

**CIE NEW JERSEY, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

CIE NEW JERSEY, LLC

BALANCE SHEETS

AS OF SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$10,009	\$8,454
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2015, \$0; 2014, \$0).....	2, 4	979	816
4	Inventories		0	0
5	Other Current Assets.....	5	235	97
6	Total Current Assets.....		11,223	9,367
7	Investments, Advances, and Receivables.....	2, 6	992	486
8	Property and Equipment - Gross.....	2, 7	1,097	1,075
9	Less: Accumulated Depreciation and Amortization.....	2, 7	(416)	(201)
10	Property and Equipment - Net.....	2, 7	681	874
11	Other Assets.....		0	0
12	Total Assets.....		\$12,896	\$10,727
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$920	\$1,695
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	10	12,318	11,092
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	8	2,395	2,356
19	Other Current Liabilities.....	9	6,130	5,156
20	Total Current Liabilities.....		21,763	20,299
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits	2	0	5,000
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	11	0	0
26	Total Liabilities.....		21,763	25,299
27	Stockholders', Partners', or Proprietor's Equity.....		(8,867)	(14,572)
28	Total Liabilities and Equity.....		\$12,896	\$10,727

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

CIE NEW JERSEY, LLC

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino.....	2	\$15,686	\$15,174
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....	2	999	1,325
5	Total Revenue.....		16,685	16,499
6	Less: Promotional Allowances.....		157	39
7	Net Revenue.....		16,528	16,460
	Costs and Expenses:			
8	Casino.....		8,806	10,378
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....		5,379	18,110
11	Total Costs and Expenses.....		14,185	28,488
12	Gross Operating Profit.....		2,343	(12,028)
13	Depreciation and Amortization.....		157	168
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	10	768	416
16	Income (Loss) from Operations.....		1,418	(12,612)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	2	(198)	(220)
20	Nonoperating Income (Expense) - Net.....		4,989	0
21	Total Other Income (Expenses).....		4,791	(220)
22	Income (Loss) Before Taxes and Extraordinary Items.....		6,209	(12,832)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		6,209	(12,832)
25	Extraordinary Items (Net of Income Taxes - 2015, \$0; 2014, \$0).....		0	0
26	Net Income (Loss).....		\$6,209	(\$12,832)

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

CIE NEW JERSEY, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino.....	2	\$5,223	\$5,041
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....	2	320	317
5	Total Revenue.....		5,543	5,358
6	Less: Promotional Allowances.....		80	10
7	Net Revenue.....		5,463	5,348
	Costs and Expenses:			
8	Casino.....		2,941	3,763
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....		1,036	3,782
11	Total Costs and Expenses.....		3,977	7,545
12	Gross Operating Profit.....		1,486	(2,197)
13	Depreciation and Amortization.....		49	50
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	10	222	125
16	Income (Loss) from Operations.....		1,215	(2,372)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	2	(67)	(66)
20	Nonoperating Income (Expense) - Net.....		4,989	0
21	Total Other Income (Expenses).....		4,922	(66)
22	Income (Loss) Before Taxes and Extraordinary Items.....		6,137	(2,438)
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		6,137	(2,438)
25	Extraordinary Items (Net of Income Taxes - 2015, \$0; 2014, \$0).....		0	0
26	Net Income (Loss).....		\$6,137	(\$2,438)

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

CIE NEW JERSEY, LLC
STATEMENTS OF CHANGES IN PARTNERS',
PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2013.....			(\$1,740)		(\$1,740)
2	Net Income (Loss) - 2014.....			(13,336)		(13,336)
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, 2014.....		0	(15,076)	0	(15,076)
11	Net Income (Loss) - 2015.....			6,209		6,209
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, September 30, 2015.....		\$0	(\$8,867)	\$0	(\$8,867)

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

CIE NEW JERSEY, LLC

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$2,155	(\$6,190)
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment.....		0	(35)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations		(554)	(464)
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				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(554)	(499)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt	10	10,847	21,692
14	Payments to Settle Short-Term Debt.....	10	(12,150)	(10,600)
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		(1,303)	11,092
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		298	4,403
25	Cash and Cash Equivalents at Beginning of Period.....		9,711	4,051
26	Cash and Cash Equivalents at End of Period.....		\$10,009	\$8,454
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
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.

