

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

**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 SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$14,541	\$19,239
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2009, \$6,365; 2008, \$3,902).....	4	5,724	17,210
4	Inventories		1,079	1,889
5	Other Current Assets.....	5	6,825	4,395
6	Total Current Assets.....		28,169	42,733
7	Investments, Advances, and Receivables.....	6	53,736	54,858
8	Property and Equipment - Gross.....		344,402	338,972
9	Less: Accumulated Depreciation and Amortization.....		(110,595)	(97,815)
10	Property and Equipment - Net.....		233,807	241,157
11	Other Assets.....		1,716	5,013
12	Total Assets.....		\$317,428	\$343,761
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,120	\$6,563
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	350,000	0
16	External.....	9	308	349
17	Income Taxes Payable and Accrued.....		1,476	314
18	Other Accrued Expenses.....	7	15,820	17,075
19	Other Current Liabilities.....	8	15,750	2,815
20	Total Current Liabilities.....		390,474	27,116
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	350,000
22	External.....	9	4,640	4,923
23	Deferred Credits		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	11	0	0
26	Total Liabilities.....		395,114	382,039
27	Stockholders', Partners', or Proprietor's Equity.....		(77,686)	(38,278)
28	Total Liabilities and Equity.....		\$317,428	\$343,761

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 INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$149,712	\$181,997
2	Rooms.....		12,191	14,428
3	Food and Beverage.....		16,526	22,583
4	Other.....		3,439	4,756
5	Total Revenue.....		181,868	223,764
6	Less: Promotional Allowances.....		54,280	54,697
7	Net Revenue.....		127,588	169,067
	Costs and Expenses:			
8	Cost of Goods and Services.....		104,393	122,508
9	Selling, General, and Administrative.....		27,806	36,785
10	Provision for Doubtful Accounts.....		2,497	1,427
11	Total Costs and Expenses.....		134,696	160,720
12	Gross Operating Profit.....		(7,108)	8,347
13	Depreciation and Amortization.....		9,995	11,361
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	10	1,310	2,439
15	Other.....		0	0
16	Income (Loss) from Operations.....		(18,413)	(5,453)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(10,194)	(15,480)
18	Interest Expense - External.....		(1,031)	(1,407)
19	CRDA Related Income (Expense) - Net.....		(1,038)	(701)
20	Nonoperating Income (Expense) - Net.....	12	6,722	854
21	Total Other Income (Expenses).....		(5,541)	(16,734)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(23,954)	(22,187)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(23,954)	(22,187)
25	Extraordinary Items (Net of Income Taxes - 2009, \$0; 2008, \$0).....		0	0
26	Net Income (Loss).....		(\$23,954)	(\$22,187)

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 INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$56,010	\$58,438
2	Rooms.....		4,929	5,384
3	Food and Beverage.....		6,306	6,949
4	Other.....		1,370	1,386
5	Total Revenue.....		68,615	72,157
6	Less: Promotional Allowances.....		20,152	16,552
7	Net Revenue.....		48,463	55,605
	Costs and Expenses:			
8	Cost of Goods and Services.....		37,645	39,773
9	Selling, General, and Administrative.....		9,336	12,174
10	Provision for Doubtful Accounts.....		776	349
11	Total Costs and Expenses.....		47,757	52,296
12	Gross Operating Profit.....		706	3,309
13	Depreciation and Amortization.....		2,878	3,664
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		488	813
15	Other.....		0	0
16	Income (Loss) from Operations.....		(2,660)	(1,168)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(3,365)	(4,894)
18	Interest Expense - External.....		(186)	(448)
19	CRDA Related Income (Expense) - Net.....		(470)	(245)
20	Nonoperating Income (Expense) - Net.....		2,446	318
21	Total Other Income (Expenses).....		(1,575)	(5,269)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(4,235)	(6,437)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(4,235)	(6,437)
25	Extraordinary Items (Net of Income Taxes - 2009, \$0; 2008, \$0).....		0	0
26	Net Income (Loss).....		(\$4,235)	(\$6,437)

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, 2008 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(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, 2007.....		100	\$0	0	\$0	\$39,673	\$0	(\$55,764)	(\$16,091)
2	Net Income (Loss) - 2008.....								(37,641)	(37,641)
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, 2008.....		100	0	0	0	39,673	0	(93,405)	(53,732)
11	Net Income (Loss) - 2009.....								(23,954)	(23,954)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, September 30, 2009		100	\$0	0	\$0	\$39,673	\$0	(\$117,359)	(\$77,686)

