

**RIH ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hotel)**

**QUARTERLY REPORT**

**FOR THE QUARTER ENDED MARCH 31, 2013**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# RIH ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hotel)

## BALANCE SHEETS

AS OF MARCH 31, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$12,663	\$22,021
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012: \$8,302 ; 2011: \$9,471).....	Note 4	3,466	4,093
4	Inventories .....		694	642
5	Other Current Assets.....		2,692	1,276
6	Total Current Assets.....		19,515	28,032
7	Investments, Advances, and Receivables.....	Note 5	8,170	11,998
8	Property and Equipment - Gross.....		20,222	39,935
9	Less: Accumulated Depreciation and Amortization.....		(658)	(3,685)
10	Property and Equipment - Net.....	Note 6	19,564	36,250
11	Other Assets.....	Note 7	451	1,733
12	Total Assets.....		\$47,700	\$78,013
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,819	\$2,847
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		4,953	4,446
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	Note 8	13,459	16,702
19	Other Current Liabilities.....	Note 9	19,952	7,355
20	Total Current Liabilities.....		44,183	31,350
	Long-Term Debt:			
21	Due to Affiliates.....	Note 10	0	0
22	External.....		0	1,209
23	Deferred Credits .....			
24	Other Liabilities.....	Note 7	231	231
25	Commitments and Contingencies.....			
26	Total Liabilities.....		44,414	32,790
27	Stockholders', Partners', or Proprietor's Equity.....		3,286	45,223
28	Total Liabilities and Equity.....		\$47,700	\$78,013

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

# H ACQUISITIONS NJ, LLC (The Atlantic Club Casino Ho STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$31,928	\$25,599
2	Rooms.....		2,372	2,298
3	Food and Beverage.....		3,925	2,982
4	Other.....		375	429
5	Total Revenue.....		38,600	31,308
6	Less: Promotional Allowances.....		12,951	8,494
7	Net Revenue.....		25,649	22,814
	Costs and Expenses:			
8	Cost of Goods and Services.....		22,572	21,633
9	Selling, General, and Administrative.....		6,283	6,674
10	Provision for Doubtful Accounts.....		93	436
11	Total Costs and Expenses.....		28,948	28,743
12	Gross Operating Profit.....		(3,299)	(5,929)
13	Depreciation and Amortization.....		1,686	985
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....		0	0
16	Income (Loss) from Operations.....		(4,985)	(6,914)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(206)	(81)
19	CRDA Related Income (Expense) - Net.....		(133)	(107)
20	Nonoperating Income (Expense) - Net.....		69	519
21	Total Other Income (Expenses).....		(270)	331
22	Income (Loss) Before Taxes and Extraordinary Items.....		(5,255)	(6,583)
23	Provision (Credit) for Income Taxes.....			
24	Income (Loss) Before Extraordinary Items.....		(5,255)	(6,583)
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0 ).....			
26	Net Income (Loss).....		(\$5,255)	(\$6,583)

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

# IH ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hotel) STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012  
AND THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2011.....		\$153,475	(\$504,575)	\$402,906	\$51,806
2	Net Income (Loss) - 2012.....			(43,265)		(43,265)
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, 2012.....		153,475	(547,840)	402,906	8,541
11	Net Income (Loss) - 2013.....			(5,255)		(5,255)
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, March 31, 2013.....		\$153,475	(\$553,095)	\$402,906	\$3,286

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

# H ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hot STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$3,644	(\$2,816)
	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.....		(143)	(1,703)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		(343)	(351)
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.....		(486)	(2,054)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		(1,009)	(673)
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 .....		11	(436)
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(998)	(1,109)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		2,160	(5,979)
25	Cash and Cash Equivalents at Beginning of Period.....		10,503	28,000
26	Cash and Cash Equivalents at End of Period.....		\$12,663	\$22,021
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$81	\$81
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.

# H ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hot STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$5,255)	(\$6,583)
30	Depreciation and Amortization of Property and Equipment...		658	739
31	Amortization of Other Assets.....		1,028	246
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		133	107
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(523)	1,445
39	(Increase) Decrease in Inventories .....		97	1
40	(Increase) Decrease in Other Current Assets.....		229	970
41	(Increase) Decrease in Other Assets.....		520	3
42	Increase (Decrease) in Accounts Payable.....		2,731	883
43	Increase (Decrease) in Other Current Liabilities .....		4,026	(627)
44	Increase (Decrease) in Other Liabilities .....		0	0
45	.....		0	0
46	.....		0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$3,644	(\$2,816)

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$143)	(\$7,936)
49	Less: Capital Lease Obligations Incurred.....		0	6,233
50	Cash Outflows for Property and Equipment.....		(\$143)	(\$1,703)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

