

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

RESORTS INTERNATIONAL HOTEL, INC.

BALANCE SHEETS

AS OF SEPTEMBER 30, 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.....		\$9,189	\$14,541
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2010, \$5,267; 2009, \$6,365).....	3	6,234	5,724
4	Inventories	4	694	1,079
5	Other Current Assets.....	5	3,496	6,825
6	Total Current Assets.....		19,613	28,169
7	Investments, Advances, and Receivables.....	6	14,052	53,736
8	Property and Equipment - Gross.....	7	1,713	344,402
9	Less: Accumulated Depreciation and Amortization.....	7	(547)	(110,595)
10	Property and Equipment - Net.....		1,166	233,807
11	Other Assets.....	6	1,595	1,716
12	Total Assets.....		\$36,427	\$317,428
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,463	\$7,120
14	Notes Payable.....		14,914	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	0	350,000
16	External.....	9	0	308
17	Income Taxes Payable and Accrued.....		70	1,476
18	Other Accrued Expenses.....	8	12,512	15,820
19	Other Current Liabilities.....	8	1,469	15,750
20	Total Current Liabilities.....		37,427	390,474
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	0
22	External.....	9	0	4,640
23	Deferred Credits		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	12	0	0
26	Total Liabilities.....		37,427	395,114
27	Stockholders', Partners', or Proprietor's Equity.....		(1,000)	(77,686)
28	Total Liabilities and Equity.....		\$36,427	\$317,428

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

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$122,332	\$149,712
2	Rooms.....		11,920	12,191
3	Food and Beverage.....		15,007	16,526
4	Other.....		2,675	3,439
5	Total Revenue.....		151,934	181,868
6	Less: Promotional Allowances.....		44,898	54,280
7	Net Revenue.....		107,036	127,588
	Costs and Expenses:			
8	Cost of Goods and Services.....		96,357	104,393
9	Selling, General, and Administrative.....		23,146	27,806
10	Provision for Doubtful Accounts.....		1,274	2,497
11	Total Costs and Expenses.....		120,777	134,696
12	Gross Operating Profit.....		(13,741)	(7,108)
13	Depreciation and Amortization.....		411	9,995
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	1,310
15	Other.....		0	0
16	Income (Loss) from Operations.....		(14,152)	(18,413)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	(10,194)
18	Interest Expense - External.....		(44)	(1,031)
19	CRDA Related Income (Expense) - Net.....		(1,169)	(1,038)
20	Nonoperating Income (Expense) - Net.....		898	6,722
21	Total Other Income (Expenses).....		(315)	(5,541)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(14,467)	(23,954)
23	Provision (Credit) for Income Taxes.....		20	0
24	Income (Loss) Before Extraordinary Items.....		(14,487)	(23,954)
	Extraordinary Items (Net of Income Taxes -			
25	2009, \$0; 2008, \$0).....		0	0
26	Net Income (Loss).....		(\$14,487)	(\$23,954)

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

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$44,459	\$56,010
2	Rooms.....		4,933	4,929
3	Food and Beverage.....		5,888	6,306
4	Other.....		1,105	1,370
5	Total Revenue.....		56,385	68,615
6	Less: Promotional Allowances.....		17,045	20,152
7	Net Revenue.....		39,340	48,463
	Costs and Expenses:			
8	Cost of Goods and Services.....		33,967	37,645
9	Selling, General, and Administrative.....		8,111	9,336
10	Provision for Doubtful Accounts.....		169	776
11	Total Costs and Expenses.....		42,247	47,757
12	Gross Operating Profit.....		(2,907)	706
13	Depreciation and Amortization.....		137	2,878
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	488
15	Other.....		0	0
16	Income (Loss) from Operations.....		(3,044)	(2,660)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	(3,365)
18	Interest Expense - External.....		(16)	(186)
19	CRDA Related Income (Expense) - Net.....		(433)	(470)
20	Nonoperating Income (Expense) - Net.....		284	2,446
21	Total Other Income (Expenses).....		(165)	(1,575)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(3,209)	(4,235)
23	Provision (Credit) for Income Taxes.....	11	20	0
24	Income (Loss) Before Extraordinary Items.....		(3,229)	(4,235)
25	Extraordinary Items (Net of Income Taxes - 2010, \$0; 2009, \$0).....			0
26	Net Income (Loss).....		(\$3,229)	(\$4,235)

