

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

FOR THE QUARTER ENDED DECEMBER 31,2006

**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 DECEMBER, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$17,127	\$14,286
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$2,596 ; 2005, \$1,997).....	Note 4	121,579	32,307
4	Inventories		2,102	1,848
5	Other Current Assets.....		7,416	2,545
6	Total Current Assets.....		148,224	50,986
7	Investments, Advances, and Receivables.....	Note 5	12,465	10,800
8	Property and Equipment - Gross.....		373,352	394,325
9	Less: Accumulated Depreciation and Amortization.....		(32,067)	(11,534)
10	Property and Equipment - Net.....	Note 6	341,285	382,791
11	Other Assets.....	Note 7	89,172	83,468
12	Total Assets.....		\$591,146	\$528,045
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$11,742	\$10,028
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		96	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	Note 8	21,032	17,038
19	Other Current Liabilities.....	Note 9	3,026	3,522
20	Total Current Liabilities.....		35,896	30,588
	Long-Term Debt:			
21	Due to Affiliates.....	Note 10	405,330	0
22	External.....		144	0
23	Deferred Credits		0	0
24	Other Liabilities.....		500	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		441,870	30,588
27	Stockholders', Partners', or Proprietor's Equity.....		149,276	497,457
28	Total Liabilities and Equity.....		\$591,146	\$528,045

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

Amended 5/8/2007

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton) STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005* (d)
	Revenue:			
1	Casino.....		\$327,523	\$204,665
2	Rooms.....		22,901	16,762
3	Food and Beverage.....		43,980	29,610 **
4	Other.....		13,416	6,373 **
5	Total Revenue.....		407,820	257,410
6	Less: Promotional Allowances.....		113,549	69,201 **
7	Net Revenue.....		294,271	188,209
	Costs and Expenses:			
8	Cost of Goods and Services.....		192,781	129,750 **
9	Selling, General, and Administrative.....		47,828	31,303 **
10	Provision for Doubtful Accounts.....		1,865	756
11	Total Costs and Expenses.....		242,474	161,809
12	Gross Operating Profit.....		51,797	26,400
13	Depreciation and Amortization.....		22,142	12,707 **
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		5,734	938 **
16	Income (Loss) from Operations.....		23,921	12,755
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(6,902)	0
18	Interest Expense - External.....		(100)	0
19	CRDA Related Income (Expense) - Net.....		(1,270)	(862) **
20	Nonoperating Income (Expense) - Net.....		43,524	572 **
21	Total Other Income (Expenses).....		35,252	(290)
22	Income (Loss) Before Taxes and Extraordinary Items.....		59,173	12,465
23	Provision (Credit) for Income Taxes.....		2,024	1,689
24	Income (Loss) Before Extraordinary Items.....		57,149	10,776
25	Extraordinary Items (Net of Income Taxes - 2006, \$0; 2005, \$0).....		0	0
26	Net Income (Loss).....		\$57,149	\$10,776

*Rep. operations from 4/26/05 to 12/31/06. **2005 changed to conform to 2006 presentation.

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

Amended 5/8/2007

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$76,581	\$67,570
2	Rooms.....		5,217	5,367
3	Food and Beverage.....		10,302	10,076
4	Other.....		3,789	2,841
5	Total Revenue.....		95,889	85,854
6	Less: Promotional Allowances.....		26,313	25,204
7	Net Revenue.....		69,576	60,650
	Costs and Expenses:			
8	Cost of Goods and Services.....		47,731	47,614
9	Selling, General, and Administrative.....		13,153	12,243
10	Provision for Doubtful Accounts.....		543	736
11	Total Costs and Expenses.....		61,427	60,593
12	Gross Operating Profit.....		8,149	57
13	Depreciation and Amortization.....		6,522	5,124
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		2,747	794
16	Income (Loss) from Operations.....		(1,120)	(5,861)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(6,902)	0
18	Interest Expense - External.....		(36)	0
19	CRDA Related Income (Expense) - Net.....		(285)	(282)
20	Nonoperating Income (Expense) - Net.....		43,066	152
21	Total Other Income (Expenses).....		35,843	(130)
22	Income (Loss) Before Taxes and Extraordinary Items.....		34,723	(5,991)
23	Provision (Credit) for Income Taxes.....		423	1,296
24	Income (Loss) Before Extraordinary Items.....		34,300	(7,287)
25	Extraordinary Items (Net of Income Taxes - 2006, \$0; 2005, \$0).....		0	0
26	Net Income (Loss).....		\$34,300	(\$7,287)

* Prior year numbers changed to conform to current year presentation.

