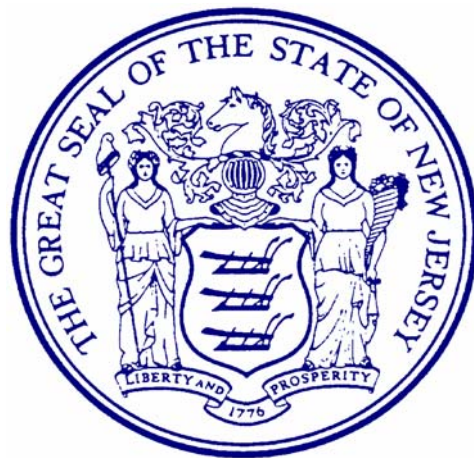


**RESORTS INTERNATIONAL HOTEL, INC.  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED MARCH 31, 2007**

**SUBMITTED TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION  
REPORTING MANUAL**

# RESORTS INTERNATIONAL HOTEL, INC.

## BALANCE SHEETS

AS OF MARCH 31, 2007 AND 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$15,429	\$15,344
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007, \$2,203; 2006, \$1,428).....	2	44,303	6,972
4	Inventories .....		1,714	1,745
5	Other Current Assets.....	3	3,325	1,828
6	Total Current Assets.....		64,771	25,889
7	Investments, Advances, and Receivables.....	4	12,444	11,715
8	Property and Equipment - Gross.....		320,603	317,265
9	Less: Accumulated Depreciation and Amortization.....		(75,074)	(57,862)
10	Property and Equipment - Net.....		245,529	259,403
11	Other Assets.....		11,853	6,005
12	Total Assets.....		\$334,597	\$303,012
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$10,251	\$12,221
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		313	6,838
17	Income Taxes Payable and Accrued.....		385	0
18	Other Accrued Expenses.....	5	18,384	20,011
19	Other Current Liabilities.....	6	4,657	6,508
20	Total Current Liabilities.....		33,990	45,578
	Long-Term Debt:			
21	Due to Affiliates.....	7	310,125	177,820
22	External.....	7	5,441	15,120
23	Deferred Credits .....		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	10	0	0
26	Total Liabilities.....		349,556	238,518
27	Stockholders', Partners', or Proprietor's Equity.....		(14,959)	64,494
28	Total Liabilities and Equity.....		\$334,597	\$303,012

\* Restated to conform with current year presentation

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

AMENDED 8/20/2007

# RESORTS INTERNATIONAL HOTEL, INC. STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (AMENDED)

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino.....		\$69,335	\$64,441
2	Rooms.....		4,279	5,160
3	Food and Beverage.....		7,648	7,333
4	Other.....		1,290	1,489
5	Total Revenue.....		82,552	78,423
6	Less: Promotional Allowances.....		20,997	20,145
7	Net Revenue.....		61,555	58,278
	Costs and Expenses:			
8	Cost of Goods and Services.....		43,800	42,817
9	Selling, General, and Administrative.....		11,010	10,270 *
10	Provision for Doubtful Accounts.....		296	95
11	Total Costs and Expenses.....		55,106	53,182
12	Gross Operating Profit.....		6,449	5,096
13	Depreciation and Amortization.....		4,411	4,849
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	8	1,049	820 *
15	Other.....	8	575	408 *
16	Income (Loss) from Operations.....		414	(981)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	8	(7,345)	(5,326)
18	Interest Expense - External.....		(856)	(887)
19	CRDA Related Income (Expense) - Net.....		(297)	(209)
20	Nonoperating Income (Expense) - Net.....		(14,565)	198 *
21	Total Other Income (Expenses).....		(23,063)	(6,224)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(22,649)	(7,205)
23	Provision (Credit) for Income Taxes.....		0	88
24	Income (Loss) Before Extraordinary Items.....		(22,649)	(7,293)
	Extraordinary Items (Net of Income Taxes -			
25	2007, \$0; 2006, \$0 ).....		0	0
26	Net Income (Loss).....		(\$22,649)	(\$7,293)

\*Restated to conform with current year presentation

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

**RESORTS INTERNATIONAL HOTEL, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND THE THREE MONTHS ENDED MARCH 31, 2007