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

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2008.....		100	\$0	0	\$0	\$39,673	\$0	(\$93,405)	(\$53,732)
2	Net Income (Loss) - 2009.....								66,780	66,780
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Recapitalization						(39,673)		39,673	0
7										0
8										0
9										0
10	Balance, December 31, 2009.....		100	0	0	0	0	0	13,048	13,048
11	Net Income (Loss) - 2010.....	**							(14,487)	(14,487)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Recapitalization								439	439
16										0
17										0
18										0
19	Balance, September 30, 2010		100	\$0	0	\$0	\$0	\$0	(\$1,000)	(\$1,000)

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

RESORTS INTERNATIONAL HOTEL, INC.
STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$11,896)	\$3,070
	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.....		0	(2,859)
5	Proceeds from Disposition of Property and Equipment.....		70	2
6	CRDA Obligations		(1,490)	(1,789)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	CRDA Reimbursement		0	111
11				
12	Net Cash Provided (Used) By Investing Activities.....		(1,420)	(4,535)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		8,049	0
14	Payments to Settle Short-Term Debt.....		0	(239)
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		8,049	(239)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(5,267)	(1,704)
25	Cash and Cash Equivalents at Beginning of Period.....		14,456	16,245
26	Cash and Cash Equivalents at End of Period.....		\$9,189	\$14,541
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$44	\$157
28	Income Taxes.....		\$1,096	\$19

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

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$14,487)	(\$23,954)
30	Depreciation and Amortization of Property and Equipment.....		411	9,995
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		0	1,031
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		(55)	52
36	(Gain) Loss on CRDA-Related Obligations.....		1,169	1,036
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		1,167	5,556
39	(Increase) Decrease in Inventories		367	382
40	(Increase) Decrease in Other Current Assets.....		(245)	205
41	(Increase) Decrease in Other Assets.....		77	(1,216)
42	Increase (Decrease) in Accounts Payable.....		2,135	(236)
43	Increase (Decrease) in Other Current Liabilities		(2,434)	10,219
44	Increase (Decrease) in Other Liabilities		0	0
45	Loss on Extinguishment of Debt		0	0
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$11,896)	\$3,070

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		\$0	(\$2,859)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		\$0	(\$2,859)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

Valid comparisons cannot be made without using information contained in the notes.

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

FOR THE QUARTER ENDED SEPTEMBER 30, 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 deficiency noted below in #5, 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.
5. As of the date of this filing, property taxes for the third quarter 2010, which were due by 8/10/2010, have not yet been paid since by the Property Owner or Lender.

11/15/2010
Date

Lawrence J. McCale

[Insert Name Here]

Director - Finance
Title

3392-11
License Number

On Behalf of:

RESORTS INTERNATIONAL HOTEL, INC.
Casino Licensee

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

Through December 16, 2009, Colony RIH Holdings, Inc., a Delaware corporation (“CRH”), owned 100% of the outstanding common stock of Resorts International Hotel and Casino, Inc., also a Delaware corporation (“RIHC”). RIHC, through its wholly-owned subsidiary, Resorts International Hotel, Inc., a New Jersey corporation (“RIH” or the “Company”), owned and operated Resorts Atlantic City, a casino/hotel located in Atlantic City, NJ. On April 1, 2003, Resorts Real Estate Holdings, Inc. (“RREH”) was formed as a wholly-owned subsidiary of CRH. RREH, which was incorporated as a New Jersey corporation, was formed to acquire certain land. RREH had no substantive business operations prior to January 2004.