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 NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$3,070	(\$10,312)
	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.....		(2,859)	(6,463)
5	Proceeds from Disposition of Property and Equipment.....		2	102
6	CRDA Obligations		(1,789)	(2,385)
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		111	2,269
11				
12	Net Cash Provided (Used) By Investing Activities.....		(4,535)	(6,477)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		(239)	(244)
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
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.....		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		(239)	(244)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,704)	(17,033)
25	Cash and Cash Equivalents at Beginning of Period.....		16,245	36,272
26	Cash and Cash Equivalents at End of Period.....	19239	\$14,541	\$19,239
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$157	\$16,687
28	Income Taxes.....		\$19	\$15

* Restated to conform to 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 CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$23,954)	(\$22,187)
30	Depreciation and Amortization of Property and Equipment.....		9,995	11,361
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		1,031	1,008
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		52	(102)
36	(Gain) Loss on CRDA-Related Obligations.....		1,036	701
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		5,556	9,411
39	(Increase) Decrease in Inventories		382	12
40	(Increase) Decrease in Other Current Assets.....		205	(1,228)
41	(Increase) Decrease in Other Assets.....		(1,216)	39
42	Increase (Decrease) in Accounts Payable.....		(236)	(4,728)
43	Increase (Decrease) in Other Current Liabilities		10,219	(4,599)
44	Increase (Decrease) in Other Liabilities		0	0
45	Loss on Extinguishment of Debt		0	0
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$3,070	(\$10,312)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$2,859)	(\$6,463)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$2,859)	(\$6,463)
	ACQUISITION OF BUSINESS ENTITIES:			
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
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
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

* Restated to conform to 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.
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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.

11/16/2009

Date



[Insert Name Here]

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., also a Delaware corporation (“RIHC”). RIHC, through its wholly-owned 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. On April 1, 2003, Resorts Real Estate Holdings, Inc. (“RREH”) was formed as a wholly-owned subsidiary of CRH. RREH, which was incorporated as a New Jersey corporation, was formed to acquire certain land. RREH had no substantive business operations prior to January 2004.

CRH was formed at the direction of Colony Investors IV, L.P. (“Colony IV”), an affiliate of Colony Capital, LLC (“Colony Capital”) of Los Angeles, California, on March 7, 2001. RIHC was formed at the direction of Colony IV on October 24, 2000.

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.

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

2. Going Concern

The Company’s financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As discussed below, the Company has incurred recurring net losses, is in default of its Loan Agreements and has a net working capital deficiency.

Since refinancing its First Mortgage Old Notes in 2007, the Company invested in the expansion and/or refurbishment of the hotel, gaming equipment and related technology and building infrastructure. Although these investments improved the condition of the property and resulted in significant labor efficiencies and cost savings, those efficiencies and cost savings were not enough to offset the increased competition and current poor economic conditions. Since 2007, expansions, which added both hotel room and retail capacity to the Atlantic City market occurred at the Borgata, Harrah’s and Trump Taj Mahal casinos. These expansions occurred while the gaming market in Atlantic City declined in 2007 and 2008 and put substantial pressure on the Company to maintain gaming revenue market share. The Company continues to face competitive market conditions from competitors in neighboring states as well. During the two years ended December 31, 2008, the Company incurred net losses totaling \$61.4 million. At September 30, 2009, the Company had a shareholder’s deficit of \$77.7 million and current liabilities exceeded current assets by \$336.7 million.

On November 7, 2008, as a result of the severe impact of the current economic conditions, the Company failed to make its monthly interest payment and other monthly funding requirements related to the Term Loan and the Revolving Loan. During November 2008, the Company was notified by Column Financial, Inc. (“Lender”) that it was in default of its obligations under the Term Loan and the Revolving Loan. The Company has been unable to cure the default and has not made any additional payments of debt service, including interest, past due late charges and certain escrow payments since November 7, 2008. Since then, the Company has been in negotiations with the Lender and its agents to resolve the default. As of September 30, 2009, the outstanding indebtedness under the Term Loan and the Revolving Loan was \$350.0 million, plus related accrued interest of \$14.3 million and other funding requirements of \$16.6 million.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

