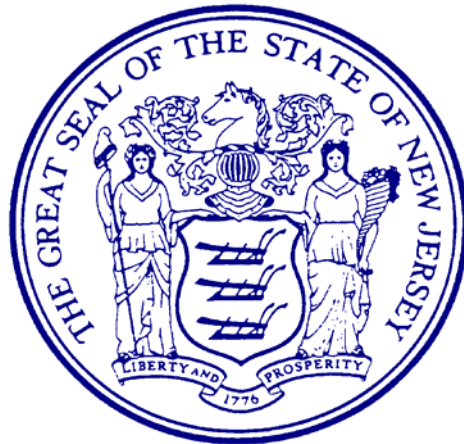


**CIE NEW JERSEY, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED MARCH 31, 2016**

**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 MARCH 31, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$10,619	\$10,287
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, \$0; 2015, \$0).....	2, 3	819	1,279
4	Inventories .....		0	0
5	Other Current Assets.....	4	348	330
6	Total Current Assets.....		11,786	11,896
7	Investments, Advances, and Receivables.....	2, 5	1,298	727
8	Property and Equipment - Gross.....	2, 6	1,100	1,114
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(521)	(311)
10	Property and Equipment - Net.....	2, 6	579	803
11	Other Assets.....		0	0
12	Total Assets.....		\$13,663	\$13,426
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$521	\$2,129
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	9,445	14,040
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	7	2,918	2,179
19	Other Current Liabilities.....	8	6,144	6,078
20	Total Current Liabilities.....		19,028	24,426
	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.....	10	0	0
26	Total Liabilities.....		19,028	29,426
27	Stockholders', Partners', or Proprietor's Equity.....		(5,365)	(16,000)
28	Total Liabilities and Equity.....		\$13,663	\$13,426

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 MARCH 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....	2	\$6,183	\$5,382
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....	2	315	364
5	Total Revenue.....		6,498	5,746
6	Less: Promotional Allowances.....		51	48
7	Net Revenue.....		6,447	5,698
	Costs and Expenses:			
8	Casino.....		3,344	3,038
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....		611	3,276
11	Total Costs and Expenses.....		3,955	6,314
12	Gross Operating Profit.....		2,492	(616)
13	Depreciation and Amortization.....		53	52
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	9	212	189
16	Income (Loss) from Operations.....		2,227	(857)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	2	(78)	(67)
20	Nonoperating Income (Expense) - Net.....		0	0
21	Total Other Income (Expenses).....		(78)	(67)
22	Income (Loss) Before Taxes .....		2,149	(924)
23	Provision (Credit) for Income Taxes.....		0	0
24	Net Income (Loss).....		\$2,149	(\$924)

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, 2015  
AND THE THREE MONTHS ENDED MARCH, 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2014.....			(\$15,076)		(\$15,076)
2	Net Income (Loss) - 2015.....			7,562		7,562
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, 2015.....		0	(7,514)	0	(7,514)
11	Net Income (Loss) - 2016.....			2,149		2,149
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, 2016.....		\$0	(\$5,365)	\$0	(\$5,365)

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 THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$1,668	\$157
	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	0
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		(219)	0
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.....		(219)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		3,133	4,719
14	Payments to Settle Short-Term Debt.....		(6,389)	(4,300)
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.....		(3,256)	419
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,807)	576
25	Cash and Cash Equivalents at Beginning of Period.....		12,426	9,711
26	Cash and Cash Equivalents at End of Period.....		\$10,619	\$10,287
	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 THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$2,149	(\$924)
30	Depreciation and Amortization of Property and Equipment.....		53	52
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.....		78	67
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(27)	(286)
39	(Increase) Decrease in Inventories .....		0	0
40	(Increase) Decrease in Other Current Assets.....		150	125
41	(Increase) Decrease in Other Assets.....		0	0
42	Increase (Decrease) in Accounts Payable.....		(442)	374
43	Increase (Decrease) in Other Current Liabilities .....		(293)	749
44	Increase (Decrease) in Other Liabilities .....		0	0
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$1,668	\$157

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		\$0	\$0
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		\$0	\$0
	<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.

**CIE NEW JERSEY, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 2016  
(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	5,511	51		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	5,511	\$51	0	\$0

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FOR THE THREE MONTHS ENDED MARCH 31, 2016

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	5,511	51		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	5,511	\$51	0	\$0

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

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

FOR THE QUARTER ENDED MARCH 31, 2016

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.

5/13/2016

Date



Craig Abrahams

President and Chief Financial Officer

Title

4371-03

Qualifier Number

On Behalf of:

CIE NEW JERSEY, LLC

Casino Licensee



**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts are in thousands)**

**Note 1 - Organization and Basis of Presentation**

***Organization and Description of Business***

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 March 31, 2016, 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 9 - 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 March 31, 2016, 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 March 31, 2016, AAPN operated the 888.com platform under the Company’s gaming license (refer to Note 2 - Summary of Significant Accounting Policies for the Company’s revenue recognition accounting policy).

***Basis of Presentation and Use of Estimates***

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.

The accompanying financial statements also include allocations of certain Caesars Entertainment general corporate expenses. These allocations of general corporate expenses may not reflect the expense the Company would have incurred if CIENJ were a stand-alone company nor are they necessarily indicative of CIENJ’s future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from Caesars Entertainment are reasonable. Given the nature of these costs, it is not practicable for the Company to estimate what these costs would have been on a stand-alone basis.