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, 2005
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2004.....					\$0
2	Net Income (Loss) - 2005.....			10,776		10,776
3	Capital Contributions.....		486,681			486,681
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2005.....		486,681	10,776	0	497,457
11	Net Income (Loss) - 2006.....			57,149		57,149
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Redemption of Capital		(405,330)			(405,330)
17	_____					0
18	_____					0
19	Balance, December 31, 2006.....		\$81,351	\$67,925	\$0	\$149,276

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, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$35,527	\$31,833
	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.....		(11,260)	(8,144)
5	Proceeds from Disposition of Property and Equipment.....		76,938	96
6	CRDA Obligations		(4,011)	(1,743)
7	Other Investments, Loans and Advances made.....		0	
8	Proceeds from Other Investments, Loans, and Advances		0	
9	Cash Outflows to Acquire Business Entities.....		0	17,974
10			0	0
11			0	0
12	Net Cash Provided (Used) By Investing Activities.....		61,667	8,183
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		(58)	0
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	(365)
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Changes in receivables from affiliates.....		(94,295)	(25,365)
22			0	0
23	Net Cash Provided (Used) By Financing Activities.....		(94,353)	(25,730)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		2,841	14,286
25	Cash and Cash Equivalents at Beginning of Period.....		14,286	0
26	Cash and Cash Equivalents at End of Period.....		\$17,127	\$14,286
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$18	\$0
28	Income Taxes.....		\$2,001	\$1,615

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, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$57,149	\$10,776
30	Depreciation and Amortization of Property and Equipment.....		20,532	11,534
31	Amortization of Other Assets.....		1,610	1,173 *
32	Amortization of Debt Discount or Premium.....		293	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		(42,888)	(96)
36	(Gain) Loss on CRDA-Related Obligations.....		1,270	862 *
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(3,392)	(7,156)
39	(Increase) Decrease in Inventories		(254)	(803)
40	(Increase) Decrease in Other Current Assets.....		(2,594)	(1,377)
41	(Increase) Decrease in Other Assets.....		(919)	(194) *
42	Increase (Decrease) in Accounts Payable.....		105	8,222
43	Increase (Decrease) in Other Current Liabilities		4,115	8,892
44	Increase (Decrease) in Other Liabilities		500	0
45			0	0
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$35,527	\$31,833

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$11,558)	(\$8,144)
49	Less: Capital Lease Obligations Incurred.....		298	0
50	Cash Outflows for Property and Equipment.....		(\$11,260)	(\$8,144)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	(\$378,988)
52	Goodwill Acquired.....		0	(81,527)
53	Other Assets Acquired - net		0	(8,557)
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	487,046
56	Cash Outflows to Acquire Business Entities.....		\$0	\$17,974
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	(\$365)
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	(\$365)

* Prior year numbers changed to conform to current year presentation.

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

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

Amended 5/8/2007

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	451,779	\$19,042	299	\$91
2	Food	1,411,253	24,951	55,291	829
3	Beverage	3,781,448	9,832	10	25
4	Travel	0	0	107,215	2,407
5	Bus Program Cash	712,718	13,777	0	0
6	Other Cash Complimentaries	937,752	39,868	0	0
7	Entertainment	214,883	5,372	4,302	537
8	Retail & Non-Cash Gifts	13,917	185	204,968	2,471
9	Parking	0	0	0	0
10	Other	32,182	522	210,403	4,339 *
11	Total	7,555,932	\$113,549	582,488	\$10,699

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	109,352	\$4,323	86	\$53
2	Food	328,757	5,842	18,801	282
3	Beverage	953,722	2,480	0	0
4	Travel	0	0	29,720	674
5	Bus Program Cash	170,624	3,316	0	0
6	Other Cash Complimentaries	146,009	8,940	0	0
7	Entertainment	51,559	1,289	3,060	383
8	Retail & Non-Cash Gifts	638	9	51,672	627
9	Parking	0	0	0	0
10	Other	7,569	114	49,411	1,020 *
11	Total	1,768,230	\$26,313	152,750	\$3,039

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

Amended 5/8/2007

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

FOR THE QUARTER ENDED DECEMBER 31,2006

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.

5/8/2007

Date



Laura Palazzo

VP/CFO

Title

02461-11

License Number

On Behalf of:

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)
Casino Licensee

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

1. Basis of Presentation and Consolidation

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

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

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

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

The Loan Agreement does not require periodic principal payments prior to the maturity date. However, monthly interest payments are required using a rate of LIBOR plus 2.65%. As of December 31, 2006 the interest rate was approximately 8.0%.