CIE NEW JERSEY, LLC

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$6,209	(\$12,832)
30	Depreciation and Amortization of Property and Equipment.....	2, 7	157	168
31	Amortization of Other Assets.....		0	0
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.....	2	198	220
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks	2	14	67
39	(Increase) Decrease in Inventories		0	0
40	(Increase) Decrease in Other Current Assets.....		220	860
41	(Increase) Decrease in Other Assets.....		0	0
42	Increase (Decrease) in Accounts Payable.....		(817)	807
43	Increase (Decrease) in Other Current Liabilities		1,174	4,520
44	Increase (Decrease) in Other Liabilities		(5,000)	0
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$2,155	(\$6,190)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		\$0	(\$35)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		\$0	(\$35)
	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.

CIE NEW JERSEY, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
(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				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits	13,513	157		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	13,513	\$157	0	\$0

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits	5,007	80		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	5,007	\$80	0	\$0

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

CIE NEW JERSEY, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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.

11/13/2015

Date



Craig Abrahams

President
and Chief Financial Officer

Title

License Number

On Behalf of:

CIE NEW JERSEY, LLC

Casino Licensee

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Caesars Interactive Entertainment New Jersey, LLC (the “Company” or “CIENJ”) was formed on March 22, 2013 as a New Jersey limited liability company. The sole member of the Company is Caesars Interactive Entertainment, Inc. (“CIE” or the “Member”). CIE is a majority owned subsidiary of Caesars Growth Partners, LLC (“CGP”). As of September 30, 2015, Caesars Acquisition Company directly owns 100% of the voting membership units of CGP and is the ultimate parent.

CGP is consolidated into Caesars Entertainment Corporation (“Caesars Entertainment”). As a result, CIENJ is also affiliated with all subsidiaries of Caesars Entertainment. Refer to Note 10 – Related Party Transactions for further discussion.

The Company is licensed by the New Jersey Division of Gaming Enforcement (“DGE”) to operate interactive real money online gaming and is subject to the rules and regulations established by the DGE.

CIENJ was primarily organized to operate real money online gaming within the State of New Jersey. At September 30, 2015, the Company offered real money online wagering to patrons in the State of New Jersey: CaesarsCasino.com, HarrahsCasino.com, and WSOP.com (the “Owned Platforms”). The Owned Platforms began service on a limited basis in November 2013 with expanded 24-hour service shortly thereafter. Additionally, the Company entered into a services agreement with AAPN New Jersey, LLC, a non-affiliate third party, (“AAPN”) to provide AAPN with non-exclusive use of the Company’s license and certain interactive gaming services. At September 30, 2015, AAPN operated the 888.com platform under the Company’s gaming license (refer to Note 2 for the Company’s revenue recognition accounting policy).

The Company’s financial statements are prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the DGE, which require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated. However, due to the inherent uncertainties in making these estimates, actual amounts could differ.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents – Cash and cash equivalents are comprised of highly liquid investments with purchase maturities of three months or less. Cash equivalents are carried at cost, which approximates fair value.

Receivables and Allowance for Doubtful Accounts – Receivables primarily consist of amounts collectible from third party credit card processors and reimbursable expenses from internet service partners. Credit card processing receivables typically have a high turnover rate and are generally not subject to increased credit risk. Receivables are typically non-interest bearing and are initially recorded at cost. Management reserves for receivables when objective evidence exists that a receivable may be

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

uncollectible. There was no provision for doubtful accounts recorded for the three and nine months ended September 30, 2015 and 2014.

Property and Equipment – Additions to property and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset and expenses maintenance and repair costs as incurred. Gains or losses on the dispositions of property and equipment are included in the determination of income. Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease, as follows:

Leasehold improvements.....	5 – 10 years
Furniture, fixtures, and equipment	3 – 5 years

Management reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value of the asset, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends, prospects, the effect of obsolescence, demand, competition, potential decreases in the marketplace, a change in physical condition, and legal and other economic factors. The Company did not recognize any impairment in the periods presented.

Revenue Recognition – Online real money gaming revenues are measured by the aggregate net difference between gaming wins and losses and are recorded as Casino revenue in the accompanying Statements of Income, with liabilities recognized for funds deposited by customers before gaming play occurs. Cash discounts and other cash incentives related to online real money gaming are recorded as a reduction to Casino revenue.

The Company entered into an agreement with 888 Atlantic Limited (“888”), an affiliate of AAPN, for 888 to develop and maintain the Company’s online gaming platform and provide certain interactive gaming services. Under this agreement, the Company pays 888 a fixed percentage of its net casino revenues, as defined in the agreement (“Net Casino Revenues”). The Company is the primary obligor in this arrangement, and as such, CIENJ recognizes Casino revenue on a gross basis with a corresponding expense for 888’s share of Net Casino Revenues.