Transactions between Caesars Entertainment and the Company have been identified in the consolidated financial statements as transactions between related parties (see Note 9 - Related Party Transactions).

**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 uncollectible. There was no provision for doubtful accounts recorded for the three months ended March 31, 2016 and 2015.

***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

## Note 2 - Summary of Significant Accounting Policies (continued)

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 to 10 years
Furniture, fixtures and equipment	3 to 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 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 three months ended March 31, 2016 and 2015, the Company recognized \$704 and \$582, 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. For the three months ended March 31, 2016 and 2015, the Company recognized \$70 and \$84, 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 March 31, 2016 and 2015, 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.

### **Loyalty Programs**

Through a cross-marketing agreement with Caesars Entertainment Operating Company (“CEOC”), a majority-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

## Note 2 - Summary of Significant Accounting Policies (continued)

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 9 - 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 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 three months ended March 31, 2016 and 2015, the Company recorded \$10 and \$27, 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 three months ended March 31, 2016 and 2015 was \$1,164 and \$935, 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 \$179 and \$2,724 for the three months ended March 31, 2016 and 2015, 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 three months ended March 31, 2016 and 2015, the Company incurred \$78 and \$67 of impairment expense. This expense is included in CRDA Related Income (Expense) - Net, in the accompanying Statements of Income (Line 19).

## Note 3 - Receivables and Patrons' Checks

Receivables and Patrons' Checks consisted of the following:

(In thousands)	March 31,	
	2016	2015
Credit card receivables	\$ 482	\$ 552
Reimbursable expenses	337	727
	819	1,279
Less: Allowance for doubtful accounts	—	—
	\$ 819	\$ 1,279

#### Note 4 - Other Current Assets

Other Current Assets consisted of the following:

(In thousands)	March 31,	
	2016	2015
Prepaid license fees	\$ 317	\$ 314
Prepaid advertising	31	16
	<u>348</u>	<u>330</u>

#### Note 5 - Investments, Advances, and Receivables

Investments, Advances, and Receivables consisted of the following:

(In thousands)	March 31,	
	2016	2015
CRDA deposits	\$ 1,937	\$ 1,086
Less: Valuation allowance	(639)	(359)
	<u>1,298</u>	<u>727</u>

#### Note 6 - Property and Equipment

Property and Equipment consisted of the following:

(In thousands)	March 31,	
	2016	2015
Leasehold improvements	\$ 700	\$ 700
Furniture, fixtures, and equipment	400	397
Construction in process	—	17
	<u>1,100</u>	<u>1,114</u>
Less: Accumulated depreciation	(521)	(311)
	<u>\$ 579</u>	<u>\$ 803</u>

#### Note 7 - Other Accrued Expenses

Other Accrued Expenses consisted of the following:

(In thousands)	March 31,	
	2016	2015
Accrued gaming liabilities	\$ 1,936	\$ 1,166
Accrued gaming taxes	473	422
Accrued CRDA expense	236	203
Accrued revenue share expense	150	265
Other accruals	123	123
	<u>\$ 2,918</u>	<u>\$ 2,179</u>

#### Note 8 - Other Current Liabilities

Other Current Liabilities consisted of the following:

(In thousands)	March 31,	
	2016	2015
Internet patron liability	\$ 5,487	\$ 5,295
Payment processing liability	587	237
Internet partner payable	70	546
	<u>6,144</u>	<u>6,078</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 March 31, 2016 and 2015, cash and cash equivalents

## **Note 8 - Other Current Liabilities (continued)**

maintained in separate bank accounts totaled \$10,619 and \$10,287, respectively, and the patron deposits and internet gaming accounts were \$5,487 and \$5,295, respectively.

## **Note 9 - 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 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 three months ended March 31, 2016 and 2015, the Company's expense in connection with this agreement was \$92 and \$97, 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 or its subsidiaries. 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, including at times a 10% surcharge. For the three months ended March 31, 2016 and 2015, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$120 and \$92, 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 terminate earlier. For the three months ended March 31, 2016 and 2015, the Company recorded \$59 and \$32, 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 10 - 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. At March 31, 2016 and 2015, CIENJ's payable to Member was \$9,445 and \$14,040, respectively, and is presented as Current Portion of Long-Term Debt: Due to Affiliates in the Balance Sheets (Line 15).

## Note 10 - Commitments and Contingencies

### *Leases*

As discussed in Note 9 - Related Party Transactions, the Company leases space from Caesars AC for its interactive gaming datacenter. As of March 31, 2016, CIENJ's future minimum rental commitments under this operating lease are as follows:

(In thousands)

Year	Operating Leases
2016	\$ 177
2017	235
2018	235
2019	235
2020	235
Thereafter	647
Total minimum rental commitments	<u>1,764</u>

### *Litigation*

The Company is, from time to time, party to ordinary and routine claims and legal actions incidental to our business. In the opinion of management, these matters will not have a material effect on the Company's financial position, results of operations, or cash flows.

## Note 12 - Subsequent Events

The Company completed its subsequent events review through May 13, 2016, the date on which the financial statements were available to be issued, and noted no items.