

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

**FOR THE QUARTER ENDED JUNE 30, 2010**

**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, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$10,623	\$13,248
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2010, \$9,963; 2009, \$8,052).....	Note 4	14,417	50,497
4	Inventories .....		1,427	1,494
5	Other Current Assets.....		7,810	9,696
6	Total Current Assets.....		34,277	74,935
7	Investments, Advances, and Receivables.....	Note 5	15,177	14,650
8	Property and Equipment - Gross.....		43,169	386,731
9	Less: Accumulated Depreciation and Amortization.....		(688)	(69,915)
10	Property and Equipment - Net.....	Note 6	42,481	316,816
11	Other Assets.....	Note 7	1,274	1,829
12	Total Assets.....		\$93,209	\$408,230
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,495	\$5,803
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	Note 10	348,207	0
16	External.....		3,835	236
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	Note 8	24,350	15,658
19	Other Current Liabilities.....	Note 9	2,273	1,712
20	Total Current Liabilities.....		385,160	23,409
	Long-Term Debt:			
21	Due to Affiliates.....	Note 10	0	348,207
22	External.....		427	240
23	Deferred Credits .....		0	0
24	Other Liabilities.....	Note 7	226	226
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		385,813	372,082
27	Stockholders', Partners', or Proprietor's Equity.....		(292,604)	36,148
28	Total Liabilities and Equity.....		\$93,209	\$408,230

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, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$79,436	\$98,330
2	Rooms.....		6,822	7,858
3	Food and Beverage.....		10,305	14,241
4	Other.....		1,721	3,566
5	Total Revenue.....		98,284	123,995
6	Less: Promotional Allowances.....		27,751	40,343
7	Net Revenue.....		70,533	83,652
	Costs and Expenses:			
8	Cost of Goods and Services.....		69,234	76,453
9	Selling, General, and Administrative.....		14,620	14,510
10	Provision for Doubtful Accounts.....		1,112	1,719
11	Total Costs and Expenses.....		84,966	92,682
12	Gross Operating Profit.....		(14,433)	(9,030)
13	Depreciation and Amortization.....		1,931	6,893
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		675	804
16	Income (Loss) from Operations.....		(17,039)	(16,727)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(10,843)	(6,381)
18	Interest Expense - External.....		(6)	(19)
19	CRDA Related Income (Expense) - Net.....		(336)	(416)
20	Nonoperating Income (Expense) - Net.....		199	160
21	Total Other Income (Expenses).....		(10,986)	(6,656)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(28,025)	(23,383)
23	Provision (Credit) for Income Taxes.....	Note 11	0	0
24	Income (Loss) Before Extraordinary Items.....		(28,025)	(23,383)
25	Extraordinary Items (Net of Income Taxes - 2009, \$0; 2008, \$0).....		0	0
26	Net Income (Loss).....		(\$28,025)	(\$23,383)

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 THREE MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$42,230	\$49,709
2	Rooms.....		3,794	4,113
3	Food and Beverage.....		5,414	6,521
4	Other.....		1,020	1,711
5	Total Revenue.....		52,458	62,054
6	Less: Promotional Allowances.....		15,056	17,814
7	Net Revenue.....		37,402	44,240
	Costs and Expenses:			
8	Cost of Goods and Services.....		35,668	37,124
9	Selling, General, and Administrative.....		7,443	6,919
10	Provision for Doubtful Accounts.....		545	800
11	Total Costs and Expenses.....		43,656	44,843
12	Gross Operating Profit.....		(6,254)	(603)
13	Depreciation and Amortization.....		1,016	3,341
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		338	402
16	Income (Loss) from Operations.....		(7,608)	(4,346)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(5,421)	(3,150)
18	Interest Expense - External.....		1	(15)
19	CRDA Related Income (Expense) - Net.....		(179)	(210)
20	Nonoperating Income (Expense) - Net.....		112	78
21	Total Other Income (Expenses).....		(5,487)	(3,297)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(13,095)	(7,643)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(13,095)	(7,643)
25	Extraordinary Items (Net of Income Taxes - 2009, \$0; 2008, \$0).....		0	0
26	Net Income (Loss).....		(\$13,095)	(\$7,643)