In September 2013, the Company entered into an online platform and services agreement with Amaya Gaming Group, Inc. (“Amaya”), whereby CIENJ pays a fixed percentage of its net casino revenues, as defined in the agreement, for use of an online gaming platform and other interactive gaming services. In November 2014, NYX Gaming Group acquired the subsidiary of Amaya operating the online casino platform for the Caesars Casino brand. Similar to the 888 agreement, the Company is the primary obligor

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

in this arrangement, and as such, CIENJ recognizes Casino revenue on a gross basis with a corresponding expense for the third-party's share of net casino revenues.

For the nine months ended September 30, 2015 and 2014, the Company recognized \$1,729 and \$2,120, respectively, of revenue share expense associated with these agreements. For the three months ended September 30, 2015 and 2014, the Company recognized \$599 and \$864, respectively, of revenue share expense associated with these agreements. This expense is included in Casino expense in the accompanying Statements of Income.

The Company entered into agreements to provide administrative interactive gaming services to non-affiliate third parties, whereby the Company receives a fixed percentage of net casino revenues, as defined in the agreements, for providing such services. The Company is not the primary obligor in these arrangements, and as such, CIENJ records revenue on a net basis. As a result, Casino revenues as reported in the Statements of Income only reflect CIENJ's share of casino revenues associated with AAPN's 888.com platform. For the nine months ended September 30, 2015 and 2014, the Company recognized \$235 and \$225, respectively, of revenue associated with this agreement. For the three months ended September 30, 2015 and 2014, the Company recognized \$73 and \$66, respectively, of revenue associated with this agreement. This revenue is included in Casino revenue in the accompanying Statements of Income. Additionally, reimbursable expenses incurred on behalf of third parties in connection with these arrangements are recorded on a gross basis and associated revenues are included in Other Revenues in the accompanying Statements of Income.

At September 30, 2015 and 2014, the Company had zero and \$5,000, respectively, of deferred revenue associated with an interactive gaming services agreement with a non-affiliate third party, which is presented as Deferred Credits in the accompanying Balance Sheets. The agreement was terminated during the third quarter of 2015, and as a result, the Company recognized a \$5,000 gain presented within Nonoperating Income (Expense) – Net (Line 20) on the accompanying Statements of Income.

Loyalty Programs – Through a cross-marketing agreement with Caesars Entertainment Operating Company ("CEOC"), a wholly owned subsidiary of Caesars Entertainment and an affiliate of CIENJ, patrons of CaesarsCasino.com and HarrahsCasino.com have access to Caesars Entertainment's Total Rewards loyalty program. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. Additionally, patrons of CaesarsCasino.com and HarrahsCasino.com have the opportunity to redeem their online reward credits for cash that is deposited directly into the patron's online wagering account. As the Company does not have sufficient history to determine the percentage of players that may choose to redeem reward credits for cash over non-cash awards, the Company accrues 100% of the cash converted point balance as a reduction to Casino revenues in the accompanying Statements of Income. Refer to Note 10 – Related Party Transactions for further description of the cross-marketing agreement with CEOC. Patrons of the WSOP.com platform have access to the Company's Action Club loyalty program. Under

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

this program, patrons have the opportunity to redeem their points for cash once a certain tier status is achieved in accordance with the terms of the program. Patrons of the Action Club loyalty program also have the ability to earn status in the Total Rewards program through the Company's tier matching program. As points earned under this program can be redeemed for cash, the Company accrues 100% of the cash converted point balance as a reduction to Casino revenue in the accompanying Statements of Income. For the nine months ended September 30, 2015 and 2014, the Company recorded \$157 and \$159, respectively, as a reduction to Casino Revenue in association with the Company's loyalty programs. For the three months ended September 30, 2015 and 2014, the Company recorded \$80 and \$35, respectively, as a reduction to Casino Revenue in association with the Company's loyalty programs.

Gaming Taxes – The Company remits a tax equal to 15% of internet gross gaming revenue, as defined, to the State of New Jersey on a monthly basis. The Company's gaming tax expense for the nine months ended September 30, 2015 and 2014 was \$2,794 and \$3,107, respectively. The Company's gaming tax expense for the three months ended September 30, 2015 and 2014 was \$949 and \$960, respectively. Gaming taxes are included in Casino expense in the accompanying Statements of Income.

Advertising – CIENJ expenses advertising production costs the first time the advertising takes place. Advertising expense was \$4,056 and \$14,536 for the nine months ended September 30, 2015 and 2014, respectively. Advertising expense was \$620 and \$3,158 for the three months ended September 30, 2015 and 2014, respectively. Advertising expense is included in General, Administrative and Other expense in the accompanying Statements of Income.

