

**RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2008

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

BALANCE SHEETS

AS OF JUNE 30, 2008 AND 2007

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$15,014	\$14,462
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008, \$5,527 ; 2007, \$3,299).....	Note 3	94,032	111,249
4	Inventories		3,425	2,872
5	Other Current Assets.....		8,993	9,024
6	Total Current Assets.....		121,464	137,607
7	Investments, Advances, and Receivables.....	Note 4	14,133	13,222
8	Property and Equipment - Gross.....		384,820	378,048
9	Less: Accumulated Depreciation and Amortization.....		(56,543)	(41,438)
10	Property and Equipment - Net.....	Note 5	328,277	336,610
11	Other Assets.....	Note 6	85,176	87,921
12	Total Assets.....		\$549,050	\$575,360
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$9,529	\$8,831
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		92	101
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	Note 7	20,810	20,212
19	Other Current Liabilities.....	Note 8	3,194	4,097
20	Total Current Liabilities.....		33,625	33,241
	Long-Term Debt:			
21	Due to Affiliates.....	Note 9	348,207	401,110
22	External.....		0	92
23	Deferred Credits		0	0
24	Other Liabilities.....	Note 6	298	500
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		382,130	434,943
27	Stockholders', Partners', or Proprietor's Equity.....		166,920	140,417
28	Total Liabilities and Equity.....		\$549,050	\$575,360

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 (Atlantic City Hilton)

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino.....		\$134,390	\$149,768
2	Rooms.....		9,874	9,947
3	Food and Beverage.....		18,971	20,107
4	Other.....		4,846	4,696
5	Total Revenue.....		168,081	184,518
6	Less: Promotional Allowances.....		48,188	53,199
7	Net Revenue.....		119,893	131,319
	Costs and Expenses:			
8	Cost of Goods and Services.....		87,646	91,140 *
9	Selling, General, and Administrative.....		22,544	21,962 *
10	Provision for Doubtful Accounts.....		1,270	1,448
11	Total Costs and Expenses.....		111,460	114,550
12	Gross Operating Profit.....		8,433	16,769
13	Depreciation and Amortization.....		7,957	10,254
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		1,599	2,039
16	Income (Loss) from Operations.....		(1,123)	4,476
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(11,043)	(17,266)
18	Interest Expense - External.....		(6)	(11)
19	CRDA Related Income (Expense) - Net.....		(566)	(632)
20	Nonoperating Income (Expense) - Net.....		198	394
21	Total Other Income (Expenses).....		(11,417)	(17,515)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(12,540)	(13,039)
23	Provision (Credit) for Income Taxes.....	Note 10	0	40
24	Income (Loss) Before Extraordinary Items.....		(12,540)	(13,079)
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0).....		0	0
26	Net Income (Loss).....		(\$12,540)	(\$13,079)

* Reclassifications have been made to 2008 as to correctly present certain promo expenses for the period.

The accompanying notes are an integral part of the financial statements.

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RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino.....		\$67,447	\$75,896
2	Rooms.....		5,462	5,494
3	Food and Beverage.....		9,721	10,790
4	Other.....		2,640	2,534
5	Total Revenue.....		85,270	94,714
6	Less: Promotional Allowances.....		24,770	28,669
7	Net Revenue.....		60,500	66,045
	Costs and Expenses:			
8	Cost of Goods and Services.....		44,248	46,096 *
9	Selling, General, and Administrative.....		11,223	10,596 *
10	Provision for Doubtful Accounts.....		795	655
11	Total Costs and Expenses.....		56,266	57,347
12	Gross Operating Profit.....		4,234	8,698
13	Depreciation and Amortization.....		3,845	4,657
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		805	1,020
16	Income (Loss) from Operations.....		(416)	3,021
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(4,999)	(8,356)
18	Interest Expense - External.....		(3)	(5)
19	CRDA Related Income (Expense) - Net.....		(284)	(320)
20	Nonoperating Income (Expense) - Net.....		134	237
21	Total Other Income (Expenses).....		(5,152)	(8,444)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(5,568)	(5,423)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(5,568)	(5,423)
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0).....		0	0
26	Net Income (Loss).....		(\$5,568)	(\$5,423)

* Reclassifications have been made to 2008 as to correctly present certain promo expenses for the period.

