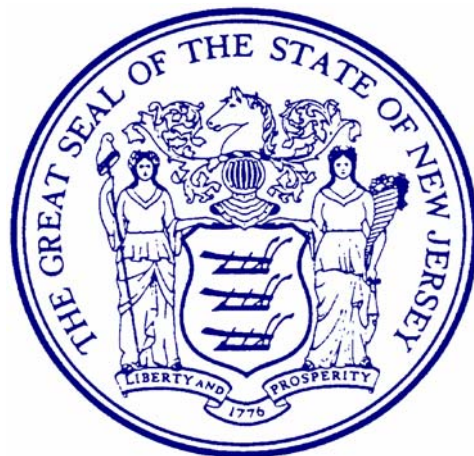


RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2010

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



OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

BALANCE SHEETS

AS OF DECEMBER 31, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED 5/16/11

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$9,813	\$11,967
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2010, \$9,572; 2009, \$8,852).....	Note 4	9,554	38,704
4	Inventories		884	1,380
5	Other Current Assets.....		3,776	4,625
6	Total Current Assets.....		24,027	56,676
7	Investments, Advances, and Receivables.....	Note 5	15,878	14,973
8	Property and Equipment - Gross.....		33,672	36,388
9	Less: Accumulated Depreciation and Amortization.....		(3,454)	(477)
10	Property and Equipment - Net.....	Note 6	30,218	35,911
11	Other Assets.....	Note 7	1,241	1,274
12	Total Assets.....		\$71,364	\$108,834
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,926	\$4,295
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		2,601	2,351
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	Note 8	17,564	15,496
19	Other Current Liabilities.....	Note 9	25,471	2,205
20	Total Current Liabilities.....		49,562	24,347
	Long-Term Debt:			
21	Due to Affiliates.....	Note 10	348,207	348,207
22	External.....		42	637
23	Deferred Credits		0	0
24	Other Liabilities.....	Note 7	229	226
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		398,040	373,417
27	Stockholders', Partners', or Proprietor's Equity.....		(326,676)	(264,583)
28	Total Liabilities and Equity.....		\$71,364	\$108,834

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 TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED 5/16/11

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$161,593	\$189,093
2	Rooms.....		14,743	16,021
3	Food and Beverage.....		21,984	25,843
4	Other.....		4,293	6,143
5	Total Revenue.....		202,613	237,100
6	Less: Promotional Allowances.....		58,443	71,870
7	Net Revenue.....		144,170	165,230
	Costs and Expenses:			
8	Cost of Goods and Services.....		131,498	149,588
9	Selling, General, and Administrative.....		29,866	29,259
10	Provision for Doubtful Accounts.....		2,064	3,316
11	Total Costs and Expenses.....		163,428	182,163
12	Gross Operating Profit.....		(19,258)	(16,933)
13	Depreciation and Amortization.....		3,390	9,807
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		1,343	1,866
16	Income (Loss) from Operations.....		(23,991)	(28,606)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(22,173)	(17,593)
18	Interest Expense - External.....		(384)	(38)
19	CRDA Related Income (Expense) - Net.....		(682)	(771)
20	Nonoperating Income (Expense) - Net.....		(14,863)	(277,106)
21	Total Other Income (Expenses).....		(38,102)	(295,508)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(62,093)	(324,114)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(62,093)	(324,114)
25	Extraordinary Items (Net of Income Taxes - 2009, \$0; 2008, \$0).....		0	0
26	Net Income (Loss).....		(\$62,093)	(\$324,114)

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 DECEMBER 31, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED 5/16/11