Income Taxes – The Company is a disregarded entity for federal income tax purposes. The accompanying financial statements do not include a provision for income taxes since any income or losses allocated to the Member is reportable for income tax purposes by the Member. The Company's income tax return and the amount of allocable income are subject to examination by federal and state taxing authorities. If an examination results in a change to the Company's income, the Member's tax may also change.

Casino Reinvestment Development Authority Investment ("CRDA") Obligations – The New Jersey Casino Control Act provides, among other things, for an investment equal to 2.5% of gross internet gaming revenues in lieu of an investment alternative tax equal to 5% of gross internet gaming revenues.

The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions, or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. The Company has elected to make the 2.5% investment with the CRDA as described above. The funds on deposit are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion to bonds by the CRDA. For the nine months ended September 30, 2015 and 2014, the Company incurred \$198 and \$220 of

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

impairment expense, respectively. For the three months ended September 30, 2015 and 2014, the Company incurred \$67 and \$66 of impairment expense. This expense is included in CRDA Related Income (Expense) – Net, in the accompanying Statements of Income (Line 19).

NOTE 3 – FINANCIAL STATEMENT ADJUSTMENTS

Certain prior period adjustments were identified as part of the Company’s 2014 and 2013 audits. The Company has updated its Balance Sheet as of September 30, 2014, Statement of Income for the nine months ended September 30, 2014, and the Statement of Cash Flows for the nine months ended September 30, 2014 to reflect the adjustments identified during the audits. The following is a summary of the previously reported balances presented in the September 30, 2014 quarterly report and the adjusted balances as presented in this quarterly report.

Balance Sheet	As of September 30, 2014	
	As Previously	
	Reported	As Adjusted
Accounts Payable	\$ 12,787	\$ 1,695
Current Portion of Long-Term Debt: Due to Affiliates	\$ -	\$ 11,092
Total Current Liabilities	\$ 20,147	\$ 20,299

Statement of Income	For the nine months ended	
	September 30, 2014	
	As Previously	As Adjusted
	Reported	As Adjusted
Casino Revenue	\$ 15,117	\$ 15,174
Net Revenue	\$ 16,403	\$ 16,460
General, Administrative and Other Expense	\$ 18,205	\$ 18,110
Gross Operating Profit	\$ (12,180)	\$ (12,028)
Income (Loss) from Operations	\$ (12,764)	\$ (12,612)
CRDA Related Income (Expense) - Net	\$ (240)	\$ (220)
Net Income (Loss)	\$ (13,004)	\$ (12,832)

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 3 – FINANCIAL STATEMENT ADJUSTMENTS (continued)

	For the nine months ended September 30, 2014	
Statement of Cash Flows	As Previously	
	Reported	As Adjusted
Cash Provided (Used) By Operating Activities	\$ 4,703	\$ (6,190)
Cash Provided (Used) By Financing Activities	\$ -	\$ 11,092

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables consisted of the following:

	September 30,	
	2015	2014
Reimbursable expenses	\$ 260	\$ 310
Credit card receivables	719	506
	\$ 979	\$ 816
Less: Allowance for doubtful accounts	-	-
	\$ 979	\$ 816

NOTE 5 – OTHER CURRENT ASSETS

Other current assets consisted of the following:

	September 30,	
	2015	2014
Prepaid license fees	\$ 69	\$ 72
Prepaid advertising	166	25
	\$ 235	\$ 97

NOTE 6 – INVESTMENTS, ADVANCES, AND RECEIVABLES

Investments, advances, and receivables consisted of the following:

	September 30,	
	2015	2014
CRDA deposits	\$ 1,482	\$ 726
Less: valuation allowance	(490)	(240)
	\$ 992	\$ 486

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30,	
	2015	2014
Leasehold improvements	\$ 700	\$ 700
Furniture, fixtures, and equipment	397	357
Construction in process	-	18
	<u>\$ 1,097</u>	<u>\$ 1,075</u>
Less: Accumulated depreciation	(416)	(201)
	<u>\$ 681</u>	<u>\$ 874</u>

NOTE 8 – OTHER ACCRUED EXPENSES

Other accrued expenses consisted of the following:

	September 30,	
	2015	2014
Accrued gaming liabilities	\$ 1,537	\$ 1,393
Accrued gaming taxes	399	400
Accrued CRDA expense	203	202
Accrued revenue share expense	167	246
Other accruals	89	115
	<u>\$ 2,395</u>	<u>\$ 2,356</u>