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2005.....		100	\$0			\$77,673		(\$5,886)	\$71,787
2	Net Income (Loss) - 2006.....								(26,097)	(26,097)
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6										0
7										0
8										0
9										0
10	Balance, December 31, 2006.....		100	0	0	0	77,673	0	(31,983)	45,690
11	Net Income (Loss) - 2007.....								(22,649)	(22,649)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Return of Paid-in Capital						(38,000)			(38,000)
16										0
17										0
18										0
19	Balance, March 31, 2007 .....		100	\$0	0	\$0	\$39,673	\$0	(\$54,632)	(\$14,959)

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$54,854)	(\$5,545)
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....		0	0
3	Proceeds from the Sale of Short-Term Investments .....		0	0
4	Cash Outflows for Property and Equipment.....		(351)	(3,282)
5	Proceeds from Disposition of Property and Equipment.....		13	1
6	CRDA Obligations .....		0	(809)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances .....		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	CRDA Reimbursement .....		0	8
11				
12	Net Cash Provided (Used) By Investing Activities.....		(338)	(4,082)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	1,100
14	Payments to Settle Short-Term Debt.....		(199,104)	
15	Proceeds from Long-Term Debt .....		310,125	
16	Costs of Issuing Debt.....		(20,354)	
17	Payments to Settle Long-Term Debt.....		0	(1,460)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		(38,000)	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		52,667	(360)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(2,525)	(9,987)
25	Cash and Cash Equivalents at Beginning of Period.....		17,954	25,331
26	Cash and Cash Equivalents at End of Period.....		\$15,429	\$15,344
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$11,014	\$10,824
28	Income Taxes.....		\$0	\$88

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$22,649)	(\$7,293)
30	Depreciation and Amortization of Property and Equipment.....		4,091	4,599
31	Amortization of Other Assets.....		320	250
32	Amortization of Debt Discount or Premium.....		0	84
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		(13)	0
36	(Gain) Loss on CRDA-Related Obligations.....		320	206
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(35,653)	(365)
39	(Increase) Decrease in Inventories .....		(225)	(378)
40	(Increase) Decrease in Other Current Assets.....		701	1,036
41	(Increase) Decrease in Other Assets.....		(3,231)	602
42	Increase (Decrease) in Accounts Payable.....		(5,919)	902
43	Increase (Decrease) in Other Current Liabilities .....		(9,043)	(5,188)
44	Increase (Decrease) in Other Liabilities .....		0	0
45	Loss on Extinguishment of Debt .....		16,447	0
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		(\$54,854)	(\$5,545)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$351)	(\$3,282)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$351)	(\$3,282)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

**RESORTS INTERNATIONAL HOTEL, INC.**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 2007

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	59,322	\$3,527	86	\$15
2	Food	312,355	3,750	26,634	932
3	Beverage	673,753	2,158	0	0
4	Travel	0	0	8,020	547
5	Bus Program Cash	125,891	2,045	0	0
6	Other Cash Complimentaries	350,795	9,097	0	0
7	Entertainment	14,845	381	618	77
8	Retail & Non-Cash Gifts	1,247	19	29,217	3,360
9	Parking	0	0	0	0
10	Other	1,347	20	53,113	1,331
11	Total	1,539,555	\$20,997	117,688	\$6,262

\* Included in Other Promotional Expenses for the three months ended March 31, 2007 is direct marketing postage in the amount of \$646. No other single item or service included in other exceeds 5% of the column total

FOR THE THREE MONTHS ENDED MARCH 31, 2007

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	59,322	\$3,527	86	\$15
2	Food	312,355	3,750	26,634	932
3	Beverage	673,753	2,158	0	0
4	Travel	0	0	8,020	547
5	Bus Program Cash	125,891	2,045	0	0
6	Other Cash Complimentaries	350,795	9,097	0	0
7	Entertainment	14,845	381	618	77
8	Retail & Non-Cash Gifts	1,247	19	29,217	3,360
9	Parking	0	0	0	0
10	Other	1,347	20	53,113	1,331
11	Total	1,539,555	\$20,997	117,688	\$6,262

\* Included in Other Promotional Expenses for the three months ended March 31, 2007 is direct marketing postage in the amount of \$646. No other single item or service included in other exceeds 5% of the column total

**RESORTS INTERNATIONAL HOTEL, INC.  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2007

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

*Lawrence J. McCabe*

5/15/2007

Date

Lawrence J. McCabe

Director - Finance

Title

3392-11

License Number

On Behalf of:

RESORTS INTERNATIONAL HOTEL, INC.