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

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

On March 14, 2007, subsidiaries of CRH and RIHC entered into a Loan Agreement with Column Financial, Inc., as Lender (the “Term Loan”). The Term Loan was for an initial principal amount of \$350 million and had an initial maturity date of April 9, 2009. Interest on the Term Loan accrued at a rate of one month LIBOR plus 3.0%. The Term Loan was secured by a first priority deed of trust on the Resorts Hotel and Casino, Atlantic City, New Jersey, and certain other property owned by subsidiaries of CRH and RIHC. The subsidiaries of CRH and RIHC also entered into a Credit Agreement with Column Financial, Inc., as Lender (the “Revolving Loan”) which provides for a \$10 million revolving credit facility. The proceeds of the Revolving Loan were to be used to provide the subsidiaries a line of credit to support working capital and/or letter of credit requirements.

On November 7, 2008, as a result of the severe impact of economic conditions, the Company failed to make its monthly interest payment and other monthly funding requirements related to the Term Loan and the Revolving Loan. During November 2008, the Company was notified by Column Financial, Inc. (“Lender”) that it was in default of its obligations under the Term Loan and the Revolving Loan. The Company was unable to cure the default and in 2009 negotiated a settlement with the Lender and its agents to resolve the default by way of a deed-in-lieu of foreclosure agreement.

On December 16, 2009 (the “Settlement Date”), the Company and Lender, with prior approval of the New Jersey Casino Control Commission (“CCC”), entered into a series of agreements (the “Settlement Agreements”) that, among other things, conveyed ownership of the properties secured by a first priority deed of trust on the Resorts Hotel and Casino and certain other property owned by subsidiaries of CRH and RIHC to RAC Atlantic City Holdings, LLC, a New Jersey limited liability company (the “Property Owner”). Coincidentally, Colony IV forfeited its ownership in CRH and RIHC. Amounts due to CRH were forgiven and RIH is now 100% owned by Nicholas L. Ribis. All non-gaming related assets of RIH and all assets of RREH and New Pier Operating, Inc (“New Pier”), a New Jersey corporation and wholly owned subsidiary of RIHC, were transferred to the Property Owner in satisfaction of the Term Loan and Revolving Loan and all intercompany debt among subsidiaries of RIHC was eliminated.

RIH continues to operate as a casino licensee and retains ownership of certain gaming related assets. RIH continues to share certain administrative departments with another Atlantic City casino through a shared services agreement. RIH entered into a management agreement with the Property Owner to operate the casino and maintain the facility according to the management agreement. The current gaming license and management agreement will terminate on December 15, 2010 unless they are extended. RIH is not owned or otherwise affiliated with the Property Owner or Lender. Due to the forfeiture of ownership by Colony IV, RIH no longer has any affiliates or related parties, but continues to engage in certain transactions with affiliates of Colony IV.

These financial statements should be read in conjunction with the financial statements and notes thereto included in RIH’s Quarterly Report for the quarter ended December 31, 2009, as filed with the New Jersey Casino Control Commission (“CCC”). In accordance with the financial reporting guidelines provided by the CCC, the Company has elected not to include certain disclosures which have not significantly changed since the most recent Quarterly Report for the quarter ended December 31, 2009. Accordingly the following disclosures have been omitted: Going Concern, Fair Value Measurements, Retirement Plans, Future Minimum Lease Obligations, Common Stock and Stock Based Compensation and certain Income Taxes and Related Party disclosure. Certain prior year balances have been reclassified to conform to the current year’s presentation.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

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.

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

Cash Equivalents

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

Inventories

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

Property and Equipment

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

Hotels and other buildings.....	35 – 40	years
Furniture fixtures and equipment.....	2 – 5	years
Gaming equipment.....	3 – 5	years

The provisions of ASC Topic 360, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“ASC 360”), requires, among other things, that an entity review its long-lived assets and certain intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. 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. The asset impairment charge results from the difference between the fair value of the long-lived asset group and its carrying amount.