2. Going Concern (continued)

On January 21, 2009, the Lender and TriMont Real Estate Advisors, Inc. the special servicer for the Term Loan and the Revolving Loan, (the "Petitioners") petitioned the New Jersey Casino Control Commission ("CCC") for certain relief regarding the default. Among other things, the petitioners requested approval to initiate steps to acquire the Resorts Atlantic City hotel and casino property, control certain RIH's bank accounts, require certain cash transactions by RIH and terminate certain of RIH's contractual agreements. On March 4, 2009, the CCC ruled that among other things, the Petitioners were permitted to pursue acquisition of the title to the Resorts Atlantic City hotel and casino property. However, because the Petitioners lacked the necessary gaming license needed to make management decisions for a New Jersey casino, the CCC ruled that passage of such property title cannot occur without the CCC's approval of the gaming licensure of any entity that would acquire an interest in the property. The CCC further ruled that RIH would maintain at all times a minimum cash balance of \$15 million for working capital and casino cage purposes; funding of such amount, if by the Petitioners, is permitted only after receiving the CCC's approval of such funding. The Petitioners are required to provide at least 45 days notice to the CCC and the New Jersey Division of Gaming Enforcement before any such advanced amounts may be withdrawn. The CCC also ruled that RIH would continue to maintain exclusive control over its cash flows and cash accounts.

The conditions described above raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described below. The 2009 financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Despite the default on the Term Loan and the Revolving Loan, the Lender and its agents continued to fund capital expenditures, property taxes and insurance premiums from existing escrow accounts they control. The Company has used the capital expenditures to improve the productivity and efficiencies of the operations, as well as to renovate the hotel and casino in order to meet the standards of the Atlantic City market.

In addition to significant staff reductions that occurred in 2007 and 2008, Management implemented various programs in 2009 to reduce operating expenses, including marketing programs, flexible staffing, management pay freezes and furloughs without pay.

Management believes such actions have contributed to a reduced cost structure at the Company. While Management believes the Company's future results of operations will ultimately be favorably influenced by improvements in the general economy and the Atlantic City gaming industry, no assurance can be given as to whether such improvements will occur or their timing. Consequently, the Company will be subject to severe cash shortages. The funding of the Company's cash requirements in 2009 will depend on the outcome of the negotiations with the Lender and its agents to resolve the default described above. However, there can be no assurances that Management will successfully resolve its negotiations with the Lender and its agents.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allowances for doubtful accounts arising from casino, hotel and other services, are based upon a specific review of certain outstanding receivables. In determining the amounts of the allowances, certain estimates and assumptions are made, and actual results may differ from those assumptions.

Cash Equivalents

Short-term money market securities purchased with original maturities of three months or less are considered to be cash equivalents. The carrying value of cash equivalents approximates fair value due to the short-term maturity of these instruments.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Inventories

Inventories of provisions, supplies and spare parts are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives reported below using the straight-line method. Charges to income resulting from amortization of assets recorded under capital leases are included with depreciation and amortization expense in the Statements of Income.

Hotels and other buildings.....	35 – 40 years
Furniture fixtures and equipment.....	2 – 5 years

The provisions of Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long- Lived Assets” (“SFAS No. 144”), requires, among other things, that an entity review its long-lived assets and certain intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows.

Income Taxes

The Company follows the provisions of SFAS No. 109, “Accounting for Income Taxes.” Accordingly, deferred tax assets and liabilities are calculated as the difference between the financial statement carrying amounts and tax bases of assets and liabilities. These differences are affected by the tax rate for the year in which they are expected to be recovered or settled. A valuation allowance is recognized, if necessary, to account for the likelihood that these differences will not be realized in the future. Note 13 further addresses the components of the deferred tax assets and liabilities.

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109, Accounting for Income Taxes” (“FIN 48”). FIN 48 creates a single model to address accounting for uncertainty in tax positions, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for annual periods beginning after December 15, 2008 and the Company will adopt FIN 48 as of January 1, 2009, as required. The cumulative effect, if any, of adopting FIN 48 will be recorded to accumulated deficit. The Company does not expect the adoption of FIN 48 to have a material effect, if any, on its financial statements.

Revenue Recognition

Gaming revenue is recorded as the net win from gaming activities, which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services and from theater ticket sales are recognized at the time the related service is performed.