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$33,422	\$38,015
2	Rooms.....		2,877	3,270
3	Food and Beverage.....		4,518	4,738
4	Other.....		868	1,116
5	Total Revenue.....		41,685	47,139
6	Less: Promotional Allowances.....		11,208	13,339
7	Net Revenue.....		30,477	33,800
	Costs and Expenses:			
8	Cost of Goods and Services.....		22,784	34,798
9	Selling, General, and Administrative.....		7,409	7,013
10	Provision for Doubtful Accounts.....		406	780
11	Total Costs and Expenses.....		30,599	42,591
12	Gross Operating Profit.....		(122)	(8,791)
13	Depreciation and Amortization.....		325	(308)
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		330	659
16	Income (Loss) from Operations.....		(777)	(9,142)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(5,333)	(8,155)
18	Interest Expense - External.....		(380)	(8)
19	CRDA Related Income (Expense) - Net.....		(141)	(161)
20	Nonoperating Income (Expense) - Net.....		(15,119)	(277,333)
21	Total Other Income (Expenses).....		(20,973)	(285,657)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(21,750)	(294,799)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(21,750)	(294,799)
	Extraordinary Items (Net of Income Taxes -			
25	2010, \$0; 2009, \$0).....		0	0
26	Net Income (Loss).....		(\$21,750)	(\$294,799)

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 TWELVE MONTHS ENDED DECEMBER 31, 2010

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED 5/16/11

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2008.....		\$138,474	(\$78,943)	\$0	\$59,531
2	Net Income (Loss) - 2009.....			(324,114)		(324,114)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2009.....		138,474	(403,057)	0	(264,583)
11	Net Income (Loss) - 2010.....			(62,093)		(62,093)
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, December 31, 2010.....		\$138,474	(\$465,150)	\$0	(\$326,676)

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 TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED 5/16/11

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$34,213)	(\$31,807)
	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.....		(8,703)	(1,258)
5	Proceeds from Disposition of Property and Equipment.....		189	14
6	CRDA Obligations		(2,106)	(2,523)
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.....		(10,620)	(3,767)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		(4,232)	(485)
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		46,911	35,602
22			0	0
23	Net Cash Provided (Used) By Financing Activities.....		42,679	35,117
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(2,154)	(457)
25	Cash and Cash Equivalents at Beginning of Period.....		11,967	12,424
26	Cash and Cash Equivalents at End of Period.....		\$9,813	\$11,967
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$384	\$30
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 TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED 5/16/11

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$62,093)	(\$324,114)
30	Depreciation and Amortization of Property and Equipment.....		2,972	8,931
31	Amortization of Other Assets.....		418	876
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.....		(189)	(14)
36	(Gain) Loss on CRDA-Related Obligations.....		682	771
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		5,538	4,895
39	(Increase) Decrease in Inventories		496	511
40	(Increase) Decrease in Other Current Assets.....		849	(739)
41	(Increase) Decrease in Other Assets.....		76	1,531
42	Increase (Decrease) in Accounts Payable.....		(369)	(924)
43	Increase (Decrease) in Other Current Liabilities		2,092	(939)
44	Increase (Decrease) in Other Liabilities		3	0
45	Write-off of Goodwill		0	0
46	Impairment of Long-Lived Assets		15,312	277,408
47	Net Cash Provided (Used) By Operating Activities.....		(\$34,213)	(\$31,807)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$12,590)	(\$4,119)
49	Less: Capital Lease Obligations Incurred.....		3,887	2,861
50	Cash Outflows for Property and Equipment.....		(\$8,703)	(\$1,258)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$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.

DGE-235A

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

FOR THE QUARTER ENDED DECEMBER 31, 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.

5/15/2011

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

Amended 5/16/11

1. Basis of Presentation and Consolidation

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

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

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

In July 2009, RIH defaulted on the Loan as a result of its failure to make monthly interest payments totaling \$47.8 million from the date of default thru December 31, 2010. This interest amount includes \$23.6 million in interest expense associated with the Loan’s default rate, which is 3.0% higher than the standard rate. For the years ended December 31, 2010 and 2009, \$22.2 million and \$11.1 million, respectively, of this interest has been allocated to the Company and is reflected in the accompanying financial statements. On January 18, 2011, the Company and its parent entered into a Standstill Agreement with the lenders. The Standstill Agreement provides for a forbearance period during which the parties will cooperate to find a buyer for the Atlantic City Hilton. A financial advisory firm has been engaged to find a buyer on terms which are agreeable to all parties.

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

Amended 5/16/11

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 December 31, 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.

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.

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.

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

Amended 5/16/11

2. Summary of Significant Accounting Policies (continued)

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

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents are reasonable estimates of fair values because of the short term maturities of these investments. CRDA Deposits, bonds, and other investments are stated net of a valuation allowance reflecting the below-market interest rates associated with these investments; therefore the carrying values approximate their fair values. The carrying value of long-term debt approximates its fair value.