Income Taxes

The Company accounts for Income Taxes under ASC Topic 740, Income Taxes (“ASC 740”). In accordance with ASC 740, deferred tax assets and liabilities are calculated as the difference between the financial statement carrying amounts and tax bases of assets and liabilities. These differences are affected by the tax rate for the year in which they are expected to be recovered or settled. A valuation allowance is recognized, if necessary, to account for the likelihood that these differences will not be realized in the future.

Effective January 1, 2009, the Company adopted the provisions of ASC 740 related to uncertain tax positions. ASC 740 provides guidance on classification, interest and penalties, accounting in interim periods, disclosures and transition. A tax position is recognized if it meets a “more likely than not” threshold, and is measured at the largest amount of benefit that is greater than 50% likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. There was no material changes in our tax liabilities recorded under ASC 740 since December 31, 2009.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO 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.

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.

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

Cashback Liability

The Company awards incentives to its casino customers, based on their levels of gaming activity, through its "Cashback" marketing program. The incentives awarded are in the form of points which may be redeemed for coin to wager on slot machines. The Company records a liability for outstanding Cashback incentives (those incentives which have been earned, but not yet redeemed by the customer), adjusted for an estimated redemption factor based on historical results. The amount of expense resulting from this marketing program could vary from the liability recorded based on actual redemption rates; however, management believes the historical actual redemptions have been materially consistent with the original estimates. The amount is recorded as a promotional allowance in the statements of income. At September 30, 2010 and 2009, the Cashback liability was \$323,000 and \$485,000, respectively.

Bankable Complimentaries

The Company customer loyalty program, Destination Club, offers incentives to customers who gamble at Resorts Atlantic City and its affiliated casinos. Under the program, customers are able to accumulate, or bank, comp dollars over time that they may redeem at their discretion under the terms of the program. The comp dollars balance will be forfeited if the customer does not redeem them over an eight-month period from the time they were first earned. As a result of the ability of the customer to bank the comp dollars, the Company accrues the expense of the comp dollars, after consideration of estimated breakage, as they are earned. The estimated cost to provide comp dollars is expensed as the comp dollars are earned and is included in casino expense on the Company's statements of income. To arrive at the estimated cost associated with comp dollars, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which comp dollars will be redeemed. We use historical data to assist in the determination of estimated accruals. At September 30, 2010 and 2009, the Bankable Complimentaries liability was \$664,000 and \$870,000, respectively.

Self-insured Health Insurance

Non-union employees are covered under a self-insured medical plan for each insured person. Amounts in excess of \$275,000 per claim are covered by the Company's insurance programs subject to customary policy limits.

Advertising

The Company expenses advertising costs as incurred. These costs are included in Selling, General and Administrative costs on the Company's statements of income. For the nine months ended September 30, 2010 and 2009 these costs amounted to \$2.7 million and \$3.1 million, respectively.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Trade Receivables and Allowance for Accounts Receivable

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

Fair Value of Financial Instruments

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

In September 2006, the FASB issued ASC Topic 820, “Fair Value Measurements” (“ASC 820”) which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about ASC 360 fair value measurements. ASC 360 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. On February 12, 2007, the FASB issued FASB Staff Position ASC 820-10, Effective Date of ASC 820 (“ASC 820-10”), delaying the effective date of ASC 820 to the Company’s fiscal year beginning January 1, 2009 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Non-financial assets and non-financial liabilities for which the Company is required to apply the provisions of ASC 820 include its long-lived assets measured at fair value under the provisions of ASC 360. The Company adopted ASC 820 effective January 1, 2008 for financial assets and liabilities.

