

**RIH ACQUISITIONS NJ, LLC (ACH)  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2011**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# RIH ACQUISITIONS NJ, LLC (ACH)

## BALANCE SHEETS

AS OF DECEMBER 31, 2011 (REVISED) AND 2010

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED JULY 17, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$28,000	\$9,813
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2011, \$10,999; 2010, \$9,572).....	Note 4	5,538	9,554
4	Inventories .....		643	884
5	Other Current Assets.....		2,246	3,776
6	Total Current Assets.....		36,427	24,027
7	Investments, Advances, and Receivables.....	Note 5	12,033	15,878
8	Property and Equipment - Gross.....		31,999	33,672
9	Less: Accumulated Depreciation and Amortization.....		(2,946)	(3,454)
10	Property and Equipment - Net.....	Note 6	29,053	30,218
11	Other Assets.....	Note 7	1,732	1,241
12	Total Assets.....		\$79,245	\$71,364
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,964	\$3,926
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		95	2,601
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	Note 8	17,168	17,564
19	Other Current Liabilities.....	Note 9	7,981	25,471
20	Total Current Liabilities.....		27,208	49,562
	Long-Term Debt:			
21	Due to Affiliates.....	Note 10	0	348,207
22	External.....		0	42
23	Deferred Credits .....		0	0
24	Other Liabilities.....	Note 7	231	229
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		27,439	398,040
27	Stockholders', Partners', or Proprietor's Equity.....		51,806	(326,676)
28	Total Liabilities and Equity.....		\$79,245	\$71,364

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

# RIH ACQUISITIONS NJ, LLC (ACH)

## STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 (REVISED) AND 2010

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED JULY 17, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$143,489	\$161,593
2	Rooms.....		11,818	14,743
3	Food and Beverage.....		18,153	21,984
4	Other.....		3,038	4,293
5	Total Revenue.....		176,498	202,613
6	Less: Promotional Allowances.....		49,822	58,443
7	Net Revenue.....		126,676	144,170
	Costs and Expenses:			
8	Cost of Goods and Services.....		119,238	131,498
9	Selling, General, and Administrative.....		25,242	29,866
10	Provision for Doubtful Accounts.....		2,066	2,064
11	Total Costs and Expenses.....		146,546	163,428
12	Gross Operating Profit.....		(19,870)	(19,258)
13	Depreciation and Amortization.....		5,884	3,390
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		1,321	1,343
16	Income (Loss) from Operations.....		(27,075)	(23,991)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(21,361)	(22,173)
18	Interest Expense - External.....		(161)	(384)
19	CRDA Related Income (Expense) - Net.....		(525)	(682)
20	Nonoperating Income (Expense) - Net.....		9,697	(14,863)
21	Total Other Income (Expenses).....		(12,350)	(38,102)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(39,425)	(62,093)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(39,425)	(62,093)
	Extraordinary Items (Net of Income Taxes -			
25	2011, \$0; 2010, \$0).....		0	0
26	Net Income (Loss).....		(\$39,425)	(\$62,093)

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

# RIH ACQUISITIONS NJ, LLC (ACH)

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 (REVISED) AND 2010

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED JULY 17, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$28,284	\$33,422
2	Rooms.....		2,215	2,877
3	Food and Beverage.....		3,356	4,518
4	Other.....		544	868
5	Total Revenue.....		34,399	41,685
6	Less: Promotional Allowances.....		9,975	11,208
7	Net Revenue.....		24,424	30,477
	Costs and Expenses:			
8	Cost of Goods and Services.....		24,921	22,784
9	Selling, General, and Administrative.....		5,496	7,409
10	Provision for Doubtful Accounts.....		604	406
11	Total Costs and Expenses.....		31,021	30,599
12	Gross Operating Profit.....		(6,597)	(122)
13	Depreciation and Amortization.....		3,412	325
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		330	330
16	Income (Loss) from Operations.....		(10,339)	(777)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(3,965)	(5,333)
18	Interest Expense - External.....		(47)	(380)
19	CRDA Related Income (Expense) - Net.....		(93)	(141)
20	Nonoperating Income (Expense) - Net.....		9,393	(15,119)
21	Total Other Income (Expenses).....		5,288	(20,973)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(5,051)	(21,750)
23	Provision (Credit) for Income Taxes.....		(14)	0
24	Income (Loss) Before Extraordinary Items.....		(5,037)	(21,750)
	Extraordinary Items (Net of Income Taxes -			
25	2011, \$0; 2010, \$0).....		0	0
26	Net Income (Loss).....		(\$5,037)	(\$21,750)