Advertising

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

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

3. Asset Impairments

Long-Lived Assets

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

In both 2010 and 2009, the Company determined that it failed the test for recoverability of ASC 360 as the undiscounted cash flows did not exceed the carrying value.

In 2009, an impairment charge was measured as the difference between fair value based on the income approach using-discounted cash flow and the 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 2009 impairment testing, the Company reduced the estimated useful life of buildings to 20 years.

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

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

Amended 5/16/11

3. Asset Impairments (continued)

Insurance Recovery

On August 28, 2009 severe storms in the area caused a roof drainage pipe to burst, resulting in severe water damage to several restaurants, a portion of the casino floor, and back office areas at the Atlantic City Hilton. The damage caused a disruption to business in the casino, hotel, food & beverage, and convention areas. 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 December 31, 2010, the Company had received \$3.6 million in insurance proceeds related to the damaged property. The net impact on the statement of operations is zero.

Real Estate Taxes

In March 2011, the Company reached a civil court settlement with the City of Atlantic City regarding property taxes for 2006 through 2010. The settlement requires final governing body approval, which is expected within 30 days. As a result, 2010 property tax expense recorded in the December 31, 2010 financial statements reflect the subsequent settlement.

4. Receivables

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

	2010	2009
Gaming	\$ 15,578	\$ 16,086
Less: allowance for doubtful accounts	(9,519)	(8,795)
	6,059	7,291
Non-gaming:		
Hotel and related	627	626
Due from affiliates, net	-	23,613
Other	2,921	7,231
	3,548	31,470
Less: allowance for doubtful accounts	(53)	(57)
	3,495	31,413
Receivables, net	\$ 9,554	\$ 38,704

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

In 2009, the Company had a net due from which was reported as part of receivables. In 2010, the Company had a net due to and being reported as part of Other Current Liabilities.

Certain executive, administrative and support operations of the Company and other affiliates are consolidated, including limousine services, advertising, 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 amounts of these charges were \$0.7 and \$1.0 million, respectively, for the years ended December 31, 2010 and 2009. 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

Amended 5/16/11

4. Receivables (continued)

As of December 31, 2010, the Company had a net due to RIH of \$23.2 million. RIH provides payments for certain services (e.g. health care, property insurance, etc.) that pertain to all of the associated companies under its financing structure, the appropriate shares of which are then allocated to the Company. In addition, the Company transfers excess cash to RIH and RIH provides cash to the Company when needed to fund operations.

5. Investments, Advances and Receivables

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

	2010	2009
CRDA bonds and direct investments.....	\$ 9,956	\$ 9,162
CRDA deposits.....	16,154	15,477
Valuation allowance.....	(10,232)	(9,666)
	\$ 15,878	\$ 14,973

The New Jersey Casino Control Act, as amended, requires ACH to purchase bonds issued by the Casino Reinvestment Development Authority (“CRDA”) or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH’s gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.3% to 7.0% and have repayment terms of between 20 and 50 years. ACH records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises.

The charges for the twelve months 2010 and 2009 for discounts on obligations arising in that period were \$682,000 and \$771,000, respectively.

From time to time ACH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. At December 31, 2010, ACH owned \$8.7 million face value of bonds, issued by the CRDA and had \$16.2 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 December 31 (in thousands):

	2010	2009
Land and land rights.....	\$ 10,008	\$ 10,017
Hotels and other buildings.....	14,427	21,040
Furniture, fixtures and equipment.....	5,293	1,167
Construction in progress.....	490	4,164
	30,218	36,388
Less: accumulated depreciation.....	-	(477)
Net property and equipment.....	\$ 30,218	\$ 35,911

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

Amended 5/16/11

7. Other Assets

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

	2010	2009
Restricted cash.....	999	997
Other.....	242	277
	\$ 1,241	\$ 1,274

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 \$229,000 and is included in Other Assets and Other Long-Term Liabilities on the consolidated balance sheet at December 31, 2010.