**RIH ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hotel)**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 2013  
(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	63,609	\$1,647	0	\$0
2	Food	140,456	1,944	5,527	193
3	Beverage	367,798	956	4,024	40
4	Travel	0	0	434	36
5	Bus Program Cash	1,009	26	0	0
6	Promotional Gaming Credits	205,574	8,012	0	0
7	Complimentary Cash Gifts	7,690	307	0	0
8	Entertainment	750	15	0	0
9	Retail & Non-Cash Gifts	0	0	4,769	78
10	Parking	0	0	0	0
11	Other	2,907	44	8,342	288
12	Total	789,793	\$12,951	23,096	\$635

FOR THE THREE MONTHS ENDED MARCH 31, 2012

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	42,880	\$1,083	0	\$0
2	Food	84,951	1,282	7,875	118
3	Beverage	321,527	836	12,933	34
4	Travel	0	0	(768)	4
5	Bus Program Cash	846	20	0	0
6	Promotional Gaming Credits	129,336	5,078	0	0
7	Complimentary Cash Gifts	4,065	164	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	0	0	1,010	50
10	Parking	0	0	0	0
11	Other	2,079	31	6,661	235
12	Total	585,684	\$8,494	27,711	\$441

\*No item in this category (Other) exceeds 5%.

**RIH ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hotel)**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2013

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division'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.S.A. 5:12-84a(1)-(5) during the quarter.

5/15/2013

Date



Gregory J. Sherbon

Vice President of Finance

Title

008983-11

License Number

On Behalf of:

RIH ACQUISITIONS NJ, LLC (The Atlantic Club Casino Hotel)  
Casino Licensee



**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)  
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 Club Casino Hotel located in Atlantic City, NJ (“ACCH”), formerly the Atlantic City Hilton (“ACH”). 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 the Atlantic City Hilton (“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 ACCH, as well as its non-gaming furniture, fixtures and equipment. The Company leased these assets from Propco for an amount that will cover the debt service under ACCH’s allocation of the Loan.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Propco. All material intercompany balances and transactions have been eliminated in consolidation.

In 2011, RIH’s license agreement for use of the Hilton name was not renewed. As such, ACH had until December 31, 2011 to remove the Hilton name on all areas of the property and promotions. Subsequently, on March 13, 2012, ACH was renamed The Atlantic Club Casino Hotel.

On December 21, 2012, Resorts International Holdings (“Seller”) entered into a Membership Interest Purchase Agreement (the “Agreement”) with Rational Group US Holdings Inc. and Oldford Group Limited (collectively, the “Buyer”). Pursuant to the Agreement, at closing, Buyer would have acquired 100% of the outstanding membership interests of RIH Acquisitions NJ, LLC. During late 2012 and early 2013, the Buyer advanced \$11.0 million to ACCH for the on-going operations of the Company which has been reported in Other Current Liabilities on the accompanying balance sheet. The closing of the transaction was subject to the satisfaction of certain conditions, including receipt of approvals from New Jersey regulatory authorities and other customary closing conditions. The Agreement was terminated by the Sellers in accordance with its terms on April 27, 2013. On May 6, 2013, the Buyer filed suit against Seller to prevent the termination of its acquisition deal and was granted a temporary restraining order preventing the Company from entering into negotiations with other potential buyers. A hearing will be held on or about May 17, 2013 to determine whether or not the temporary restraining order will remain in effect.

**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.

**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**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	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 3 months ended March 31, 2013 and 2012 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.

**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Promotional Allowances**

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

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

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

**Fair Value of Financial Instruments**

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

**Advertising**

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

**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.

As of December 31, 2012, the Company recorded a non-cash impairment charge in the amount of approximately \$16.2 million which was allocated to its land, building, furniture, fixtures and equipment.

**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. Receivables**

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

	2013	2012
Gaming .....	\$ 9,624	\$ 11,854
Less: allowance for doubtful accounts .....	(8,288)	(9,444)
	1,336	2,410
Non-gaming:		
Hotel and related .....	219	366
Due from affiliates, net .....	-	-
Other .....	1,925	1,344
	2,144	1,710
Less: allowance for doubtful accounts .....	(14)	(27)
	2,130	1,683
Receivables, net .....	\$ 3,466	\$ 4,093

**5. Investments, Advances and Receivables**

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

	2013	2012
CRDA bonds and direct investments .....	\$ 12,401	\$ 11,039
CRDA deposits .....	2,639	9,077
Valuation allowance .....	(6,870)	(8,118)
	\$ 8,170	\$ 11,998

The New Jersey Casino Control Act, as amended, requires The Atlantic Club 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 2.6% to 7.0% and have repayment terms of between 20 and 50 years. The Atlantic Club 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 three months ended March 31, 2013 and 2012 for discounts on obligations arising in that period were \$133,000 and \$107,000, respectively.