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

# RIH ACQUISITIONS NJ, LLC (ACH) STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2011 (REVISED)

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED JULY 17, 2012

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2009.....</b>		\$138,474	(\$403,057)	\$0	(\$264,583)
2	Net Income (Loss) - 2010.....			(62,093)		(62,093)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	<b>Balance, December 31, 2010.....</b>		138,474	(465,150)	0	(326,676)
11	Net Income (Loss) - 2011.....			(39,425)		(39,425)
12	Capital Contributions.....		15,000			15,000
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....		1			1
16	Debt Elimination				402,906	402,906
17	_____					0
18	_____					0
19	<b>Balance, DECEMBER 30, 2011....</b>		\$153,475	(\$504,575)	\$402,906	\$51,806

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

# RIH ACQUISITIONS NJ, LLC (ACH)

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 (REVISED) AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED JULY 17, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$28,780)	(\$34,213)
	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.....		(1,523)	(8,703)
5	Proceeds from Disposition of Property and Equipment.....		0	189
6	CRDA Obligations .....		(1,857)	(2,106)
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			0	0
11			0	0
12	Net Cash Provided (Used) By Investing Activities.....		(3,380)	(10,620)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		(2,806)	(4,232)
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...		15,000	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Changes in receivables from affiliates .....		38,153	46,911
22			0	0
23	Net Cash Provided (Used) By Financing Activities.....		50,347	42,679
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		18,187	(2,154)
25	Cash and Cash Equivalents at Beginning of Period.....		9,813	11,967
26	Cash and Cash Equivalents at End of Period.....		\$28,000	\$9,813
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$161	\$384
28	Income Taxes.....		\$14	\$0

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

# RIH ACQUISITIONS NJ, LLC (ACH)

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 (REVISED) AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$39,425)	(\$62,093)
30	Depreciation and Amortization of Property and Equipment.....		2,946	2,972
31	Amortization of Other Assets.....		2,938	418
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	(189)
36	(Gain) Loss on CRDA-Related Obligations.....		525	682
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		4,016	5,538
39	(Increase) Decrease in Inventories .....		241	496
40	(Increase) Decrease in Other Current Assets.....		1,530	849
41	(Increase) Decrease in Other Assets.....		1,679	76
42	Increase (Decrease) in Accounts Payable.....		(1,962)	(369)
43	Increase (Decrease) in Other Current Liabilities .....		(1,270)	2,092
44	Increase (Decrease) in Other Liabilities .....		2	3
45	Write-off of Goodwill .....		0	0
46	Impairment of Long-Lived Assets .....		0	15,312
47	Net Cash Provided (Used) By Operating Activities.....		(\$28,780)	(\$34,213)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$1,781)	(\$12,590)
49	Less: Capital Lease Obligations Incurred.....		258	3,887
50	Cash Outflows for Property and Equipment.....		(\$1,523)	(\$8,703)
	<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.....		\$15,000	\$0
58	Less: Issuances to Settle Long-Term Debt.....			0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$15,000	\$0

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

**RIH ACQUISITIONS NJ, LLC (ACH)  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2011

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.

- Real estate taxes for 2010 & 2011 are outstanding pending governing body approval of assessment appeal settlement.

6/20/2012

Date



[Gregory J. Sherbon]

Vice President of Finance

Title

008983-11

License Number

On Behalf of:

RIH ACQUISITIONS NJ, LLC (ACH)

Casino Licensee



**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation and Consolidation**

RIH Acquisitions NJ, LLC, a New Jersey limited liability company (the “Company”), owns and operates the Atlantic City Hilton (“ACH”), a casino/hotel located in Atlantic City, NJ. The Company is a wholly owned subsidiary of Resorts International Holdings, LLC; a Delaware limited liability company (“RIH”). The Company’s operations commenced on April 26, 2005.

On April 26, 2005, RIH acquired most of the assets and assumed certain liabilities of four casino properties, including ACH, from Caesars Entertainment Inc. and Harrah’s Entertainment Inc. (the “Acquisition”). The debt incurred to finance the Acquisition (the “Term Loans”) was carried on the balance sheet of RIH and was not allocated to the Company. The assets acquired and liabilities assumed of the Atlantic City Hilton as a result of the Acquisition were recorded, via a capital contribution, on the balance sheet of the Company. The Acquisition was accounted for using the purchase method of accounting, and accordingly, the aggregate purchase price, including transaction fees and expenses, was allocated based on the estimated fair value of the assets acquired and the liabilities assumed.