8. Other Accrued Expenses

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

	2010	2009
Payroll.....	\$ 8,754	\$ 8,345
Unredeemed customer incentives.....	1,547	1,505
Gaming taxes and fees.....	752	563
Non-gaming taxes and fees.....	360	394
Other.....	6,151	4,689
	\$ 17,564	\$ 15,496

9. Other Current Liabilities

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

	2010	2009
Unredeemed chip liability.....	\$ 1,200	\$ 1,214
CRDA obligation.....	421	482
Other.....	552	509
Due to Affiliates.....	23,298	-
	\$ 25,471	\$ 2,205

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, 2010 and December 31, 2009.

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

Amended 5/16/11

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% (2.91% at December 31, 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.

As of December 31, 2010 and 2009, the outstanding indebtedness under the Loan Agreement was \$348.2 million, plus related accrued interest of \$33.2 million and \$11.1 million, respectively. Accrued interest is included in due to/from affiliates, net on the accompanying consolidated balance sheets.

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 nine months ended December 31, 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 41% 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

In August 2008, the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. As part of the agreement, the AC Industry will provide \$90 million over a three-year period, derived entirely of funds from the AC Industry. The Company's obligation will be equal to its fair-share of the AC Industry casino revenues. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2012. The Company estimates its portion of the industry obligation is approximately 4.9%.

Environmental Matters

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

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

Amended 5/16/11

12. Commitments and Contingencies (continued)

\$500,000 from the sale price in an escrow account to be used for future clean-up costs of the site. As of December 31, 2010, \$271,000 has been utilized for the clean-up.

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

Licensing

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

**RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
ANNUAL FILINGS**

FOR THE YEAR ENDED DECEMBER 31, 2010

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2010

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$3,576		
2	Returned Patrons' Checks.....	12,002		
3	Total Patrons' Checks.....	15,578	\$9,519	\$6,059
4	Hotel Receivables.....	627	53	\$574
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....			
7	Other Accounts and Notes Receivables.....	2,921		
8	Total Other Receivables.....	2,921	-	\$2,921
9	Totals (Form CCC-205).....	\$19,126	\$9,572	\$9,554

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$4,881
11	Counter Checks Issued.....	107,839
12	Checks Redeemed Prior to Deposit.....	(70,524)
13	Checks Collected Through Deposits.....	(34,341)
14	Checks Transferred to Returned Checks.....	(4,279)
15	Other Adjustments.....	-
16	Ending Balance.....	\$3,576
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	
19	Provision as a Percent of Counter Checks Issued.....	0.0%

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2010

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	624			
2	Slot Machines	68			
3	Administration	0			
4	Casino Accounting	12			
5	Simulcasting	0			
6	Other	8			
7	Total - Casino	712	\$18,479	\$295	\$18,774
8	ROOMS	251	6,922	0	6,922
9	FOOD AND BEVERAGE	563	12,279	0	12,279
10	GUEST ENTERTAINMENT	25	871	0	871
11	MARKETING	68	4,215	0	4,215
12	OPERATION AND MAINTENANCE	99	4,960	77	5,037
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	22	1,047	892	1,939
14	Accounting and Auditing	15	911	119	1,030
15	Security	150	4,720	0	4,720
16	Other Administrative and General	24	1,450	62	1,512
	OTHER OPERATED DEPARTMENTS:				
17	Gas Station	0	0	0	0
18	Pool/Beach Ops	0	0	0	0
19	Uniform Room	11	362	0	362
20	Health Club	4	98	0	98
21	Coat Check	0	0	0	0
22	Other	61	865		865
23	TOTALS - ALL DEPARTMENTS	2,005	\$57,179	\$1,445	\$58,624

ATLANTIC CITY HILTON (RIH ACQUISITIONS N.J., LLC)

ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Line</u>			
	CASINO WIN:		
1.	Table and Other Games.....	\$	41,827,918
2.	Slot Machines		121,822,540
3.	Total Casino Win.....		163,650,458
4.	Adjustments.....		-
5.	Gross Revenue (line 3 plus line 4).....		163,650,458
6.	Deduction for Eligible Promotional Gaming Credits.....		16,762,047
7.	Taxable Gross Revenue (line 5 minus line 6).....		146,888,411
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....		11,751,073
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years		176
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....		11,751,249

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 8, 2011

Date



JOANNE MCKENSIE

CASINO CONTROLLER (1231-11)
TITLE (LICENSE NUMBER)