3. Receivables

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

	<u>2010</u>	<u>2009</u>
Gaming	\$ 10,554	\$ 13,049
Less: allowance for doubtful accounts	(5,219)	(6,338)
	<u>5,335</u>	<u>6,711</u>
Non-gaming:		
Hotel and related	473	624
Other	474	(1,584)
	<u>947</u>	<u>(960)</u>
Less: allowance for doubtful accounts	(47)	(27)
	<u>900</u>	<u>(987)</u>
Receivables, net	<u>\$ 6,234</u>	<u>\$ 5,724</u>

4. Inventories

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

	<u>2010</u>	<u>2009</u>
Hotel Food and Beverage	\$ 651	\$ 612
Gifts	342	681
Tobacco	31	39
Allowance for obsolete inventory	(330)	(253)
	<u>\$ 694</u>	<u>\$ 1,079</u>

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

5. Other Current Assets

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

	<u>2010</u>	<u>2009</u>
Prepaid casino licenses	\$ 895	\$ 884
Prepaid purse enhancement agreement	838	1,244
Prepaid insurance	614	373
Prepaid maintenance agreements	489	468
Debt issuance costs, net	-	3,320
Other prepaid expenses and current assets	660	536
	<u>\$ 3,496</u>	<u>\$ 6,825</u>

Debt issuance costs consist of amounts incurred in connection with obtaining long-term debt. The costs are amortized on a straight-line basis over the contractual life of the loan and amortization of such costs is included in interest expense. As a result of the default described in Notes 1 and 9, all indebtedness outstanding under the First Mortgage Notes became automatically due and payable. Consequently the Company had classified the debt issuance costs, net associated with the First Mortgage New Notes within current assets in the balance sheet as of September 30, 2009.

6. Other Assets

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

	<u>2010</u>	<u>2009</u>
CRDA deposits, bonds and other investments, net	\$ 14,052	\$ 13,861
Due from Resorts Real Estate Holdings, Inc.	-	39,875
Long Term Deposits	1,595	1,716
	<u>\$ 15,647</u>	<u>\$ 55,452</u>

On March 14, 2007, subsidiaries of CRH and RIHC entered into a Loan Agreement with Column Financial, Inc. as Lender (the "Term Loan" or "New Note"). Proceeds of the Term Loan were used to pay, among other things, the full existing indebtedness of RREH to KINA in the amount of \$39.9 million, which was a receivable at September 30, 2009. Other proceeds of the Term Loan were set aside at Resorts Propco, Inc., a subsidiary of CRH ("Propco"), for the restricted use of investing in existing hotels and buildings, as well as new furniture, fixtures and equipment. At September 30, 2010 and 2009, the funds at Propco amounted to \$0 and 1.7 million. As a result of the Settlement Agreement in December 2009, the receivable from RREH was eliminated.

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

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for the nine months ended September 30, 2010 and 2009 for discounts on obligations was \$.2 million and \$1.3 million, respectively.

From time to time RIH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. At September 30, 2010 and 2009, RIH owned \$5.0 million and \$5.8 million face value of bonds, respectively, issued by the CRDA and had \$17.5 million and \$16.9 million, respectively, on deposit with the CRDA. The majority of the Company's deposits have been pledged for specific projects.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

7. Property and Equipment

Components of property and equipment, net were as follows at September 30 (in thousands):

	<u>2010</u>	<u>2009</u>
Land and land rights	\$ -	\$ 35,224
Hotels and other buildings	-	218,802
Furniture, fixtures and equipment	1,712	88,768
Construction in progress	1	1,608
	<u>1,713</u>	<u>344,402</u>
Less: accumulated depreciation	(547)	(110,595)
Net property and equipment	<u>\$ 1,166</u>	<u>\$ 233,807</u>

On Settlement Date, the Company and Lender, with prior approval of the CCC, entered into a series of agreements (the "Settlement Agreements") that, among other things, conveyed ownership of the properties secured by a first priority deed of trust on the Resorts Hotel and Casino and certain other property owned by subsidiaries of CRH and RIHC to the Property Owner.