RIH and its wholly-owned subsidiaries (the “Borrowers”) entered into a loan agreement with JPMorgan Chase Bank (“JPMorgan”) (the “Loan”). In conjunction with the refinancing in October 2006, RIH Propco NJ, LLC (“Propco”) was formed on October 11, 2006. Propco, a wholly-owned subsidiary of the Company, holds all of the real estate associated with ACH, as well as its non-gaming furniture, fixtures and equipment. The Company leases these assets from Propco for an amount that will cover the debt service under ACH’s allocation of the Loan.

In July 2009, RIH defaulted on the Loan as a result of its failure to make monthly interest payments totaling \$78.5 million from the date of default thru November 30, 2011. This interest amount includes \$39.2 million in interest expense associated with the Loan’s default rate, which is 3.0% higher than the standard rate. For the twelve months ended December 31, 2011 and 2010, \$19.4 million and \$22.2 million, respectively, of this interest has been allocated to the Company and is reflected in the accompanying financial statements. On January 18, 2011, the Company and its parent entered into a Standstill Agreement with the lenders. The Standstill Agreement provided for a forbearance period during which the parties would cooperate to find a buyer for the Atlantic City Hilton. A financial advisory firm was engaged to find a buyer on terms agreeable to all parties. In October 2011, after being unable to find a buyer for ACH, RIH and the lenders reached an agreement whereby Colony Capital would retain ownership of RIH and ACH debt free, but ownership rights to two affiliated properties in Tunica, MS, would be retained by the lenders. The agreement was approved by all the parties and was made final on November 28, 2011. Thus, the associated debt and accrued interest have been eliminated from the balance sheet as of December 31, 2011.

The consolidated financial statements include the accounts of RIH Acquisitions NJ, LLC and its wholly-owned subsidiary, Propco. All material intercompany balances and transactions have been eliminated in consolidation.

In 2011, RIH’s license agreement for use of the Hilton name was not renewed. As such, ACH had until December 31, 2011 to remove the Hilton name on all areas of the property and promotions. Subsequently, on March 13, 2012, ACH was renamed The Atlantic Club Casino Hotel.

**2. 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.

**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**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.

**Allowance for Accounts Receivable**

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.

**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.

Hotels and other buildings	20 – 40 years
Furniture fixtures and equipment	2 – 7 years

The provisions of ASC Topic 360- “Property, Plant and Equipment” (“ASC 360”) require, 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. ASC 360 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. See Note 3 “Asset Impairments.”

**Income Taxes**

The Company has elected to be treated as a partnership for federal income tax purposes; therefore, no provision or benefit for federal income taxes for the years ended September 30, 2011 and 2010 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues.

**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.

**Self Insured Health Insurance**

The Company provides medical coverage for its non-union employees under a self-insured medical plan up to a maximum of \$275,000 per year for each insured person. Amounts in excess of these thresholds are covered by the Company’s insurance programs subject to customary policy limits.

**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**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. Cash back awards given to a customer based upon earning points for future awards are accrued as the customer earns the points. The amount is recorded as a promotional allowance in the statement of operations. When estimating the amount of the accrual, the company calculates a redemption rate based on historical redemption rates.

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 statement of operations. Such amounts are expensed on the date the award can be utilized by the customer.

**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. 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 long-term debt approximates its fair value.

**Advertising**

The Company expenses direct-response advertising at the time of the event. Costs associated with mailings for future promotions are included in prepaid expenses on the Company's Balance Sheet.

The Company expenses all other advertising costs as incurred. These costs are included in Selling, General and Administrative costs on the Company's Statements of Operations.

**3. Asset Impairments**

**Long-Lived Assets**

In accordance with Section 10-15, Impairment or Disposal of Long Lived Assets, in ASC Topic 360, Property, Plant and Equipment, the Company reviews carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment is measured as the difference between fair value and carrying value, with fair value typically based on a discounted cash flow model. For purposes of testing the Company's long lived assets, the Company estimated its fair value using several techniques including third party evaluations and tax assessed values and discounted cash flow valuation.

