking Statements

Throughout this Form 10-Q, we make "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements include the words "may," "would," "could," "likely," "estimate," "intend," "plan," "continue," "believe," "expect," "project" or "anticipate words and our discussions about our ongoing or future plans, objectives or expectations and our liquidity projections. We do not guarantee that any of the transactions or events described in this Form 10-Q will happen as described or that any positive trends referred to in this Form 10-Q will continue. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and results and are based upon what we consider to be reasonable estimates. Although we believe that our forward-looking statements are reasonable at the present time, we may not achieve or we may modify our plans, objectives and expectations. You should read this Form 10-Q thoroughly and with the understanding that actual future results may be materially different from what we expect. We do not plan to update forward-looking statements even though our situation or plans may change in the future, unless applicable law requires us to do so. Specific factors that might cause our actual results to differ from our plans, objectives or expectations, might cause us to modify our plans or objectives, or might affect our ability to meet our expectations include, but are not limited to:

- adverse consequences from our current default under our credit facilities, such as the imposition of default interest rate or acceleration of the amounts outstanding thereunder;
- potential impairment of long-lived assets;
- our limited operating history under our Management Agreement;
- our substantial losses since the Substantial Consummation Date;
- our inability to achieve projected financial results and to service our debt obligations;
- negative effects of our recent bankruptcy proceedings on our image;
- competition in the gaming industry, including the availability and success of alternative gaming venues, and other entertainment attractions;
- risks related to geographic market concentration;
- loss of management and key personnel;

- changes or developments in laws, regulations or taxes in the gaming industry, for example, an increase in the Nevada gaming tax;
- risks related to environmental liabilities;
- increasing energy prices;
- adverse effects of factors that are beyond our control;
- uninsured losses or losses that are not adequately covered by insurance;

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- costs and liabilities associated with litigation;
- the consequences of concerns associated with wars, terrorism and homeland security;
- labor disputes and work stoppages;
- volatility in our hold percentage;
- the availability of additional capital to support capital improvements and development;
- the loss of technological services and electrical power;
- the loss in value of the Riviera brand;
- our inability to protect our brands;
- adverse effects from climate change, climate change regulations and greenhouse gas effects;
- costs associated with legal claims and litigation related to the alleged effect of our operations on climate change;
- adverse consequences from data breaches and other cyber security related risks;
- the availability and adequacy of our cash flow to meet our capital requirements, including payment of amounts due under our credit agreements, and our inability to raise additional capital if needed;
- adverse consequences of interest rate fluctuations; and
- restrictions imposed by the terms of our indebtedness and our ability to meet the affirmative and negative covenants set forth in our credit agreements.

All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. In light of these and other risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 23, 2014, one holder of our Class B Warrants exercised its Class B Warrant in full at the stated aggregate exercise price of $0.01 and we issued to the holder 96,283 shares of Class B Non-Voting Common Stock. The issuance of the Class B Non-Voting Common Stock was exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), because (i) the Class B Warrants were originally issued under Section 1145 of the United States Bankruptcy Code, which generally exempts from such registration requirements the issuance of securities underlying warrants issued under a plan of reorganization, and (ii) Section 4(a)(2) of the Securities Act because the issuance did not involve any public offering in that we issued the shares of Class B Non-Voting Common Stock to an existing holder of our Class B Warrants, who is also one of creditors, and we placed a legend on the stock certificate stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without registration or an exemption therefrom.

Item 3. Defaults Upon Senior Securities

Beginning on June 30, 2012 and as of each subsequent quarter, including as of June 30, 2014, the Company was in default under the Series A Credit Agreement and the Series B Credit Agreement for failure to satisfy the financial covenant that neither the Credit Parties (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) nor any Subsidiary (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) permit the Consolidated Interest Coverage Ratio (as defined and calculated as set forth in the Series A Credit Agreement and the Series B Credit Agreement, respectively) to be less than 1:00 to 1:00 for each quarter ended.

If an event of default occurs and is continuing, amounts due under the Series A Credit Agreement and the Series B Credit Agreement, respectively, may be accelerated, and the rights and remedies of the lenders under the agreements may be exercised, including

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rights with respect to the collateral securing obligations under the agreements. As such, the balances of the Series A Term Loan and the Series B Term Loan, as of June 30, 2014 and December 31, 2013 have been classified as a current obligation.

Further, upon the occurrence of the event of default described above, and for so long as such event of default is continuing, the Required Lenders (as defined in the Series A Credit Agreement and the Series B Credit Agreement, respectively) have the ability to increase the interest accruing on amounts owed under the Series A Credit Agreement and the Series B Credit Agreement. Different default interest rates would apply to the principal of the loans, the accrued but unpaid interest on the loans and any other amounts owed under the Series A Credit Agreement and the Series B Credit Agreement. With respect to the principal of the loans made pursuant to the Series A Credit Agreement and the Series B Credit Agreement, the default interest rate is equal to the current interest rate plus 2.0%. Although the Required Lenders under the Series A Credit Agreement and the Series B Credit Agreement have not taken any action to increase the interest rate under the Series A Credit Agreement and the Series B Credit Agreement, the Company is accruing for the additional 2% default interest.

The Required Lenders temporarily waived such default with respect to the June 30, 2012 default and this waiver expired on July 31, 2012. On April 29, 2014, we entered into a forbearance agreement with the Required Lenders pursuant to which the Required Lenders agreed to forbear from exercising their remedies under the Series A Credit Agreement and the Series B Credit Agreement arising out of the default for a period up to and including July 31, 2014. On July 31, 2014, the forbearance agreement was amended to extend the forbearance period through August 31, 2014. The lenders and administrative agent under the Series A Credit Agreement and the Series B Credit Agreement, respectively, have not taken any action to exercise any remedies under the agreements.

The Company is currently in discussions with the Required Lenders (who also hold similar percentage equity interests in the Company) concerning new financial covenants and other amendments to the Series A Credit Agreement and the Series B Credit Agreement to resolve the existing default. There can be no assurance that the Company and its Required Lenders (in their dual capacity as debt holder and equity holder) will be successful in doing so or that such amendments will be on favorable terms to the Company.

Item 6. Exhibits

See list of exhibits below.

SIGNATURES

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

RIVIERA HOLDINGS CORPORATION

Date: August 13, 2014

By: /s/ Robert James Kunkle
President and General Manager
(Authorized Officer)

Date: August 13, 2014

By: /s/ Michael Pearse
Treasurer and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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Exhibits

Exhibit No.:	Description:
31.1*	Certification of Robert James Kunkle, President, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Michael Pearse, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Robert James Kunkle, President, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Michael Pearse, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.
** Furnished herewith.