NOTE 9 – OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

	September 30,	
	2015	2014
Internet patron liability	\$ 5,678	\$ 4,636
Payment processing liability	335	320
Internet partner payable	117	200
	<u>\$ 6,130</u>	<u>\$ 5,156</u>

Pursuant to NJAC 13:60 O-1.3(j), the Company maintains separate New Jersey bank accounts for each platform to ensure security of funds held in patron internet gaming accounts. At September 30, 2015 and 2014, cash and cash equivalents maintained in separate bank accounts totaled \$10,009 and \$8,454, respectively, and the patron deposits and internet gaming accounts were \$5,678 and \$4, 636, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

Cross Marketing and Trademark License Agreement – In 2011, CIE entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, Caesars Entertainment, and CEOC. In addition to granting CIE the exclusive rights to use various brands of Caesars Entertainment in connection with social and mobile games and online real money gaming in

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NOTE 10 – RELATED PARTY TRANSACTIONS (continued)

exchange for a 3% royalty, this agreement also provides that CEOC will provide certain marketing and promotional activities to CIE, including participation in Caesars Entertainment's Total Rewards loyalty program, and CIE will provide certain marketing and promotional activities to Caesars Entertainment and CEOC. The agreement also provides for certain revenue share arrangements whereby CIE pays CEOC for customer referrals. This agreement is in effect until December 31, 2026, unless earlier terminated pursuant to the agreement's terms. CIENJ, as a subsidiary of CIE, is subject to the terms and conditions of this agreement. For the nine months ended September 30, 2015 and 2014, the Company's expense in connection with this agreement was \$302 and \$269, respectively. For the three months ended September 30, 2015 and 2014, the Company's expense in connection with this agreement was \$87 and \$102, respectively. This expense is included in Other Charges from Affiliates Other than Interest in the Statements of Income (Line 15).

Allocated General Corporate Expenses – In 2013, CGP entered into a management services agreement with CEOC pursuant to which CEOC and its subsidiaries provide certain services to CGP and its subsidiaries. The agreement, among other things:

- contemplates that CEOC will provide certain services related to payroll, accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, insurance, information systems, office space and corporate and other centralized services;
- allows the parties to modify the terms and conditions of CEOC's performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC in exchange for the provision of services, plus a margin of 10%.

The Statements of Income reflect an allocation of both expenses incurred in connection with this shared services agreement and directly billed expenses incurred through Caesars Entertainment and CEOC. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated. For the nine months ended September 30, 2015 and 2014, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$465 and \$407, respectively. For the three months ended September 30, 2015 and 2014, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$134 and \$125, respectively. This expense is included in Charges from Affiliates Other than Interest: Other in the Statements of Income (Line 15).

Datacenter License Agreement – In 2013, CIENJ entered into a datacenter license agreement with Boardwalk Regency Corporation d/b/a Caesars Atlantic City Hotel and Casino ("Caesars AC"), a subsidiary of CEOC and an affiliate of CIENJ, to lease a portion of Caesars AC's property for the purpose of housing CIENJ's interactive gaming datacenter (the "Datacenter Agreement"). The term of the Datacenter Agreement is 10 years unless certain conditions are met, in which case the agreement may

Caesars Interactive Entertainment New Jersey, LLC
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NOTE 10 – RELATED PARTY TRANSACTIONS (continued)

terminate earlier. For the nine months ended September 30, 2015 and 2014, the Company recorded \$177 and \$93, respectively, of expense related to the Datacenter Agreement. For the three months ended September 30, 2015 and 2014, the Company recorded \$59 and \$31, respectively, of expense related to the Datacenter Agreement. This expense is included in Charges from Affiliates Other than Interest: Other in the Statements of Income (Line 15). Refer to Note 11 – Commitments and Contingencies for further discussion of future minimum rental commitments.

Debt due to Member – CIE pays certain costs on behalf of CIENJ, which are settled in the normal course of business. While no formal agreement between the Member and CIENJ exists, the arrangement is akin to a financing arrangement. No interest is imputed due to the related party nature of the arrangement.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation – The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company’s financial position or results of operations.

Leases – As discussed in Note 10, the Company leases space from Caesars AC for its interactive gaming datacenter. As of September 30, 2015, CIENJ’s future minimum rental commitments under this operating lease are as follows:

Year	Operating lease
2015	\$ 59
2016	235
2017	235
2018	235
2019	235
Thereafter	883
Total minimum rental commitments	<u>\$ 1,882</u>

NOTE 12 – SUBSEQUENT EVENTS

The Company completed its subsequent events review through November 13, 2015, the date on which the financial statements were available to be issued, and noted no items that would require disclosure.