The cash flows of ACH and the other casino properties acquired by RIH are the only source to fund the interest payments of the debt issued by RIH. Substantially all of the Company's assets are pledged as collateral on the RIH credit facility, and the Company is named as a guarantor on RIH's credit agreement.

In conjunction with the refinancing in October 2006, RIH Propco NJ, LLC ("Propco") was formed on October 11, 2006. Propco, a wholly-owned subsidiary of the Company, holds all of the real estate associated with ACH, as well as its non-gaming FF&E. The Company leases these assets from Propco for an amount which will cover the debt service under the loan.

In July 2006, due to a budget impasse in the New Jersey legislature, the governor of the State of New Jersey ordered a shutdown of non-essential state services, which included regulatory inspection of the Atlantic City casino industry. This mandatory shutdown resulted in the closing of casino operations for all Atlantic City casinos from July 5th through July 7th. The three day shutdown of casino operations had a negative impact on the Company's revenues and results of operations for the third quarter.

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.

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

Cash Equivalents

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

Allowance for Accounts Receivable

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

Inventories

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

Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives reported below using the straight-line method.

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

The provisions of SFAS No. 144 “Accounting for the Impairment or Disposal of Long- Lived Assets” (“SFAS No. 144”) require, among other things, that an entity review its long-lived assets and certain intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. There were no impairment losses recognized for the years ended December 31, 2006 and 2005.

Income Taxes

The Company has elected to be treated as a partnership for federal income tax purposes: therefore, no provision or benefit for federal income taxes for the twelve months ended December 31, 2006 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, required the suspension of the use of the New Jersey net operating loss carryforwards for two years, and the introduction of an alternative minimum assessment (“NJAMA”) under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. This tax was retroactive to January 1, 2002 and expired on December 31, 2006.

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

2. Summary of Significant Accounting Policies (continued)

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state's fiscal years 2004 through 2006, expiring on June 30, 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually.

Goodwill

The Company has adopted Statement of Financial Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." As a result, goodwill is not amortized and goodwill is tested at least annually for impairment. See Note 7.

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 \$200,000 per year for each insured person. Amounts in excess of these thresholds are covered by the Company's insurance programs subject to customary policy limits.

Promotional Allowances

The retail value of hotel accommodations, food, beverage and other services provided to customers without charge is included in gross revenues and deducted as promotional allowances.

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

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

Fair Value of Financial Instruments

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

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

2. Summary of Significant Accounting Policies (continued)

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.

Pre-Opening Expenses

For the twelve months ended December 31, 2006 and 2005, the Company recorded \$98,000 and \$291,000, respectively, of pre-opening expenses related to the transition of ownership of the property.

Reclassifications

Certain prior year balances have been reclassified to conform with the current presentation.

3. Acquisition

RIH and Caesars Entertainment Inc. and Harrah's Entertainment Inc. entered into the Purchase Agreement on September 27, 2004. Pursuant to the Purchase Agreement, RIH acquired substantially all of the assets and certain liabilities of ACH on April 26, 2005.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Cash acquired	\$	16,886
Accounts receivable, net of allowances of \$878		4,827
Inventories		1,045
Prepaid expenses and other current assets		1,168
Property and equipment acquired		378,988
Goodwill acquired		81,527
Intangible and other assets		11,988
		<u>496,429</u>
Liabilities assumed		(9,747)
	\$	<u><u>486,682</u></u>

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

4. Receivables

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

	<u>2006</u>	<u>2005</u>
Gaming	\$ 14,193	\$ 10,416
Less: allowance for doubtful accounts	<u>(2,517)</u>	<u>(1,965)</u>
	11,676	8,451
Non-gaming:		
Hotel and related	706	1,344
Due from affiliates, net	106,425	20,546
Other	<u>2,851</u>	<u>1,998</u>
	109,982	23,888
Less: allowance for doubtful accounts	<u>(79)</u>	<u>(32)</u>
	109,903	23,856
Receivables, net	<u>\$ 121,579</u>	<u>\$ 32,307</u>

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

Certain executive, administrative and support operations of the Company and other affiliates are consolidated, including limousine services, sales and marketing services, purchasing, financial, human resources, and other administrative departments. The costs of these operations are allocated to or from the Company either directly or indirectly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. The net amount of these charges was \$2.0 million for the twelve months ended December 31, 2006. The operating results of the Company may be different if the Company operated autonomously and without these transactions with its affiliates.

The Company transfers cash in excess of its operating needs to RIH on a periodic basis. RIH provides the Company with cash advances for capital expenditures and working capital needs. As of December 31, 2006, the Company had a net receivable from RIH of \$89.2 million for these cash transfers.