Promotional Allowances

The retail value of hotel accommodations, food, beverage and other services provided to customers without charge is included in gross revenues and deducted as promotional allowances.

Cash discounts based upon a negotiated amount with each customer are recognized as a promotional allowance on the date the related revenues are recorded.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

The Company offers other incentive programs. These are gifts and other promotional items, the type and distribution of which is determined by management. Since these awards are not cash awards, the Company records them as gaming expenses in the Statements of Income. Such amounts are expensed on the date the award can be utilized by the customer.

Cashback Liability

The Company awards incentives to its casino customers, based on their levels of gaming activity, through its "Cashback" marketing program. The incentives awarded are in the form of points which may be redeemed for coin to wager on slot machines. The Company records a liability for outstanding Cashback incentives (those incentives which have been earned, but not yet redeemed by the customer), adjusted for an estimated redemption factor based on historical results. The amount of expense resulting from this marketing program could vary from the liability recorded based on actual redemption rates; however, management believes the historical actual redemptions have been materially consistent with the original estimates. The amount is recorded as a promotional allowance in the Statements of Income.

Bankable Complimentaries

The Company customer loyalty program, Destination Club, offers incentives to customers who gamble at Resorts Atlantic City and its affiliated casinos. Under the program, customers are able to accumulate, or bank, comp dollars over time that they may redeem at their discretion under the terms of the program. The comp dollars balance will be forfeited if the customer does not redeem them over an eight-month period from the time they were first earned. As a result of the ability of the customer to bank the comp dollars, the Company accrues the expense of the comp dollars, after consideration of estimated breakage, as they are earned. The estimated cost to provide comp dollars is expensed as the comp dollars are earned and is included in casino expense on the Company's Statements of Income. To arrive at the estimated cost associated with comp dollars, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which comp dollars will be redeemed. We use historical data to assist in the determination of estimated accruals.

Self-insured Health Insurance

Non-union employees are covered under a self-insured medical plan for each insured person. Amounts in excess of \$250,000 per claim are covered by the Company's insurance programs subject to customary policy limits.

Advertising

The Company expenses advertising costs as incurred. These costs are included in Selling, General and Administrative costs on the Company's Statements of Income. For the nine months ended September 30, 2009 and 2008 these costs amounted to \$2.6 million and \$3.1 million, respectively.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires stock-based employee compensation to be measured based on the grant-date fair value of the award and the cost to be recognized over the period during which, an employee is required to provide service in exchange for the award.

Equity instruments issued to non-employees in exchange for goods or services are accounted for using the fair value method and expense is recorded based on the value determined.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Trade Receivables and Allowance for Accounts Receivable

Trade receivables are initially recorded at cost. Accounts are written off when the Company deems the account to be uncollectible. Allowances for doubtful accounts arising from casino, hotel and other services, are based upon a specific review of certain outstanding receivables and historical trends. In determining the amounts of the allowances, certain estimates and assumptions are made, and actual results may differ from those assumptions.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents are reasonable estimates of fair values because of the short-term maturities of these investments. The Casino Reinvestment and Development Authority ("CRDA") deposits, bonds, and other investments are stated net of a valuation allowance reflecting the below-market interest rates associated with these investments; therefore, the carrying values approximate their fair values. The carrying value of the Term Loan approximates its fair value due to variable market interest rate of debt instruments.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 ("FSP 157-2"), delaying the effective date of SFAS 157 to the Company's fiscal year beginning January 1, 2009 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Non-financial assets and non-financial liabilities for which the Company is required to apply the provisions of SFAS 157 include its long-lived assets measured at fair value under the provisions of SFAS No. 144. The Company adopted SFAS 157 effective January 1, 2008 for financial assets and liabilities. The adoption of SFAS 157 did not impact the Company's financial statements. The Company does not expect the adoption of FSP 157-2 to have a material effect on the Company's 2009 financial statements.

