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Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEW JERSEY  
HONORABLE GLORIA M. BURNS  
CASE NO. 13-34483 (GMB)

In re:

RIH ACQUISITIONS NJ, LLC, *et al.*,<sup>1</sup>

Debtors-in-Possession.

Chapter 11  
(Jointly Administered)

**GLOBAL NOTES AND STATEMENT OF LIMITATIONS,  
METHODOLOGY, AND DISCLAIMER REGARDING DEBTORS'  
SCHEDULES AND STATEMENTS**

The Schedules of Assets and Liabilities and Statements of Financial Affairs (the “**Schedules and Statements**”) filed by RIH Acquisitions NJ, LLC d/b/a The Atlantic Club Casino Hotel (“**RIH Acquisitions**”) and RIH Propco NJ, LLC (“**RIH Propco**”), the within debtors and debtors-in-possession (collectively, the “**Debtors**”) in the above-captioned Chapter 11 cases, are unaudited and were prepared pursuant to section 521 of chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) and Rule 1007 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) in conjunction with the Debtors’ management and advisors. While the Debtors’ management has made reasonable efforts to file complete and accurate Schedules and Statements based upon information available at the time of preparation, and because of, among other things, the complexity of the Debtors’ business operations, the

<sup>1</sup> The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor’s federal identification number are: RIH Acquisitions NJ, LLC d/b/a The Atlantic Club Casino Hotel (1695) and RIH Propco NJ, LLC (5454).



Schedules and Statements remain subject to further revision and verification by the Debtors. The Debtors reserve the right to amend their Schedules and Statements from time to time as may be necessary or appropriate. The Global Notes and Statement of Limitations, Methodology, and Disclaimer Regarding Debtors' Schedules and Statements (the "**Global Notes**") is incorporated by reference in, and comprises an integral part of, the Schedules and Statements and should be referred to and reviewed in connection with any review of the Schedules and Statements.

### INTRODUCTION

1. Description of the Case and "As Of" Information Date. On November 6, 2013 (the "**Filing Date**"), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors currently are operating their businesses and are in possession of their property as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.
2. Basis of Presentation. The Schedules and Statements do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles, nor are they intended to fully reconcile to any financial statements otherwise prepared and/or distributed by the Debtors.
3. Amendment. While reasonable efforts were made to file complete and accurate Schedules and Statements, inadvertent errors or omissions may exist. The Debtors thus reserve the right to amend and/or supplement their Schedules and Statements from time to time as may be necessary or appropriate.
4. Recharacterization. The Debtors have made reasonable efforts to characterize, classify, categorize or designate the claims, assets, executory contracts, unexpired leases and other items reported in the Schedules and Statements correctly. However, due to the complexity and size of the Debtors' businesses, the Debtors may have improperly characterized, classified, categorized or designated certain items. As such, the Debtors reserve their right to recharacterize, reclassify, recategorize or redesignate information reported in the Schedules and

Statements at a later time, as necessary or appropriate, as additional information becomes available, including, but not limited to, whether contracts listed herein were executory as of the Filing Date or remain executory post-petition.

5. Summary of Reporting Procedures. The following conventions were adopted by the Debtors in the preparation of the Schedules and Statements:

(i) Fair Market Value; Book Value. Each Debtors' fiscal year ends December 31. All asset information contained in the Statements and Schedules is as of the Filing Date. The liability information, except where otherwise noted, is as of the Filing Date. Unless otherwise noted, the Debtors have indicated net book values for assets as of the Filing Date in their Statements and Schedules.

(ii) Accounts Receivable. Accounts receivable are comprised generally of credit card receivables, markers and return checks for casino customers, hotel guest account balances prior to check-out, and other miscellaneous items.

(iii) Leases. The Debtors have not set forth executory contracts and unexpired leases as assets in their Schedules and Statements. The Debtors' executory contracts and unexpired leases have been set forth in Schedule G (see below).