Casino Licensee



**RESORTS INTERNATIONAL HOTEL INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Basis of Presentation**

Colony RIH Holdings, Inc., a Delaware corporation (“CRH”), owns 100% of the outstanding common stock of Resorts International Hotel and Casino, Inc. (“RIHC”). RIHC, through its subsidiary, Resorts International Hotel, Inc., a New Jersey corporation (“RIH” or the “Company”), owns and operates Resorts Atlantic City, a casino/hotel located in Atlantic City, NJ.

RIHC, Kerzner International North America, Inc., a Delaware corporation (“KINA”), formerly Sun International North America, Inc., and GGRI, Inc., a Delaware corporation (“GGRI”), entered into a purchase agreement, dated October 30, 2000, as amended (the “Purchase Agreement”). Pursuant to the Purchase Agreement, RIHC acquired all of the capital stock of RIH, the Warehouse Assets (as defined in the Purchase Agreement) and all of the capital stock of New Pier Operating Company, Inc. (“New Pier”), a New Jersey corporation (collectively, the “Acquisition”) on April 25, 2001 for approximately \$144.8 million.

The Acquisition has been accounted for using the purchase method, and accordingly, the aggregate purchase price, including transaction fees and expenses, has been allocated based on the fair value of the assets acquired and liabilities assumed.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Casino Control Commission (the “Commission”) for Quarterly Reports. Accordingly, they do not include the information and footnotes required by generally accepted accounting principles for complete financial statements.

These accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for fair presentation have been included. The casino industry is seasonal in nature; accordingly, operating results for the three months ended March 31, 2007, are not necessarily indicative of the results that may be expected for the final close of the year ended December 31, 2007.

These financial statements should be read in conjunction with the financial statements and notes thereto included in RIH’s Quarterly Report for the quarter ended December 31, 2006, as filed with the Commission.

Certain prior year balances have been reclassified to conform to the current year’s presentation.

**2. Receivables**

Components of receivables were as follows at March 31 (in thousands):

	2007	2006
Gaming .....	\$ 8,302	\$ 6,783
Less: allowance for doubtful accounts .....	(2,192)	(1,402)
	6,110	5,381
Non-gaming:		
Due from affiliates .....	35,555	-
Hotel and related .....	583	555
Other .....	2,067	1,062
	38,205	1,617
Less: allowance for doubtful accounts .....	(12)	(26)
	38,193	1,591
Receivables, net .....	\$ 44,303	\$ 6,972

**3. Prepaid Expenses and Other Current Assets**

Components of prepaid expenses and other current assets were as follows at March 31 (in thousands):

	2007	2006
Prepaid insurance .....	\$ 1,023	\$ 590
Prepaid casino licenses .....	397	384
Other prepaid expenses and current assets .....	1,905	854
	\$ 3,325	\$ 1,828

#### 4. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at March 31 (in thousands):

	2007	2006
CRDA bonds and direct investments .....	\$ 10,227	\$ 8,509
CRDA deposits .....	12,534	9,353
Valuation allowance .....	(10,317)	(6,147)
	<u>\$ 12,444</u>	<u>\$ 11,715</u>

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for the three months ended March 31, 2007 and 2006 for discounts on obligations were \$297,000 and \$209,000 respectively.

From time to time RIH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. The majority of the Company's deposits have been pledged for specific projects.

#### 5. Other Accrued Expenses

Components of other accrued expenses were as follows at March 31 (in thousands):

	2007	2006
Insurance and related costs .....	\$ 2,478	\$ 2,967
Payroll and related liabilities .....	7,126	7,671
Gaming taxes and fees .....	795	736
Construction payable .....	2,098	1,275
Other .....	5,887	7,362
	<u>\$ 18,384</u>	<u>\$ 20,011</u>

#### 6. Other Current Liabilities

Components of other current liabilities were as follows at March 31 (in thousands):

	2007	2006
Interest Payable.....	\$ 1,453	\$ 863
Payable to affiliates.....	0	2,786
Other.....	3,204	2,859
	<u>\$ 4,657</u>	<u>\$ 6,508</u>

#### 7. Long-Term Debt

On March 14, 2007, subsidiaries of CRH and RIHC entered into that certain Loan Agreement with Column Financial, Inc., as Lender (the "Term Loan"). The Term Loan is for an initial principal amount of \$350 million and is for an initial term of two (2) years. Interest on the Term Loan accrues at a rate of one month LIBOR plus 3.0%. The Term Loan is secured by a first priority deed of trust on the Resorts Hotel and Casino, Atlantic City, New Jersey, and certain other property owned by subsidiaries of CRH and RIHC.