4. Receivables

Components of receivables were as follows at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Gaming	\$ 13,049	\$ 9,989
Less: allowance for doubtful accounts	(6,338)	(3,892)
	<u>6,711</u>	<u>6,097</u>
Non-gaming:		
Due from/(to) affiliates, net	(2,058)	9,130
Hotel and related	624	938
Other	474	1,055
	<u>(960)</u>	<u>11,123</u>
Less: allowance for doubtful accounts	(27)	(10)
	<u>(987)</u>	<u>11,113</u>
Receivables, net	<u>\$ 5,724</u>	<u>\$ 17,210</u>

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

5. Other Current Assets

Components of prepaid expenses and other current assets were as follows at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Debt issuance costs, net	\$ 3,320	\$ -
Purse enhancement funding, net	1,244	425
Prepaid casino licenses	884	985
Prepaid maintenance agreements	468	397
Prepaid insurance	373	1,749
Other prepaid expenses and current assets	536	839
	<u>\$ 6,825</u>	<u>\$ 4,395</u>

Debt issuance costs consist of amounts incurred in connection with obtaining long-term debt. The costs are amortized on a straight-line basis over the contractual life of the loan and amortization of such costs is included in interest expense. As a result of the default described in Notes 2 and 9, all indebtedness outstanding under the First Mortgage Notes became automatically due and payable. Consequently the Company has classified the debt issuance costs, net associated with the First Mortgage New Notes within current assets in its Balance Sheet as of September 30, 2009.

6. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Due from Resorts Real Estate Holdings, Inc.	\$ 39,875	\$ 39,875
CRDA deposits	16,927	17,906
CRDA bonds and direct investments	5,811	6,203
Valuation allowance	(8,877)	(9,126)
	<u>\$ 53,736</u>	<u>\$ 54,858</u>

On March 14, 2007, subsidiaries of CRH and RIHC entered into a Loan Agreement with Column Financial, Inc. as Lender (the "Term Loan" or "New Note"). Proceeds of the Term Loan were used to pay, among other things, the full existing indebtedness of RREH to KINA in the amount of \$39.9 million, which remains as a receivable at September 30, 2009 and 2008.

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by 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 charge for the nine months ended September 30, 2009 and 2008 for discounts on obligations was \$1.3 million and \$1.5 million, respectively.

During 2008, the Company completed its obligations to the CRDA in regard to certain agreements between them. As a result, the CRDA refunded approximately \$2.4 million of the Company's deposits in accordance with these agreements. The Company recorded in the 2008 Statement of Income approximately \$0.8 million in recovery of charges for the discounts on these refunded deposits.

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

7. Other Accrued Expenses

Components of accrued expenses were as follows at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Payroll and related costs	\$ 9,023	\$ 9,139
Unredeemed incentives	1,447	1,511
Unredeemed gaming tickets	901	1,009
Real estate taxes	837	-
Progressive jackpot liability	735	641
Legal fees and related costs	702	215
Other	2,175	4,560
	<u>\$ 15,820</u>	<u>\$ 17,075</u>

8. Other Current Liabilities

Components of other current liabilities were as follows at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Accrued interest payable to affiliates	\$ 14,322	\$ 947
Unredeemed chip liability	345	292
Other	1,083	1,576
	<u>\$ 15,750</u>	<u>\$ 2,815</u>

9. Long-Term Debt

Long-term debt is summarized as follows at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
First Mortgage Term Loan - New Notes	\$ 350,000	\$ 350,000
Thermal Energy capital lease	4,943	5,213
Other notes payable	5	59
	<u>354,948</u>	<u>355,272</u>
Less: current portion	350,308	349
	<u>\$ 4,640</u>	<u>\$ 354,923</u>

On March 14, 2007, subsidiaries of CRH and RIHC entered into a Loan Agreement with Column Financial, Inc., as Lender (the "Term Loan" or "New Notes"). 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.

The subsidiaries of CRH and RIHC also entered into a 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 were to be used to provide the subsidiaries a line of credit to support working capital and/or letter of credit requirements. Of the \$10 million dollars, \$7.2 million is restricted to support existing letters of credit. 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% (3.2% at September 30, 2009). 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.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

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.

On November 7, 2008, as a result of the severe impact of the current economic conditions, the Company failed to make its monthly interest payment and other monthly funding requirements related to the Term Loan and the Revolving Loan. During November 2008, the Company was notified by the Lender that it was in default of its obligations under the Term Loan and the Revolving Loan. The Company has been unable to cure the default and has not made any additional payments of debt service, including interest, past due late charges or certain escrow since November 7, 2008.