The accompanying notes are an integral part of the financial statements.

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RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
AND THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2006.....		\$81,351	\$67,925		\$149,276
2	Net Income (Loss) - 2007.....			(26,939)		(26,939)
3	Capital Contributions.....		57,123			57,123
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Redemption of Capital					0
8						0
9						0
10	Balance, December 31, 2007.....		138,474	40,986	0	179,460
11	Net Income (Loss) - 2008.....			(12,540)		(12,540)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16						0
17						0
18						0
19	Balance, June 30, 2008.....		\$138,474	\$28,446	\$0	\$166,920

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 (Atlantic City Hilton)

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$3,993)	(\$6,182)
	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.....		(4,191)	(6,247)
5	Proceeds from Disposition of Property and Equipment.....		0	91
6	CRDA Obligations		(1,698)	(1,902)
7	Other Investments, Loans and Advances made.....		0	
8	Proceeds from Other Investments, Loans, and Advances		0	
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		0	0
11	.....		0	0
12	Net Cash Provided (Used) By Investing Activities.....		(5,889)	(8,058)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		(52)	(47)
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	Changes in receivables from affiliates.....		9,417	11,622
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		9,365	11,575
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(517)	(2,665)
25	Cash and Cash Equivalents at Beginning of Period.....		15,531	17,127
26	Cash and Cash Equivalents at End of Period.....		\$15,014	\$14,462
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$6	\$11
28	Income Taxes.....		\$0	\$40

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 (Atlantic City Hilton)

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$12,540)	(\$13,079)
30	Depreciation and Amortization of Property and Equipment.....		7,447	9,449
31	Amortization of Other Assets.....		510	805
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	(88)
36	(Gain) Loss on CRDA-Related Obligations.....		566	632
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,620)	(1,453)
39	(Increase) Decrease in Inventories		(1,084)	(770)
40	(Increase) Decrease in Other Current Assets.....		(1,400)	(1,608)
41	(Increase) Decrease in Other Assets.....		1,260	975
42	Increase (Decrease) in Accounts Payable.....		2,091	(1,302)
43	Increase (Decrease) in Other Current Liabilities		777	257
44	Increase (Decrease) in Other Liabilities		0	0
45	.....		0	0
46	.....		0	0
47	Net Cash Provided (Used) By Operating Activities.....		(\$3,993)	(\$6,182)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$4,191)	(\$6,247)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$4,191)	(\$6,247)
	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	\$4,220
58	Less: Issuances to Settle Long-Term Debt.....		0	(4,220)
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.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(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	215,686	\$8,414	31	\$7
2	Food	553,683	10,321	36,850	553
3	Beverage	1,827,571	4,752	0	0
4	Travel	0	0	58,374	1,232
5	Bus Program Cash	309,558	7,509	0	0
6	Other Cash Complimentaries	183,396	14,302	0	0
7	Entertainment	106,172	2,654	785	98
8	Retail & Non-Cash Gifts	0	0	162,531	5,318
9	Parking	0	0	0	0
10	Other	15,746	236	4,766	2,134
11	Total	3,211,812	\$48,188	263,337	\$9,342

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FOR THE THREE MONTHS ENDED JUNE 30, 2008

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	108,304	\$4,493	4	\$1
2	Food	275,910	5,046	19,445	292
3	Beverage	903,943	2,351	0	0
4	Travel	0	0	29,148	632
5	Bus Program Cash	175,025	4,231	0	0
6	Other Cash Complimentaries	83,819	7,043	0	0
7	Entertainment	59,539	1,488	423	53
8	Retail & Non-Cash Gifts	0	0	81,141	2,717
9	Parking	0	0	0	0
10	Other	7,888	118	2,432	1,069
11	Total	1,614,428	\$24,770	132,594	\$4,764

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* No single item or service included in other exceeds 5% of the column total.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton) STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2008

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.

8/15/2008

Date



Francis X. McCarthy

Executive VP/Regional CFO

Title

1015-11

License Number

On Behalf of:

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

Casino Licensee

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
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.