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009  
AND THE SIX MONTHS ENDED JUNE 30, 2010

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2008.....</b>		\$138,474	(\$78,943)	\$0	\$59,531
2	Net Income (Loss) - 2009.....			(324,110)		(324,110)
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, 2009.....</b>		138,474	(403,053)	0	(264,579)
11	Net Income (Loss) - 2010.....			(28,025)		(28,025)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	<b>Balance, June 30, 2010.....</b>		\$138,474	(\$431,078)	\$0	(\$292,604)

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, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$9,431)	(\$16,065)
	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.....		(5,667)	(462)
5	Proceeds from Disposition of Property and Equipment.....		70	0
6	CRDA Obligations .....		(953)	(1,220)
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.....		(6,550)	(1,682)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		(1,251)	(136)
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 .....		15,888	18,707
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		14,637	18,571
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,344)	824
25	Cash and Cash Equivalents at Beginning of Period.....		11,967	12,424
26	Cash and Cash Equivalents at End of Period.....		\$10,623	\$13,248
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$149	\$19
28	Income Taxes.....		\$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)

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$28,025)	(\$23,383)
30	Depreciation and Amortization of Property and Equipment.....		1,493	6,455
31	Amortization of Other Assets.....		438	438
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.....		58	0
36	(Gain) Loss on CRDA-Related Obligations.....		336	416
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		8,404	577
39	(Increase) Decrease in Inventories .....		(47)	397
40	(Increase) Decrease in Other Current Assets.....		(3,185)	(1,068)
41	(Increase) Decrease in Other Assets.....		28	937
42	Increase (Decrease) in Accounts Payable.....		2,200	584
43	Increase (Decrease) in Other Current Liabilities .....		8,869	(1,418)
44	Increase (Decrease) in Other Liabilities .....		0	0
45	Write-off of Goodwill .....		0	0
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		(\$9,431)	(\$16,065)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$8,192)	(\$462)
49	Less: Capital Lease Obligations Incurred.....		2,525	0
50	Cash Outflows for Property and Equipment.....		(\$5,667)	(\$462)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

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

FOR THE QUARTER ENDED JUNE 30, 2010

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.

8/17/2010

Date



[Gregory J. Sherbon]

Vice President of Finance

Title

008983-11

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 price 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. The total of these missed payments is \$31.1 million at June 30, 2010. This interest amount includes \$15.1 million in interest expense associated with the Loan’s default rate, which is 3% higher than the standard rate. \$10.5 million of this interest has been allocated to the Company and is reflected in the accompanying financial statements. RIH is in discussions with the special servicer, who acts on behalf of its lenders, to negotiate a restructuring of its debt.

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	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 June 30, 2010 and 2009 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues.

**Goodwill**

In accordance with the provisions of ASC Topic 350 – “Intangibles – Goodwill and Other” (“ASC 350”), intangible assets are amortized over their estimated useful lives unless their lives are determined to be indefinite. Goodwill and other intangible assets with indefinite lives are not amortized but are subject to tests for impairment at least annually. ASC 350 requires that impairment tests be performed more frequently than annually if events or circumstances indicate that the value of goodwill or intangible assets with indefinite lives might be impaired.

**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 (Atlantic City Hilton)**  
**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.

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

**3. Asset Impairments (continued)**

The Company determined that it failed the test for recoverability of ASC 360 as the undiscounted cash flows did not exceed the carrying value. An impairment charge was measured as the difference between fair value based on income approach using discounted cash flow and carrying value of long-lived assets. The Company estimated its fair value using a discounted cash flow valuation and the discounted cash flow approach is dependent upon a number of critical Company management assumptions including appropriate discount rates and other relevant assumptions. As of December 31, 2009, the Company recorded a non-cash impairment charge in the amount of approximately \$277 million which was allocated to its land, building, furniture, fixtures and equipment. In addition, in connection with the impairment testing, the Company reduced the estimated useful life of buildings to 20 years.

**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. An insurance claims settlement has been negotiated and all repairs have been completed. As of December 31, 2009, the Company recorded a \$4.7 million impairment of damaged property and a corresponding receivable for the fully covered insurance recovery. As of June 30, 2010, the Company had received \$3.7 million in insurance proceeds related to the damaged property. The net impact on the statement of operations is zero.