In both 2011 and 2010, the Company determined that it failed the test for recoverability of ASC 360 as the undiscounted cash flows did not exceed the carrying value.

In 2010, impairment charge was measured as the difference between fair value based on the market approach using market comparables and the carrying value of long-lived assets. The market approach is dependent upon a number of management assumptions. As of December 31, 2010, the Company recorded a non-cash impairment charge in the amount of approximately \$15.3 million which was allocated to its land, building, furniture, fixtures and equipment.

**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. Asset Impairments (continued)**

**Insurance Recovery**

On August 28, 2009 severe storms in the area caused a roof drainage pipe to burst, resulting in severe water damage to several restaurants, a portion of the casino floor, and back office areas at the Atlantic City Hilton. The damage caused a disruption to business in the casino, hotel, food & beverage, and convention areas. Insurance claims are continuing to be negotiated. The Company reached a settlement on the building and business interruption during 2010. The Company continues to finalize discussions on FF&E. All repairs were completed in the second quarter of 2010.

As of December 31, 2011 and 2010, the Company recorded a \$0 million and 1.1 million respectively, impairment of damaged property and a corresponding receivable for the fully covered insurance recovery. The net impact on the statement of operations is zero.

**4. Receivables**

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

	2011	2010
Gaming .....	\$ 14,830	\$ 15,578
Less: allowance for doubtful accounts .....	(10,969)	(9,519)
	3,861	6,059
Non-gaming:		
Hotel and related .....	414	627
Due from affiliates, net .....	-	-
Other .....	1,293	2,921
	1,707	3,548
Less: allowance for doubtful accounts .....	(30)	(53)
	1,677	3,495
Receivables, net .....	\$ 5,538	\$ 9,554

**5. Investments, Advances and Receivables**

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

	2011	2010
CRDA bonds and direct investments .....	\$ 10,412	\$ 9,956
CRDA deposits .....	9,707	16,154
Valuation allowance .....	(8,086)	(10,232)
	\$ 12,033	\$ 15,878

The New Jersey Casino Control Act, as amended, requires ACH to purchase bonds issued by the Casino Reinvestment Development Authority (“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 3.3% to 7.0% and have repayment terms of between 20 and 50 years. ACH 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 twelve months 2011 and 2010 for discounts on obligations arising in that period were \$525,000 and \$682,000 respectively.

From time to time ACH 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. At December 31, 2011, ACH owned \$9.8 million face value of bonds, issued by the CRDA and had \$9.7 million on deposit with the CRDA. The majority of the Company’s deposits have been pledged for specific projects.

**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. Property and Equipment**

Components of property and equipment were as follows at December 31 (in thousands):

	2011	2010
Land and land rights .....	\$ 10,054	\$ 10,008
Hotels and other buildings .....	14,509	14,427
Furniture, fixtures and equipment .....	6,242	5,293
Construction in progress .....	1,194	490
	31,999	30,218
Less: accumulated depreciation .....	(2,946)	-
Net property and equipment.....	\$ 29,053	\$ 30,218

**7. Other Assets**

Components of deferred charges and other assets were as follows at December 31 (in thousands):

	2011	2010
Restricted cash .....	1,004	999
Other .....	728	242
	\$ 1,732	\$ 1,241

As a condition of a sale of land in November 2006, the Company was required to deposit \$500,000 from the sale price in an escrow account to be used for potential future environmental clean-up costs for certain portions of the parcels sold (see Note 12). The current escrow balance is \$231,000 and is included in Other Assets and Other Long-Term Liabilities on the consolidated balance sheet at December 31, 2011.

**8. Other Accrued Expenses**

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

	2011	2010
Payroll.....	\$ 8,177	\$ 8,754
Unredeemed customer incentives .....	878	1,547
Gaming taxes and fees .....	652	752
Non-gaming taxes and fees .....	306	360
Real Estate Taxes.....	4,608	877
Other .....	2,895	5,274
	\$ 17,516	\$ 17,564

The Company has been in ongoing real estate tax assessment appeal negotiations with the City of Atlantic City. A tentative agreement was reached in early 2011, but could not be finalized. Negotiations continue; however, if an agreement is not reached in the near-term, the Company will pursue this matter in the New Jersey tax court. The 2010 and 2011 expenses recorded on the financial statements represent the amounts due has the agreement been finalized. In light of the settlement negotiations and related litigation, no cash payments for real estate taxes have been made in 2010 or 2011.