5. Investments, Advances and Receivables

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

	<u>2006</u>	<u>2005</u>
CRDA bonds and direct investments	\$ 10,782	\$ 9,730
CRDA deposits	8,841	7,615
Valuation allowance	<u>(7,158)</u>	<u>(6,545)</u>
	<u>\$ 12,465</u>	<u>\$ 10,800</u>

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.

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

5. Investments, Advances and Receivables (continued)

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 twelve months ended December 31, 2006 and 2005 for discounts on obligations arising in that period was \$1.3 million and \$862,000, 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, 2006, ACH owned \$9.5 million face value of bonds, issued by the CRDA and had \$8.8 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):

	2006	2005
Land and land rights.....	\$ 50,810	\$ 84,600
Hotels and other buildings.....	265,779	256,474
Furniture, fixtures and equipment.....	49,429	39,611
Construction in progress.....	7,334	13,640
	<u>373,352</u>	<u>394,325</u>
Less: accumulated depreciation.....	(32,067)	(11,534)
Net property and equipment.....	<u>\$ 341,285</u>	<u>\$ 382,791</u>

In November 2006, the Company sold several parcels of land in close proximity to the Atlantic City Hilton for net proceeds of \$76.9 million. The sale of land resulted in a gain of \$42.9 million which is recognized in the 2006 consolidated statement of operations.

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

7. Other Assets

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

	2006	2005
Goodwill.....	\$ 81,527	\$ 81,527
Definite-lived intangibles, net of accumulated amortization.....	978	1,711
Loan fees and costs, net of accumulated amortization.....	5,203	0
Restricted cash.....	500	0
Other.....	964	230
	<u>\$ 89,172</u>	<u>\$ 83,468</u>

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

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

7. Other Assets (continued)

Loan fees and costs of \$5.2 million at December 31, 2006 were incurred in connection with obtaining the new loan agreement signed in October 2006 as described in Note 10. The debt issuance costs are amortized on a straight-line basis, which approximates the effective interest method, over the contractual life of the loan, and amortization of such costs is included in interest expense on the accompanying consolidated statements of operations.

As a condition of the sale of land, 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 sold (see Note 12). The \$500,000 escrow is included in Other Assets (as Restricted Cash) and Other Long-Term Liabilities on the Balance Sheet at December 31, 2006.

8. Other Accrued Expenses

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

	2006	2005
Payroll	\$ 10,701	\$ 8,390
Unredeemed customer incentives.....	2,672	2,146
Gaming taxes and fees.....	1,284	888
Non-gaming taxes and fees.....	1,525	938
Other	4,850	4,676
	\$ 21,032	\$ 17,038

9. Other Current Liabilities

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

	2006	2005
Unredeemed chip liability	\$ 1,617	\$ 1,959
CRDA obligation	966	851
Other	443	712
	\$ 3,026	\$ 3,522

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 matures November 9, 2008 with the option to extend the term of the Loan for three successive terms of one year each.

The proceeds of the Loan were used to retire the existing Term Loans in their entirety. The portion of the Loan that was allocated to ACH was \$405,300,000, and was based upon the relative fair market value of the assets acquired by RIH.

The Loan Agreement does not require periodic principal payments prior to the maturity date. However, monthly interest payments are required using a rate of LIBOR plus 2.65%. As of December 31, 2006 the interest rate was approximately 8.0%.

The cash flows of ACH and the other casino properties acquired by RIH are the only source to fund the interest payments of the debt issued by RIH. Substantially all of the Company's assets are pledged as

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

10. Debt (continued)

collateral on the RIH credit facility, and the Company is named as a guarantor on RIH's credit agreement. In accordance with FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements of Guarantees, Including Indirect Guarantees of Indebtedness of Others*, ACH's allocated portion of the Loan is recorded as long-term debt and a reduction in member's equity in the consolidated balance sheets at December 31, 2006.

11. Income Taxes

The Company has elected to be treated as a partnership for federal income tax purposes: therefore, no provision or benefit for federal income taxes for the twelve months ended December 31, 2006 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues ("NJAMA").

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, required the suspension of the use of the New Jersey net operating loss carryforwards for two years, and the introduction of an alternative minimum assessment ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. This tax was retroactive to January 1, 2002 and expired on December 31, 2006. For the years ended December 31, 2006 and 2005, the Company recorded provisions of \$1,322,000 and \$752,000 for this tax, respectively.

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state's fiscal years 2004 through 2006, expiring on June 30, 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually. For the years ended December 31, 2006 and 2005, the Company recorded provisions of \$702,000 and \$937,000 for this tax, respectively.

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.