In October 2006, 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 the RIH operating properties including the Atlantic City Hilton. The Loan matures November 9, 2008 with the option to extend the term of the Loan for three successive terms of one year each.

The proceeds of the Loan were used to retire the existing Term Loans in their entirety, which resulted in a loss on the extinguishment of debt of \$29 million for RIH.

The Loan Agreement does not require periodic principal payments prior to the maturity date. However, monthly interest payments are required using a rate of LIBOR plus 2.65%. As of June 30, 2008, the interest rate was approximately 5.122%.

The cash flows of ACH and the other casino properties acquired 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 RIH credit facility, and the Company is named as a guarantor on RIH’s credit agreement.

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 FF&E. The Company leases these assets from Propco for an amount which will cover the debt service under the loan.

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.

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.

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.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

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	35 – 40 years
Furniture fixtures and equipment	2 – 5 years

The provisions of SFAS No. 144 “Accounting for the Impairment or Disposal of Long- Lived Assets” (“SFAS No. 144”) 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. 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. There were no impairment losses recognized for the twelve months ended June 30, 2008 and 2007.

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 six months ended June 30, 2008 and 2007 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues.

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 for two years and the introduction of an alternative minimum assessment (“NJAMA”) under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. This tax was retroactive to January 1, 2002 and expired on December 31, 2006.

Goodwill

The Company has adopted Statement of Financial Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” As a result, goodwill is not amortized and goodwill is tested at least annually for impairment. See Note 6.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

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 \$225,000 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.

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.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Receivables

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

	2008	2007
Gaming	\$ 17,349	\$ 15,815
Less: allowance for doubtful accounts	(5,450)	(3,214)
	11,899	12,601
Non-gaming:		
Hotel and related	726	1,108
Due from affiliates, net	78,330	94,643
Other	3,154	2,982
	82,210	98,733
Less: allowance for doubtful accounts	(77)	(85)
	82,133	98,648
Receivables, net	\$ 94,032	\$ 111,249

As a wholly-owned subsidiary of RIH, ACH is a party to a joint services agreement between affiliated companies including RIH, Resorts International Hotel, Inc. (which owns and operates Resorts Atlantic City) 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 incur 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.

Certain executive, administrative and support operations of the Company and other affiliates are consolidated, including limousine services, sales and marketing services, purchasing, financial, human resources, and other administrative departments. The costs of these operations are allocated to or from the Company either directly or indirectly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. The net amount of these charges was \$695,000 and \$1.0 million for the six months ended June 30, 2008 and 2007, respectively. The operating results of the Company may be different if the Company operated autonomously and without these transactions with its affiliates.

The Company transfers cash in excess of its operating needs to RIH on a periodic basis. RIH provides the Company with cash advances for capital expenditures and working capital needs. As of June 30, 2008, the Company had a net receivable from RIH of \$142.2 million for these cash transfers.

4. Investments, Advances and Receivables

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

	2008	2007
CRDA bonds and direct investments	\$ 9,957	\$ 10,918
CRDA deposits	13,123	9,787
Valuation allowance	(8,947)	(7,483)
	\$ 14,133	\$ 13,222

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 3.5% 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 six months ended June 30, 2008 and 2007 for discounts on obligations arising in that period were \$566,000 and \$632,000, respectively.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, Advances and Receivables (continued)

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 June 30, 2008, ACH owned \$9.1 million face value of bonds, issued by the CRDA and had \$13.1 million on deposit with the CRDA. The majority of the Company's deposits have been pledged for specific projects.

5. Property and Equipment

Components of property and equipment were as follows at June 30 (in thousands):

	2008	2007
Land and land rights.....	\$ 50,550	\$ 50,550
Hotels and other buildings.....	273,582	270,839
Furniture, fixtures and equipment.....	55,701	52,310
Construction in progress.....	4,987	4,349
	384,820	378,048
Less: accumulated depreciation.....	(56,543)	(41,438)
Net property and equipment.....	\$ 328,277	\$ 336,610

6. Other Assets

Components of deferred charges and other assets were as follows at June 30 (in thousands):

	2008	2007
Goodwill.....	\$ 81,527	\$ 81,527
Definite-lived intangibles, net of accumulated amortization.....	-	611
Loan fees & Cost, net of accumulated amortization.....	2,535	4,325
Restricted cash.....	311	502
Other.....	803	956
	\$ 85,176	\$ 87,921

In accordance with SFAS No. 141, "Business Combinations," the Company recorded goodwill of \$81.5 million representing the excess of the Acquisition cost over the fair value of the net assets acquired. Using an independent company to assist in the valuation of the tangible and intangible assets, the fair value of the assets was determined using a combination of a future cash flow method, a similar transaction method, and a replacement cost method.

