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### Investment company to keep trying for Riviera

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by Arnold M. Knightly

#### Las Vegas Gaming Wire

LAS VEGAS, Nevada – An investment group trying to acquire the parent company of the Riviera is asking the company's board of directors to step aside and let the stockholders decide the company's fate.

Riv Acquisition Holdings sent the request late Thursday in response to the rejection Wednesday by Riviera Holdings Corp. of its \$336.4 million buyout offer. In its letter, the investment group also denied the board's accusations that Riv Acquisition colluded with two major shareholders of the company.

"Ignoring the merits of our offer is directly contrary to the board's fiduciary duties," said Paul Kanavos, managing member of Flag Luxury Properties and leader of Riv Acquisitions, said in the letter. "The board's legal responsibility is to obtain the highest and best value for its stockholders, not to find spurious reasons why bidders ... should be disqualified from acquiring the company."

Riviera Holdings said the board could not consider the \$27 per share offer made Monday because Riv Acquisition had already entered a lockup and option agreement to buy 9.2 percent of the company's shares from major stockholders Triple Five Investco and Dominion Financial without the board's approval.

The investment group already controls about 20 percent of the company's stock. The current offer requires the approval of holders of 60 percent of the stock.

In a letter spurning the offer Wednesday, Riviera Chairman Bill Westerman said the investment group's actions violated the state's business laws and the corporation's bylaws on large stockholders.

Such agreements interfered "with the ability of shareholders to receive ... the highest value for their shares," he said.

Westerman further said that Riv Acquisition's actions also disqualified it from entering a merger for three years.

Matt Sodl, managing director of Innovation Capital, an investment bank based in Los Angeles, told Bloomberg News on Wednesday that he was surprised Riviera passed on the bid.



"I think they're playing speculator," Sodi said.

Riviera Holdings Chief Financial Officer Mark Lefever said Friday the company had no comment on the latest letter and wouldn't say when the company would respond.

In the letter, Kanavos said Riv Acquisition "vehemently disagrees" with the gaming company's accusation of collusion. He added, though, that it recognizes that the board would have to approve any lockup agreement.

He argued that neither Riviera Holdings' bylaws nor state law prevent the board from discussing the proposal with the investment group or recommending the proposal to the stockholders.

"We reiterate our position that our investment group is prepared to enter into a merger agreement," Kanavos' letter continued, adding that provisions were in place to allow the board to consider other proposals.

Kanavos closed the letter by saying Riv Acquisition will send another merger agreement to the board.

"We expect the Riviera's stockholders will hold the board accountable if it continues to ignore its fiduciary duties," he said.

A spokesman for the investment group said it had no other comment beyond the letter.

This is the second time in 12 months that Riv Acquisitions, which includes managing members of New York-based Flag Luxury Properties, Starwood founder Barry Sternlicht and Las Vegas developer Brett Torino, has tried to buy the company.

Riviera Holdings shareholders rejected the initial \$17 per share offer from Riv Acquisition in September, claiming the bid was too low.

The gaming company also let a 30-day negotiating period expire in December on a \$21 per share offer by New York-based asset management firm D.E. Shaw and developer Bruce Eichner.

Eichner, who is developing the \$2.8 billion Cosmopolitan mixed-use project north of MGM Mirage's Project CityCenter, could not be reached for comment on this week's developments.

The jewel of the Riviera Holdings' portfolio is the 2,075-room Riviera and its accompanying 26 acres on the north end of the Strip. The 52-year-old property, which has frontage on both Las Vegas Boulevard and Paradise Road, is one of the few available land parcels in that area suitable for redevelopment.

Riviera Holdings shares rose 35 cents, or 1.27 percent, Friday to close at \$27.95 on the New York Stock Exchange. The shares have risen more than 70 percent in the past year.

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