Proceeds of the Term Loan were used to pay in full the existing indebtedness of CRH, RIHC and their subsidiaries, with Commerce Bank, CIT Group/Equipment Financing, Inc., and Kerzner International North America, Inc., and to redeem all of the outstanding 11 ½% First Mortgage Notes due 2009 (the "Notes") issued by RIHC. In connection with the redemption of the Notes by RIHC, the covenants under the indenture governing the Notes were defeased and a cash deposit in the amount of \$192,410,000 was deposited in trust with the Deutsche Bank Trust Company Americas, as Trustee to satisfy payment upon

redemption of the Notes on April 13, 2007. The redemption price is equal to 106% of the outstanding principal amount of \$180,000,000 plus accrued interest to the redemption date of April 13, 2007.

The subsidiaries of CRH and RIHC also entered into that certain Credit Agreement with Column Financial, Inc., as Lender (the "Revolving Loan") which provides for a \$10 million revolving credit facility. The proceeds of the Revolving Loan shall be used to provide the subsidiaries a line of credit to support working capital and/or letter of credit needs. The Revolving Loan is for an initial term of two (2) years. Interest on the Revolving Loan accrues at a rate of one month LIBOR plus 3.0% (8.3% at March 14, 2007). The Revolving Loan is secured by a first priority mortgage on Resorts Atlantic City, and certain other property owned by subsidiaries of CRH and RIHC.

Pursuant to the terms of the Term Loan and the Revolving Loan, the principal amount of the loans including all accrued and unpaid interest on the principal must be prepaid upon acceleration of the loans following an event of default including: failure to pay any portion of the debt when due; failure to pay taxes prior to the date they become delinquent; failure to keep insurance policies in full force and effect; violation of the change in control restriction; breach of representations and warranties; bankruptcy of the Company; violation of the restrictions on assignment; breach of negative covenants; default under related loan and credit line documents; certain material defaults under any ground lease agreements, interest rate cap agreements, letters of credit or other material agreements; or if the gaming license for Resorts Atlantic City is materially impaired, lost or suspended for any period of time or terminated.

Other long-term debt is summarized as follows at March 31 (in thousands):

	2007	2006
Thermal Agreement .....	\$ 5,635	\$ 5,902
CIT Facility .....	-	14,956
Revolving Credit Facility .....	-	1,100
Other .....	119	-
	5,754	21,958
Less: current portion .....	313	6,838
	\$ 5,441	\$ 15,120

In June 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five year terms. The Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed, and; a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$5.6 million at March 31, 2007.

In June 2002, RIH entered into a Restated Loan and Security Agreement with CIT Group/Equipment Financing, Inc ("CIT Facility"). The CIT Facility permitted RIH to borrow up to \$20 million for the purchase of machinery, furniture, or equipment. Loans pursuant to the CIT Facility were repayable in up to a sixty-month amortization period from the date the loan was made. The outstanding loans associated with the CIT Facility bore interest at the rate of LIBOR plus seven and one-quarter percent. RIH was required to pay an annual fee equal to one-half percent of the unused portion of the CIT Facility. There was no outstanding balance due to CIT at March 31, 2007. The CIT Facility contained a fixed charge coverage ratio and a senior leverage financial covenant as defined in the Credit Facility. On March 29, 2006, the CIT Facility was amended to modify the required covenant calculations at December 31, 2005 and on a prospective basis. Absent this amendment, the Company would not have been in compliance with the financial covenants. As a part of the amendment, the Company was required to pay \$1 million of the outstanding principal prior to March 31, 2006 and a fee of \$80,000. The amendment also redefined the interest rate on the facility based on a sliding scale on operating results (as defined).