As a result of the default, all indebtedness outstanding under the First Mortgage Notes became automatically due and payable. Consequently the Company has classified the indebtedness under the First Mortgage Notes within current liabilities in its Balance Sheet as of September 30, 2009. In addition, until such time as no event of default exists, interest on the outstanding principal balance of the Loan, accrued and unpaid interest and other amounts due in respect of the Loan, accrue at a default rate, which is 3% higher than the applicable rate described above ("Default Rate"). Interest at the Default Rate is computed from the occurrence of the default until the actual receipt and collection of the Term Loan and the Revolving Loan. Interest at the Default Rate is added to the Term Loan and the revolving Loan and accrues interest at the same rate as the Term Loan and the Revolving Loan and is secured by the related security instruments. The event of default restricts the Company from paying dividends or returning capital to its shareholder.

Since November 2008, the Company has been in negotiations with Column Financial, Inc., as Lender and its agents to resolve the default. As of September 30, 2009, the outstanding indebtedness under the Term Loan and the Revolving Loan was \$350.0 million, plus related accrued interest of \$14.3 million and other funding requirements of \$16.6 million.

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 Thermal 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 \$4.9 million at September 30, 2009.

10. Related Party Transactions

RIH recorded the following expenses from affiliates for the nine months ended September 30 (in thousands):

	2009	2008
Interest and amortization of discounts on First Mortgage Notes	\$ 10,194	\$ 15,480
Monthly corporate expenses	1,310	2,439
	<u>\$ 11,504</u>	<u>\$ 17,919</u>

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

11. 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 Company's financial position, results of operations, or liquidity.

License Renewal

On January 30, 2008, the CCC renewed RIH's license to operate its casino hotel complex in Atlantic City for the five-year period beginning January 31, 2008 and ending January 31, 2013. The license period for a casino license renewed after April 30, 2004, shall be up to five years, but the CCC may reopen licensing hearings at any time. The CCC 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") 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 did not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided \$34 million over a four-year period to the NJSEA and deposited another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million were 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 was equal to its fair share of AC Industry casino revenues. The Company had met its deposit obligation related to its fair share of the \$62 million in prior years; as such, 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. In October 2007, the Company met its deposit obligation related to its fair share of the \$34 million. The total commitment was charged to operations on a straight-line basis through December 31, 2008.

The New Jersey Legislature amended the Casino Control Act, effective April 18, 2008, to permit the Casinos to deduct the amount of certain promotional gaming credits wagered at their slot machines in calculating the tax on gross gaming revenue. The amendment became operative upon the August 14, 2008 certification by the Chair of the CCC to the State Treasurer that the Casinos and Casino Association of New Jersey ("CANJ") had executed a Purse Enhancement Agreement ("PEA") with the NJSEA for the benefit of the horse racing industry for \$30 million annually for a three year period. In addition, the CCC adopted regulations effective September 22, 2008 which establish procedures by which the Casinos may implement the promotional gaming credit tax deduction.

The PEA provides that the Casinos will pay the NJSEA \$90 million to be used solely for purse enhancements, breeder's purses and expenses to establish off-track wagering facilities, which it incurs through 2011. The payments will be made in eleven installments from September 29, 2008 through November 15, 2011 and will total \$22.5 million in 2008, \$30 million in each of 2009 and 2010 and \$7.5 million in 2011. Each Casino will pay a share equal to a percentage representing the gross gaming revenue it reported for the prior calendar year compared to that reported by all Casinos for that year. The Company's portion of this industry obligation for 2008 was approximately 5.7%. Based on current market share ratios, the Company estimates that its proportionate share of the PEA obligation will be approximately \$4.7 million. The Company charges its estimated PEA obligation to operations on a straight-line basis through December 31, 2011. The charge for the nine months ended September 30, 2009 for the PEA obligation was \$1.2 million. As of September 30, 2009, the Company had paid \$2.4 million toward its PEA obligation. The remaining balance in PEA obligation payments of \$1.2 million is included in Other Current Assets on the accompanying Balance Sheet at that date.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

12. Nonoperating Income (Expense) – Net

On July 22, 2009, a stipulation of settlement was filed in New Jersey Civil Court between RIH and the City of Atlantic City regarding property taxes for the years 2005 through 2008 (“Real Estate Tax Settlement”). The Real Estate Tax Settlement provides the Company a \$9.2 million credit for Atlantic City real estate taxes to be applied to calendar years 2009 through 2011. For the nine months ended September 30, 2009, \$7.2 million in real estate tax credits were recorded in Nonoperating income (expense) – net, as a result of the Real Estate Tax Settlement.