Loan fees and costs of \$2.5 million at June 30, 2008 were incurred in connection with obtaining the new loan agreement signed in October 2006 as described in Note 9. The debt issuance costs are amortized on a straight-line basis, which approximates the effective interest method, over the contractual life of the loan, and amortization of such costs is included in interest expense on the accompanying consolidated statements of operations.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Other Assets (continued)

As a condition of the sale, 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 11). The current escrow balance is \$298,000 and is included in Other Assets and Other Long-Term Liabilities on the consolidated balance sheet at June 30, 2008.

7. Other Accrued Expenses

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

	2008	2007
Payroll	\$ 10,694	\$ 10,613
Unredeemed customer incentives.....	1,831	2,025
Gaming taxes and fees.....	590	1,338
Non-gaming taxes and fees.....	895	707
Other	6,800	5,529
	\$ 20,810	\$ 20,212

8. Other Current Liabilities

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

	2008	2007
Unredeemed chip liability	\$ 1,290	\$ 2,075
CRDA obligation	854	960
Other	1,050	1,062
	\$ 3,194	\$ 4,097

9. 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 matures November 9, 2008 with the option to extend the term of the Loan for three successive terms of one year each. The balance of the debt continues to be listed as long-term on the Company's balance sheet as it is expected that RIH will extend the term of the loan for at least one year.

The proceeds of the Loan were used to retire the existing Term Loans in their entirety. The portion of the Loan that was allocated to the Company was \$405.3 million, and was based upon the relative fair market value of the assets acquired by RIH.

On April 4, 2007, RIH announced that it had entered into a definitive agreement with Ameristar Casinos to sell its casino and hotel in East Chicago, Illinois for \$675 million in cash. The transaction was completed on September 17, 2007. A portion of the proceeds from the sale were used to pay down the outstanding debt under the loan.

The Loan Agreement does not require periodic principal payments prior to the maturity date. However, monthly interest payments are required using a rate of LIBOR plus 2.65%. As of June 30, 2008 the interest rate was approximately 5.122%. Through June 30, 2008, RIH paid down \$464.0 million of the outstanding debt, which included approximately \$60.4 million of the Company's allocated portion of the loan.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Debt (continued)

The cash flows of ACH and the other casino properties acquired 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 RIH credit facility, and the Company is named as a guarantor on RIH's credit agreement. In accordance with FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements of Guarantees, Including Indirect Guarantees of Indebtedness of Others*, the Company's allocated portion of the Loan is recorded as long-term debt and a reduction in member's equity in the consolidated balance sheets at June 30, 2008.

10. 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 six months ended June 30, 2008 and 2007 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues ("NJAMA").

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, required the suspension of the use of the New Jersey net operating loss carry-forwards for two years, and the introduction of an alternative minimum assessment ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. This tax was retroactive to January 1, 2002 and expired on December 31, 2006. For the six months ended June 30, 2008, the Company recorded no expense for this tax. For the six months ended June 30, 2007, the Company recorded a provision of \$40,000 for this tax, representing a true-up of its estimated 2006 tax liability.

11. 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.

New Jersey Sports & Exposition Authority

The twelve Atlantic City casino properties (the "AC Industry") and the 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 was equal to its fair-share of AC Industry casino revenues. The company made its final payment in October 2007, fully satisfying its obligation, with the total estimated commitment to be charged to operations on a straight-line basis through December 31, 2008. As such, the Company has met its deposit obligation related to its fair share of the \$62 million, and 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. Currently there is proposed legislation to extend the agreement between the AC Industry, the CRDA, and the NJSEA.

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingencies (continued)

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 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 (see Note 6).

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.

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.