New Jersey Sports & Exposition Authority

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four-year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four-year period to be a total of \$2,100,000, the first payment of which was made in November 2004 by the casino property's predecessor owner, Caesars Entertainment, Inc. The total estimated commitment will be charged to operations on a straight-line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, 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.

**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 6).

On July 21, 2005, an oil pipeline ruptured at the Atlantic City Hilton which resulted in an oil spill. The Company is in the process of resolving the issue in accordance with NJDEP and U.S. Environmental Protection Agency guidelines. At this time, the Company has no indication that surrounding areas of other properties sustained any damage.

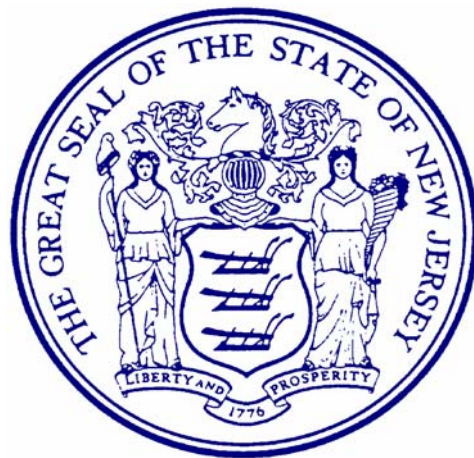
Licensing

On April 19, 2006, the New Jersey Casino Control Commission (the "NJCCC") granted the Company an initial one-year casino license to operate ACH, subject to certain conditions. Previously, the NJCCC had issued interim casino authorization ("ICA") to the Company, effective as of April 25, 2005, to operate ACH through an approved trustee, for a period of up to twelve months, until the initial casino license was approved. The Company has requested that the NJCCC renew its casino license for a five-year term; the NJCCC is expected to rule on this request at its regularly-scheduled public hearing on April 18, 2007.

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

FOR THE YEAR ENDED DECEMBER 31,2006

**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)
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31,2006

(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.....	\$8,017		
2	Returned Patrons' Checks.....	6,176		
3	Total Patrons' Checks.....	14,193	\$2,517	\$11,676
4	Hotel Receivables.....	706	79	\$627
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	511,755		
7	Other Accounts and Notes Receivables.....	2,850		
8	Total Other Receivables.....	514,605	-	\$514,605
9	Totals (Form CCC-205).....	\$529,504	\$2,596	\$526,908

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$7,070
11	Counter Checks Issued.....	202,000
12	Checks Redeemed Prior to Deposit.....	
13	Checks Collected Through Deposits.....	(171,033)
14	Checks Transferred to Returned Checks.....	(20,974)
15	Other Adjustments.....	(9,046)
16	Ending Balance.....	\$8,017
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,865
19	Provision as a Percent of Counter Checks Issued.....	0.9%

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2006

(\$ 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	1,025			
2	Slot Machines	98			
3	Administration	0			
4	Casino Accounting	16			
5	Simulcasting	0			
6	Other	9			
7	Total - Casino	1,148	\$28,959	\$157	\$29,116
8	ROOMS	355	7,889	0	7,889
9	FOOD AND BEVERAGE	793	15,347	125	15,472
10	GUEST ENTERTAINMENT	33	1,182	0	1,182
11	MARKETING	135	6,243	598	6,841
12	OPERATION AND MAINTENANCE	87	4,558	0	4,558
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	15	1,087	642	1,729
14	Accounting and Auditing	18	1,021	141	1,162
15	Security	144	4,568	0	4,568
16	Other Administrative and General	18	1,546	0	1,546
	OTHER OPERATED DEPARTMENTS:				
17	Gas Station	4	70	0	70
18	Pool/Beach Ops	0	42	0	42
19	Uniform Room	22	639	0	639
20	Health Club	8	119	0	119
21	Coat Check	3	29	0	29
22	Other	103	1,216		1,216
23	TOTALS - ALL DEPARTMENTS	2,886	\$74,515	\$1,663	\$76,178

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

ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2006


Line

GROSS REVENUE:	
1.	Table and Other Games..... \$ 102,305,023
2.	Slot Machines 227,777,863
3.	Total Gross Revenue..... 330,082,886
4.	Adjustments..... -
5.	Taxable Gross Revenue (line 3 plus line 4)..... 330,082,886
6.	Tax on Gross Revenue - Reporting Year (8% of line 5)..... 26,406,631
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years 0
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7)..... 26,406,631
9.	Total Deposits Made for Tax on Reporting Year's Gross Revenue..... (26,406,631)
Settlement of Prior Years' Tax on Gross Revenue	
10.	Resulting from Audit or Other Adjustments - (Deposits) Credits 0
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10) \$ (0)

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.

January 17, 2007

Date



JOANNE MCKENSIE

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