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A ("Commerce Facility"). The Commerce Facility agreement was amended in June 2006 to provide for working capital borrowings and letters of credit in an aggregate amount of up to \$15 million, with the letter of credit portion of the Commerce Facility not to exceed \$7.5 million and working capital borrowings not to exceed \$10.0 million. The Commerce Facility was extended through March 31, 2007. There was no outstanding balance on the Commerce Facility at March 31, 2007. The Commerce Facility contained an interest coverage ratio and a minimum net worth requirement as defined in the Commerce Facility. On March 29, 2006, the CIT Facility was amended to modify the required covenant calculations at December 31, 2005 and on a prospective basis. Absent this amendment, the Company would not have been in compliance with the financial covenants.

During 2004, RREH purchased approximately 10.0 acres of land adjacent to and nearby the Resorts site. The land was acquired in exchange for the issuance of a \$40 million note by RREH to KINA. This \$40 million note matured immediately

following the maturity, acceleration or refinancing (other than permitted refinancing) of the First Mortgage Notes. Interest on the \$40 million note was payable semi-annually, and was calculated at the following annual rates: 0% through September 2005, 4% from October 2005 through March 2006, 6% from April 2006 through March 2008. The note payable to KINA was guaranteed by CRH, RIHC and RIH, provided, however that the guarantee of RIHC and RIH did not become effective until either the First Mortgage Notes had been paid in full or the fixed charge coverage ratio of RIHC is at least 2.0 to 1.0. In addition, the amount guaranteed was initially limited to \$20 million increasing by \$5 million each year. The KINA Note contained cross-default provisions whereby the acceleration of the scheduled maturity of the First Mortgage Notes constituted an event of default under the KINA Note.

## 8. Related Party Transactions (Amended)

RIH recorded the following expenses from affiliates for the three months ended March 31 (in thousands):

	2007	2006
Interest and amortization of discounts on First Mortgage Notes.....	\$ 7,345	\$ 5,326
Monthly corporate expenses .....	1,049	820
Land rent expenses payable to RREH.....	575	408

## 9. Income Taxes

The provision for income taxes for the three months ended March 31, 2007 is different than the amount computed at the United States statutory rate due to certain non-deductible items and state income taxes, which are calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state's fiscal years 2005 through 2006. This tax expired June 30, 2006, the state's fiscal year-end. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$175,000 and \$350,000 for the years 2006 and 2005, respectively. In connection with this tax, the Company recorded provisions for income taxes of \$0 and \$88,000, respectively, for the three month periods ended March 31, 2007 and 2006.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, requires the suspension of the use of the New Jersey net operating loss carry forwards through 2006 and the introduction of a new alternative minimum assessment ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. The Tax Act was retroactive to January 1, 2002. The Company had a tax credit recorded on the balance sheet at March 31, 2006 for the cumulative amount of the future tax credits related to payments under the NJAMA since the inception of the NJAMA.

## 10. Commitments and Contingencies

### Litigation

The Company is a defendant in certain litigation. In the opinion of management, based upon advice of counsel, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

### License Renewal

On January 21, 2004, the New Jersey Casino Control Commission (the "NJCCC") renewed RIH's license to operate its casino hotel complex in Atlantic City for the four-year period ending January 31, 2008. The license period for a casino license renewed after April 30, 2004, shall be up to five years, but the NJCCC may reopen licensing hearings at any time. The NJCCC shall act upon any such application prior to the date of expiration of the current license. A casino license is not transferable.

### **New Jersey Sports & Exposition Authority**

The twelve Atlantic City casino properties operating in 2004 (the “AC Industry”) and the Casino Reinvestment and Development Authority (“CRDA”) have entered into an agreement with the New Jersey Sports & Exposition Authority (the “NJSEA”) to provide funding to subsidize New Jersey’s horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four-year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property’s investment obligation. The Company’s obligation is equal to its fair share of AC Industry casino revenues. The Company estimates this commitment over the four-year period to be approximately \$4.8 million, the first payment of which was made in November 2004. The total estimated commitment will be charged to operations on a straight-line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until December 31, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

### **Revolving Line of Credit**

The Credit Agreement with Column Financial, Inc., provides for a \$10 million revolving credit facility. The proceeds of the \$10 million revolving credit facility shall be used to provide the subsidiaries with funds for working capital and/or letter of credit requirements. Of the \$10 million dollars, \$4.4 million is currently available for use and \$5.6 million is restricted to support existing letters of credit drawn on Commerce Bank, N.A.