8. Accrued Expenses and Other Current Liabilities

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

	<u>2010</u>	<u>2009</u>
Payroll and related costs	\$ 7,992	\$ 9,021
Unredeemed tickets and cash incentives	1,352	2,348
State gaming obligations	1,042	1,077
Utilities	606	580
Unredeemed chip liability	263	345
Accrued Interest Payable to Affiliates	-	14,322
Other	2,726	3,878
	<u>\$ 13,981</u>	<u>\$ 31,570</u>

9. Long-Term Debt

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

	<u>2010</u>	<u>2009</u>
First Mortgage Term Loan - New Notes	\$ -	\$ 350,000
Thermal Energy capital lease	-	4,943
Other notes payable	-	5
	<u>-</u>	<u>354,948</u>
Less: current portion	-	350,308
	<u>\$ -</u>	<u>\$ 4,640</u>

On March 14, 2007, subsidiaries of CRH and RIHC entered into a Loan Agreement with Column Financial, Inc., as Lender (the "Term Loan" or "New Notes"). The Term Loan is for an initial principal amount of \$350 million and had an initial maturity date of April 9, 2009. Interest on the Term Loan accrued at a rate of one month LIBOR plus 3.0%. The Term Loan is secured by a first priority deed of trust on the Resorts Hotel and Casino, Atlantic City, New Jersey, and certain other property owned by subsidiaries of CRH and RIHC.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

The subsidiaries of CRH and RIHC also entered into a Credit Agreement with Column Financial, Inc., as Lender (the "Revolving Loan") which provides for a \$10 million revolving credit facility. The Revolving Loan had an initial maturity date of April 9, 2009. Interest on the Revolving Loan accrues at a rate of one month LIBOR plus 3.0%.

On November 7, 2008, as a result of the severe impact of the current economic conditions, the Company failed to make its monthly interest payment and other monthly funding requirements related to the Term Loan and the Revolving Loan. During November 2009, the Company was notified by the Lender that it was in default of its obligations under the Term Loan and the Revolving Loan. The Company has been unable to cure the default and has not made any additional payments of debt service, including interest, past due late charges or escrow, since November 7, 2008.

As a result of the default, all indebtedness outstanding under the Term Loan became automatically due and payable. Consequently the Company had classified the indebtedness under the Term Loan within current liabilities in the balance sheet as of December 31, 2008. In addition, until such time as no event of default existed, interest on the outstanding principal balance of the Loans, accrued and unpaid interest and other amounts due in respect of the Loans accrued at a default rate, which was 3% higher than the applicable rate described above ("Default Rate"). Interest at the Default Rate was computed from the occurrence of the default until December 16, 2009. Interest at the Default Rate was added to the Term Loan and the Revolving Loan and accrued interest at the same rate as the Term Loan and the Revolving Loan and was secured by the related security instruments. The event of default restricted the Company from paying dividends or returning capital to its shareholder. As of September 30, 2009, accrued interest related to the Term Loan and the Revolving Loan amounted to \$14.3 million other funding requirements under the Term Loan and the Revolving Loan amounted to \$16.6 million at September 30, 2009.

On Settlement Date, the Company and Lender, with prior approval of the CCC, entered into a series of agreements (the "Settlement Agreements") that, among other things, conveyed ownership of the properties secured by a first priority deed of trust on the Resorts Hotel and Casino and certain other property owned by subsidiaries of CRH and RIHC to the Property Owner.

The Term Loan and the Revolving Loan were forgiven in connection with the Settlement Agreements and related transactions.

In June 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five-year terms. The Thermal Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed; and, a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$4.9 million prior to the Settlement Date. The remaining obligation under the capital lease component of the Thermal Agreement was assumed by the Property owner in connection with the Settlement Agreements and related transaction

10. Related Party Transactions

For the nine months ended September 30, 2009, the Company incurred expenses of approximately \$11.5 million, for fees and expenses charged by affiliates of Colony Capital and the Company's directors. During the same period in 2010, there were no charges incurred from affiliates.

In June 2004, RIHC and RIH entered into agreements with an affiliate, Colony Resorts LVH Acquisitions, LLC ("LVH"), which operates the Las Vegas Hilton. Under the terms of the agreements, if either company incurs costs in excess of its direct share or any expenses which are directly allocable to or incurred on behalf of the other company, those costs will be reimbursed by that company. In April 2005, these agreements were amended to include another affiliate, Resorts International Holdings, LLC ("RIH LLC"), which operates, Resorts Tunica, Bally's Tunica and the Atlantic City Hilton.