(iv) Inventory, Property, and Equipment. Inventory, Property and Equipment are reflected on Schedule B and recorded at cost net of accumulated depreciation.

(v) Contingent Assets. The Debtors may possess certain claims and causes of action against various parties, including, contingent claims in the form of various avoidance actions they could commence under the Bankruptcy Code and other relevant nonbankruptcy laws. The identity and amounts of those claims and causes of action, if any, are not yet known and, therefore, the Debtors reserve all their rights with respect to any claims, causes of action or

avoidance actions. Nothing contained or omitted in these Global Notes or the Schedules and Statements shall be deemed a waiver of any such claims, avoidance actions or causes of action or in any way prejudice or impair the assertion thereof.

(vi) Classifications. Listing a claim (i) on Schedule D as “secured,” (ii) on Schedule E as “priority,” or (iii) on Schedule F as “unsecured nonpriority,” or listing a contract on Schedule G as “executory” or “unexpired,” does not constitute an admission by the Debtors of the legal rights of the claimant, or a waiver of the Debtors’ right to recharacterize or reclassify such claim or contract. In particular, the Debtors reserve the right to amend the Schedules and Statements to recharacterize or reclassify any such contract or claim.

(vii) Disputed, Contingent, and Unliquidated Claims: Schedules D, E and F (see below) permit the Debtors to designate a claim as disputed, contingent and/or unliquidated. A failure to designate a claim on any of these Schedules as disputed, contingent and/or unliquidated does not constitute an admission that such claim is not subject to objection. The Debtors reserve the right to dispute, or assert offsets or defenses to, any claim reflected on these Schedules as to amount, liability or status.

## **SCHEDULES**

6. Schedules A and B. In the ordinary course of their businesses, the Debtors lease real property and various articles of personal property, including furniture, fixtures and equipment, from certain third-party lessors. Every attempt has been made to set forth all such leases in the Schedules and Statements. The lease payments under such leases have been included on Schedule D (secured debt) to the extent the lessor filed a UCC-1 financing statement (see below). However, nothing in the Schedules or Statements is or shall be construed as an admission or determination as to the legal status of any lease (including whether to assume and

assign or reject such lease or whether it is a true lease or a financing arrangement), and the Debtors reserve all their rights with respect to all such issues.

(i) Real Property. All real property are reported at cost net of accumulated depreciation through the Filing Date.

(ii) Personal Property. The Debtors reserve their right to recategorize and/or recharacterize the asset holdings described below at a later time to the extent the Debtors determine that such holdings were improperly reported:

(1) Schedule B.2: under the Debtors' Cash Management System, funds are collected in certain collection accounts, which then are swept daily into a master concentration account maintained by the Debtors and disbursed through controlled disbursement accounts that are designated for certain purposes, such as payroll, operational expenses and other disbursement needs. All cash accounts are reported as a book balance as of the Filing Date.

(2) Schedule B.16. Accounts receivable are generally comprised of credit card receivables, markers for casino customers, hotel guest account balances prior to check-out, and other miscellaneous items.

(3) Schedule B.23. The Debtors' casino and hotel operations require the Debtors to maintain the proper regulatory approvals at the state and local levels with respect to each property. These licenses include: (i) gaming/casino licenses; (ii) food and beverage licenses; (iii) alcohol and tobacco licenses; (iv) hotel licenses; and (v) other business licenses. Gaming and other licenses for which no book value could be obtained are reported as being of "undetermined" value. Other intangibles include deferred leasing and loan origination fees.

7. Schedule D. Although the Debtors may have scheduled claims of various creditors as secured claims, the Debtors reserve all their rights to dispute or challenge the secured

nature of any such creditor's claim or the characterization of the structure of any such transaction or any document or instrument related to such creditor's claim. The descriptions provided on Schedule D are intended only to be a summary. Reference to the applicable loan agreements and related documents is necessary for a complete description of the collateral and the nature, extent and priority of any liens.