**9. Other Current Liabilities**

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

	2011	2010
Unredeemed chip liability.....	\$ 703	\$ 1,200
CRDA obligation .....	351	421
Other .....	175	552
Due to Affiliates.....	6,884	23,298
	\$ 8,113	\$ 25,471

**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Debt**

In October 2006, the RIH refinanced its outstanding debt by entering into a Commercial Mortgage Backed Security with JP Morgan Chase. The Loan Agreement (the "Loan") has a principal amount of \$960 million. Under the Loan the total principal is allocated to each of RIH's operating properties, including the Atlantic City Hilton. The Loan originally was to mature November 9, 2008 and included the option to extend the life of the Loan for three successive terms of one year each. In November 2008, RIH exercised this option and extended the term of the loan for one year.

The cash flows of ACH and the other casino properties owned by RIH are the only source to fund the interest payments of the debt issued by RIH. Substantially all of the Company's assets are pledged as collateral on the Loan, and the Company is named as a guarantor on the Loan. In accordance with Topic 460 "Guarantees" of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ("ASC 460"), ACH's allocated portion of the Loan is classified as short-term debt and a reduction in member's equity in the consolidated balance sheets at December 31, 2011 and 2010.

In July 2009, RIH defaulted on the Loan as a result of its failure to make monthly interest payments totaling \$78.5 million from the date of default thru November 30, 2011. This interest amount includes \$39.2 million in interest expense associated with the Loan's default rate, which is 3.0% higher than the standard rate. For the years ended December 31, 2011 and 2010, \$19.4 million and \$22.2 million, respectively, of this interest has been allocated to the company and is reflected in the accompanying financial statements. On January 18, 2011, the Company and its parent entered into a Standstill Agreement with the lenders. The Standstill Agreement provides for a forbearance period during which the parties will cooperate to find a buyer for the Atlantic City Hilton. A financial advisory firm has been engaged to find a buyer on terms which are agreeable to all parties. In October 2011, after being unable to find a buyer for ACH, RIH and the lenders reached an agreement whereby Colony Capital would retain ownership of RIH and ACH debt free, but ownership rights to two affiliated properties in Tunica, MS, would be retained by the lenders. The agreement was approved by all the parties and was made final on November 28, 2011. Thus, the associated debt and accrued interest have been eliminated from the balance sheet as of December 31, 2011.

As a wholly owned subsidiary of RIH, ACH is a party to a joint services agreement between affiliated companies including RIH, and Colony Resorts LVH Acquisitions, LLC (which owns and operates the Las Vegas Hilton). Under the terms of this agreement, if any of the companies that are parties to the agreement incurs costs in excess of its direct share or any expenses which are directly allocable to or incurred on behalf of one of the other companies, such excess costs will be reimbursed.

As of December 31, 2011, the Company had a net due to RIH of \$6.8 million (see Note 9). RIH provides payments for certain services (e.g. health care, property insurance, etc.) that pertain to all of the associated companies under its financing structure, the appropriate shares of which are then allocated to the Company. In addition, the Company transfers excess cash to RIH and RIH provides cash to the Company when needed to fund operations.

**11. Income Taxes**

The Company has elected to be treated as a partnership for federal income tax purposes: therefore, no provision or benefit for federal income taxes for the twelve months ended December 31, 2011 and 2010 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues ("NJAMA").

**RIH ACQUISITIONS NJ, LLC (ACH)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Commitments and Contingencies**

**Litigation**

ACH 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 ACH.

**Union Employees**

Approximately 43% of the Company's employees are represented by labor unions. The contract for the largest labor union, representing approximately 39% of the Company's total workforce, expires in September 2011. A lengthy strike or other work stoppage could have an adverse effect on the Company's business and results of operations.

**New Jersey Sports & Exposition Authority**

In August 2008, the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. As part of the agreement, the AC Industry will provide \$90 million over a three-year period, derived entirely of funds from the AC Industry. The Company's obligation will be equal to its fair-share of the AC Industry casino revenues. 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, 2012. The Company estimates its portion of the industry obligation is approximately 4.8%.