From time to time, The Atlantic Club 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 March 31, 2013, ACCH owned \$12.3 million face value of bonds, issued by the CRDA and had \$2.6 million on deposit with the CRDA. The majority of the Company’s deposits have been pledged for specific projects.

**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. Property and Equipment**

Components of property and equipment were as follows at March 31 (in thousands):

	2013	2012
Land and land rights .....	\$ 10,018	\$ 10,054
Hotels and other buildings .....	5,450	14,509
Furniture, fixtures and equipment .....	4,539	6,242
Construction in progress .....	215	9,130
	20,222	39,935
Less: accumulated depreciation .....	(658)	(3,685)
Net property and equipment.....	\$ 19,564	\$ 36,250

**7. Other Assets**

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

	2013	2012
Restricted cash .....	\$ 231	\$ 1,005
Other .....	220	728
	\$ 451	\$ 1,733

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 \$231,000 and is included in Other Assets and Other Long-Term Liabilities on the consolidated balance sheet at March 31, 2013.

**8. Other Accrued Expenses**

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

	2013	2012
Payroll.....	\$ 7,898	\$ 7,252
Unredeemed customer incentives .....	1,081	948
Gaming taxes and fees .....	668	738
Non-gaming taxes and fees .....	487	420
Real Estate Taxes.....	1,122	5,090
Other .....	2,203	2,254
	\$ 13,459	\$ 16,702

On May 31, 2012, following protracted real estate tax assessment appeal negotiations, the Company reached an agreement with the City of Atlantic City. Following the agreement, the combined assessed value of the ACCH property was reduced from \$540 million to \$165 million. The Company has paid all outstanding real estate taxes for 2012. The 2012 accrual recorded on the financial statements represents the amount that was expected to be due at that time. The 2013 accrual represents fees and interest related to an outstanding real estate tax lien.

**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. Other Current Liabilities**

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

	2013	2012
Unredeemed chip liability.....	\$ 646	\$ 567
CRDA obligation.....	399	322
Other.....	157	150
Due to Affiliates.....	7,751	6,316
Buyer's non-refundable advances.....	10,999	-
	<u>\$ 8,898</u>	<u>\$ 7,355</u>

As of March 31, 2013, the Company had a net due to RIH of \$7.7 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.

During late 2012 and early 2013, the Buyer advanced \$11.0 million to ACCH for the on-going operations of the Company which has been reported in Other Current Liabilities on the accompanying balance sheet.

**10. Debt**

Components of debt were as follows at March 31 (in thousands):

	2013	2012
Capital leases.....	\$ 1,819	\$ 5,655
Real estate tax lien.....	3,134	-
Total Debt.....	4,953	5,655
Less: Current portion.....	(4,953)	(4,446)
Long Term Debt.....	<u>\$ -</u>	<u>\$ 1,209</u>

During the protracted real estate tax appeal negotiations with the City of Atlantic City, the City sold certain real estate tax liens. Most have been settled as part of the agreement with the City of Atlantic City. However, one lien remains in the amount of \$3.1 million which has been reported in the current portion of long-term debt on the accompanying consolidated balance sheets.

During 2012, the company financed certain equipment purchases through the use of capital leases with expiration dates ranging from October 2012 to January 2014.

**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 three months ended March 31, 2013 and 2012 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**

The Atlantic Club 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 The Atlantic Club.

**RIH ACQUISITIONS NJ, LLC (THE ATLANTIC CLUB CASINO HOTEL)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Commitments and Contingencies (continued)**

**Union Employees**

Approximately 45% of the Company's employees are represented by labor unions. The contract for the largest labor union, representing approximately 41% of the Company's total workforce, expired in September 2011. A new agreement was reached effective on March 5, 2012 thru September 14, 2014.

**Atlantic City Tourism District**

In February 2011, as part of the State of New Jersey's plan to revitalize Atlantic City's casino and tourism industries, a law was enacted requiring the creation of a tourism district (the "Tourism District") to be administered and managed by the CRDA. The Tourism District includes each of the Atlantic City casino properties, along with certain other tourism related areas of Atlantic City. The law requires, among other things, the creation of a public-private partnership between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the "ACA"), was established in the form of a not-for-profit corporation, of which the Company is a member. The public-private partnership established between the ACA and the CRDA is for an initial term of five years. Its general purpose is to revitalize and market the Tourism District. The law requires that a \$5 million contribution be made to this effort by all casinos prior to 2012, followed by an annual amount of \$30 million to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's portion of the annual contributions will equate to the percentage representing its gross gaming revenue for the prior calendar year compared to the aggregate gross gaming revenues for that period for all casinos. During the three months ended March 31, 2013 and 2012, the Company recognized \$333,000 and \$323,000, respectively, related to its portion of the \$30 million contribution.

**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 \$500,000 from the sale price in an escrow account to be used for future clean-up costs of the site. As of March 31, 2013, \$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 license to operate ACCH, subject to certain conditions and on-going review.