8. Schedule E. Certain of the Debtors' employees had pre-petition wage claims due to the timing of the Filing Date with respect to the Debtors' pay periods. As a result of these pre-petition wage claims, the Debtors owed monies to various taxing authorities which are afforded priority treatment. On November 7, 2013 and November 8, 2013, the Bankruptcy Court entered orders granting the Debtors authority to pay pre-petition employee wage and other obligations in the ordinary course (the "**Employee Wages Orders**"). Pursuant to the Employee Wages Orders, the Debtors believe that, other than claims of certain former and current employees for vacation, personal and/or severance pay in excess of the permitted priority amount, any employee claims and related payroll taxes for pre-petition amounts have been or will be satisfied in the ordinary course of business pursuant to the Employee Wage Orders. As a result, pre-petition wage claims and associated payroll taxes have been listed on Schedule E as zero. The listing of any claim on Schedule E does not constitute an admission by the Debtors that such claim, in fact, exists and/or is entitled to priority treatment under 11 U.S.C. § 507. The Debtors reserve their right to dispute the priority status and amount of any claim on any basis. Moreover, the listing of any tax claim on Schedule E is not an admission or designation by the Debtors that such claim, in fact, exists or should be allowed as a pre-petition tax claim.

9. Schedule F. The claims comprising Schedule F may be categorized as follows: (i) trade claims: the claims of individual creditors for, among other things, products, goods or

services, which the Debtors reserve all rights with respect to any such credits and allowances including the right to assert claims objections and/or setoffs with respect to same; and (ii) litigation: claims currently in existence or potential liabilities involving the Debtors. The Bankruptcy Court has approved the Debtors' ability to pay certain pre-petition claims pursuant to various First Day Motions and accompany Orders entered on November 8, 2013. Those claims for pre-petition amounts have been or will be satisfied in the ordinary course of business. The Debtors have scheduled claims as of the Filing Date without giving effect to payments made pursuant to those Orders.

(i) Trade Creditors with Multiple Branches. Certain trade creditors conduct business with the Debtors through various branches and offices. The appropriate addresses for such trade creditors, including all branch offices, are included on Schedule F for noticing purposes. The amount included on Schedule F for such trade creditors is reported as an aggregate amount, reflecting amounts owing to all branches of such trade creditors.

10. Schedule G. The Debtors currently are parties to numerous contracts and, as such, while every effort has been made to ensure the accuracy of the Schedule of Executory Contracts, inadvertent errors or omissions may exist or have occurred. The Debtors hereby reserve all their rights to dispute the validity, status, or enforceability of any contracts, agreements or leases set forth on Schedule G and to amend or supplement such Schedule as necessary. The contracts, agreements and leases listed on Schedule G may have expired or may have been modified, amended or supplemented from time to time by various amendments, restatements, waivers, estoppel certificates, letters and other documents, instruments and agreements which may not be listed therein. The presence of a contract or agreement on

Schedule G does not constitute an admission that such contract or agreement is an executory contract or unexpired lease.

**Statements**

11. Question 1. All operating revenue is reported net of promotional allowances.
12. Question 3(c). The Debtors' payments to "insiders" within one year preceding the commencement of these bankruptcy cases consist of payroll and expense reimbursement to officers under Section 101(31) of the Bankruptcy Code.
13. Question 4.
  - (i) Open and Recently Closed Matters. The Debtors have made every effort to list all pending cases, as well as those resolved within the prior year, to which the Debtors have been made a party. Due to the large volume of cases, the Debtors have not been able to obtain full caption and docket information with respect to all current and recently resolved matters. However, the Debtors have made every effort to include all claimants as general unsecured creditors on Schedule F.
14. Questions 21(b) and 22(b). The term "officer" is not defined within the Bankruptcy Code. The Debtors have adopted a functional approach and have listed as "officers" those employees that have significant decision-making authority.

15. Question 23. All withdrawals or distributions credited or given to an insider within one year of the commencement of these bankruptcy case are listed in Question 3(c).

Respectfully submitted,

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