At September 30, 2010 and 2009, the Company owed \$0 and \$2.1 million respectively to its affiliates. The operating results of the Company may have been different if the Company operated autonomously and without these transactions with its affiliates.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

11. Income Taxes (continued)

realization of the benefit. The Internal Revenue Service is examining the income tax returns for the years 2005 and 2006. All years subsequent to 2006 are open and subject to investigation as well. Management believes that adequate provision for income taxes has been made in the financial statements.

The Company accounts for Income Taxes under ASC Topic 740, Income Taxes ("ASC 740"). In accordance with ASC 740, deferred tax assets and liabilities are calculated as the difference between the financial statement carrying amounts and tax bases of assets and liabilities. These differences are affected by the tax rate for the year in which they are expected to be recovered or settled. A valuation allowance is recognized, if necessary, to account for the likelihood that these differences will not be realized in the future.

As a result of the Settlement Agreements, the Company will file its income tax returns on a separate company basis effective January 1, 2010. As a result, a portion of the Company's net operating losses reflect amounts due from affiliates for the use of the Company's current year loss.

12. Commitments and Contingencies

Litigation

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

License Renewal

On January 30, 2008, the CCC renewed RIH's license to operate its casino hotel complex in Atlantic City for the five-year period beginning January 31, 2008 and ending January 31, 2013. The license period for a casino license renewed after April 30, 2004, shall be up to five years, but the CCC may reopen licensing hearings at any time. The CCC shall act upon any such application prior to the date of expiration of the current license. A casino license is not transferable. In connection with its approval of the Settlement Agreements, the CCC reduced RIH's license period to December 15, 2010 and will evaluate RIH's licensure on an annual basis.

Union Employees

Approximately 45% of the Company's employees are represented by labor unions. The contract for the largest labor union, representing approximately 37% 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 twelve Atlantic City casino properties operating in 2004 (the "AC Industry") and the Casino Reinvestment and Development Authority ("CRDA") entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. The Company had met its obligation under the agreement; as such, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until December 31, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

The New Jersey Legislature amended the Casino Control Act, effective April 18, 2009, to permit the Casinos to deduct the amount of certain promotional gaming credits wagered at their slot machines in calculating the tax on gross gaming revenue. The amendment became operative upon the August 14, 2009 certification by the Chair of the CCC to the State Treasurer that the Casinos and Casino Association of New Jersey ("CANJ") had executed a Purse Enhancement Agreement ("PEA") with the NJSEA for the benefit of the horse racing industry for \$30 million annually for a three year period. In addition, the CCC adopted regulations effective September 22, 2009 which established procedures by which the Casinos may implement the promotional gaming credit tax deduction.

RESORTS INTERNATIONAL HOTEL, INC.
NOTES TO FINANCIAL STATEMENTS

12. Commitments and Contingencies (continued)

The PEA provides that the Casinos will pay the NJSEA \$90 million to be used solely for purse enhancements, breeder's purses and expenses to establish off-track wagering facilities, which it incurs through 2011. The payments will be made in eleven installments from September 29, 2009 through November 15, 2011 and will total \$22.5 million in 2009, \$30 million in each of 2009 and 2010 and \$7.5 million in 2011. Each Casino will pay a share equal to a percentage representing the gross gaming revenue it reported for the prior calendar year compared to that reported by all Casinos for that year. The Company's portion of this industry obligation for 2009 was approximately 5.1%. Based on current market share ratios, the Company estimates that its proportionate share of the PEA obligation will be approximately \$4.6 million. As of September 30, 2010, the Company had paid \$3.5 million toward its obligation. The unamortized balance of \$.8 million is included in prepaid expenses and other current assets on the balance sheet at September 30, 2010. For the nine months ended September 30, 2010 and 2009, the Company recorded charges related to the PEA of \$1.1 million and \$1.2 million, respectively.