**4. Receivables**

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

	2010	2009
Gaming .....	\$ 15,909	\$ 15,211
Less: allowance for doubtful accounts .....	(9,910)	(8,004)
	5,999	7,207
Non-gaming:		
Hotel and related .....	632	510
Due from affiliates, net .....	4,669	40,577
Other .....	3,170	2,251
	8,471	43,338
Less: allowance for doubtful accounts .....	(53)	(48)
	8,418	43,290
Receivables, net .....	\$ 14,417	\$ 50,497

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 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. In addition, the Company is party to an agreement with Resorts International Hotel, Inc. (which owns and operates Resorts Atlantic City), a non-affiliated company, to share select support services. If either company incurs costs in excess of the amount of services shared then such excess costs will be reimbursed to the other party.

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 \$437,000 and \$440,000 for the six months ended June 30, 2010 and 2009, respectively. The operating results of the Company may be different if the Company operated autonomously and without these transactions with its affiliates.

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

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, 2010, the Company had a net receivable from RIH of \$132.9 million for these cash transfers.

**5. Investments, Advances and Receivables**

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

	2010	2009
CRDA bonds and direct investments .....	\$ 8,695	\$ 9,074
CRDA deposits .....	16,484	15,169
Valuation allowance .....	(10,002)	(9,593)
	\$ 15,177	\$ 14,650

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, 2010 and 2009 for discounts on obligations arising in that period were \$336,000 and \$416,000, 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 June 30, 2010, ACH owned \$8.7 million face value of bonds, issued by the CRDA and had \$16.5 million on deposit with the CRDA. The majority of the Company's deposits have been pledged for specific projects.

**6. Property and Equipment**

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

	2010	2009
Land and land rights .....	\$ 10,017	\$ 50,550
Hotels and other buildings.....	21,156	276,931
Furniture, fixtures and equipment .....	6,897	58,779
Construction in progress.....	5,099	471
	43,169	386,731
Less: accumulated depreciation.....	(688)	(69,915)
Net property and equipment .....	\$ 42,481	\$ 316,816

**7. Other Assets**

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

	2010	2009
Loan fees & Cost, net of accumulated amortization .....	-	746
Restricted cash.....	998	996
Other .....	276	87
	\$ 1,274	\$ 1,829

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

**7. Other Assets (continued)**

Loan fees and costs were incurred in connection with obtaining the new loan agreement signed in October 2006 as described in Note 10. The debt issuance costs were amortized on a straight-line basis, which approximated 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. Amortization expense was \$895,000 for the six months ended June 30, 2009. The debt issuance costs were fully amortized in 2009.

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 \$226,000 and is included in Other Assets and Other Long-Term Liabilities on the consolidated balance sheet at June 30, 2010.

**8. Other Accrued Expenses**

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

	2010	2009
Payroll .....	\$ 9,646	\$ 9,090
Unredeemed customer incentives.....	1,607	1,223
Gaming taxes and fees.....	821	732
Non-gaming taxes and fees.....	517	639
Other .....	11,759	3,974
	\$ 24,350	\$ 15,658

**9. Other Current Liabilities**

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

	2010	2009
Unredeemed chip liability .....	\$ 890	\$ 663
CRDA obligation.....	536	630
Other .....	847	419
	\$ 2,273	\$ 1,712

**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, 2009 and December 31, 2008.

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

**10. Debt (continued)**

The Loan is currently in default. The Loan Agreement does not require periodic principal payments prior to the maturity date. However, monthly interest payments are required using an interest rate of LIBOR plus 2.65% (2.95% at June 30, 2010). In July 2009, the Company ceased making interest payments. In addition to the monthly interest rate, an additional rate of 3% has been charged monthly since August 8, 2009 for the default event.

**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 six months ended June 30, 2010 and 2009 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues ("NJAMA").

**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**

The eleven 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. In exchange for this funding, the NJSEA and the three active New Jersey racetracks agreed to 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 was 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 charged to operations on a straight-line basis through December 31, 2008. As such, the Company 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.

With the end of the original agreement, the AC Industry and the CRDA have entered into another agreement with 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, deriving 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.

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

**12. 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 7).

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.