**Environmental Matters**

An independent environmental consultant performed a Phase I environment site assessment in accordance with American Society for Testing and Materials standards on the Atlantic City Hilton property dated November 18, 2004. In August 2004, the New Jersey Department of Environmental Protection, or the NJDEP, inspected the onsite BP Service Station which resulted in the detection of volatile organic compounds in excess of applicable regulatory standards. The Phase I report notes that this matter remains open and the future action is subject to regulatory agency requirements. At the location of a former high school building onsite, contaminated soils and groundwater associated with the removal of an underground storage tank were identified. The Phase I report notes that this contamination may extend beneath a public right-of-way. In addition, site impacts still remain from several underground storage tanks. The Company expects to manage these environmental conditions with the completion of additional site investigations and approval of remedial action work plans from the NJDEP. There can be no assurance, however, that the remedial activity for the Atlantic City Hilton property will not exceed the Company's estimates based upon the current limited available site information. The former high school site was one of the parcels of land sold by the Company in November 2006; under the terms of the sale, the Company was required to deposit \$500,000 from the sale price in an escrow account to be used for future clean-up costs of the site. As of December 31, 2011, \$271,000 has been utilized for the clean-up.

On July 21, 2005, an oil pipeline ruptured at the Atlantic City Hilton which resulted in an oil-spill. The Company is in the process of resolving the issue in accordance with NJDEP and U.S. Environmental Protection Agency guidelines. At this time, the Company has no indication that surrounding areas of other properties sustained any damage. The estimated cost to remediate the issue of \$371,000 is reflected in the accompanying balance sheets.

**Licensing**

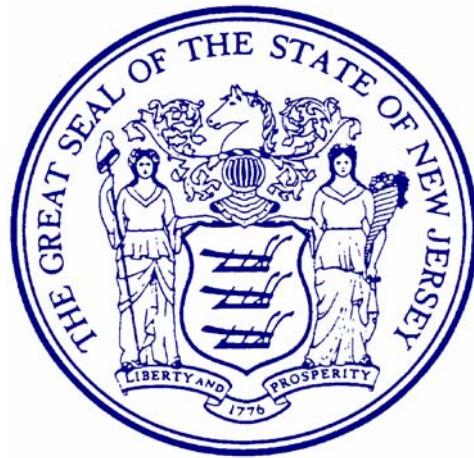
On April 18, 2007, the New Jersey Casino Control Commission (the "NJCCC") granted the Company a five-year casino license to operate ACH, subject to certain conditions.

**13. Subsequent Event**

In 2011, RIH's license agreement for use of the Hilton name was not renewed. As such, ACH had until December 31, 2011 to remove the Hilton name on all areas of the property and promotions. Subsequently, on March 13, 2012, ACH was renamed The Atlantic Club Casino Hotel.

**RIH ACQUISITIONS NJ, LLC (ACH)  
ANNUAL FILINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**



# RIH ACQUISITIONS NJ, LLC (ACH)

## ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)  
(\$ IN THOUSANDS)

### ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$1,712		
2	Returned Patrons' Checks.....	13,118		
3	Total Patrons' Checks.....	14,830	\$10,969	\$3,861
4	Hotel Receivables.....	414	30	\$384
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	1,293		
8	Total Other Receivables.....	1,293		\$1,293
9	Totals (Form DGE-205).....	\$16,537	\$10,999	\$5,538

### UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$3,576
11	Counter Checks Issued.....	78,613
12	Checks Redeemed Prior to Deposit.....	(59,339)
13	Checks Collected Through Deposits.....	(17,995)
14	Checks Transferred to Returned Checks.....	(3,143)
15	Other Adjustments.....	0
16	Ending Balance.....	\$1,712
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	
19	Provision as a Percent of Counter Checks Issued.....	0.0%

# RIH ACQUISITIONS NJ, LLC (ACH) ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2011

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	471			
2	Slot Machines	53			
3	Administration	0			
4	Casino Accounting	12			
5	Simulcasting	0			
6	Other	4			
7	Total - Casino	540	\$15,776	\$283	\$16,059
8	ROOMS	237	6,411	0	6,411
9	FOOD AND BEVERAGE	487	11,329	0	11,329
10	GUEST ENTERTAINMENT	9	709	0	709
11	MARKETING	44	3,280	0	3,280
12	OPERATION AND MAINTENANCE	96	4,762	168	4,930
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	16	938	944	1,882
14	Accounting and Auditing	26	985	122	1,107
15	Security	149	4,620	0	4,620
16	Other Administrative and General	21	1,416	0	1,416
	OTHER OPERATED DEPARTMENTS:				
17	Uniform Room	9	343		343
18	Health Club	6	79		79
19	Other	61	809		809
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	1,701	\$51,457	\$1,517	\$52,974