CIE NEW JERSEY, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2019

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 JUNE 30, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$26,181	$12,407
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2019, $10 ; 2018, $0)		1,858	1,410
4	Inventories		0	0
5	Other Current Assets		826	170
6	Total Current Assets		28,865	13,987
7	Investments, Advances, and Receivables		0	0
8	Property and Equipment - Gross		1,111	1,099
9	Less: Accumulated Depreciation and Amortization		(1,040)	(962)
10	Property and Equipment - Net		71	137
11	Other Assets		862	0
12	Total Assets		$29,798	$14,124
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$1,752	$1,458
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		0	0
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses		4,965	3,611
19	Other Current Liabilities		8,120	6,239
20	Total Current Liabilities		14,837	11,308
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External		0	0
23	Deferred Credits		0	0
24	Other Liabilities		682	0
25	Commitments and Contingencies		0	0
26	Total Liabilities		15,519	11,308
27	Stockholders', Partners', or Proprietor's Equity		14,279	2,816
28	Total Liabilities and Equity		$29,798	$14,124

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino		$19,976	$14,695
2	Rooms		0	0
3	Food and Beverage		0	0
4	Other		832	750
5	Net Revenue		20,808	15,445
	Costs and Expenses:			
6	Casino		10,280	7,997
7	Rooms, Food and Beverage		0	0
8	General, Administrative and Other		2,763	1,612
9	Total Costs and Expenses		13,043	9,609
10	Gross Operating Profit		7,765	5,836
11	Depreciation and Amortization		21	96
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		755	588
14	Income (Loss) from Operations		6,989	5,152
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net		(705)	(548)
18	Nonoperating Income (Expense) - Net		0	0
19	Total Other Income (Expenses)		(705)	(548)
20	Income (Loss) Before Taxes		6,284	4,604
21	Provision (Credit) for Income Taxes		0	0
22	Net Income (Loss)		$6,284	$4,604

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 JUNE 30, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino		$9,946	$7,398
2	Rooms		0	0
3	Food and Beverage		0	0
4	Other		352	368
5	Net Revenue		10,298	7,766
	Costs and Expenses:			
6	Casino		4,557	3,871
7	Rooms, Food and Beverage		0	0
8	General, Administrative and Other		719	968
9	Total Costs and Expenses		5,276	4,839
10	Gross Operating Profit		5,022	2,927
11	Depreciation and Amortization		11	48
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		365	310
14	Income (Loss) from Operations		4,646	2,569
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net		(351)	(274)
18	Nonoperating Income (Expense) - Net		0	0
19	Total Other Income (Expenses)		(351)	(274)
20	Income (Loss) Before Taxes		4,295	2,295
21	Provision (Credit) for Income Taxes		0	0
22	Net Income (Loss)		$4,295	$2,295

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, 2018
AND THE SIX MONTHS ENDED JUNE 30, 2019

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2017..........**		$0	$3,546	$0	$3,546
2	Net Income (Loss) - 2018..........			6,819		6,819
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	Distribution to Member			(5,270)		(5,270)
8						0
9						0
10	**Balance, December 31, 2018..........**		0	5,095	0	5,095
11	Net Income (Loss) - 2019..........			6,284		6,284
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	Transactions with Member			2,900		2,900
17						0
18						0
19	**Balance, June 30, 2019..................**		$0	$14,279	$0	$14,279

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$7,395	$4,729
	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		(12)	0
5	Proceeds from Disposition of Property and Equipment		0	0
6	CRDA Obligations		0	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		(12)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	12,747
14	Payments to Settle Short-Term Debt		0	(13,000)
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	Transactions with Member		2,900	(5,334)
22				
23	Net Cash Provided (Used) By Financing Activities		2,900	(5,587)
24	Net Increase (Decrease) in Cash and Cash Equivalents		10,283	(858)
25	Cash and Cash Equivalents at Beginning of Period		15,898	13,265
26	Cash and Cash Equivalents at End of Period		$26,181	$12,407

Line	Description	Notes	2019	2018
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)			
28	Income Taxes			

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$6,284	$4,604
30	Depreciation and Amortization of Property and Equipment		21	96
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		0	0
37	(Gain) Loss from Other Investment Activities		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(457)	(781)
39	(Increase) Decrease in Inventories		0	0
40	(Increase) Decrease in Other Current Assets		253	142
41	(Increase) Decrease in Other Assets		192	0
42	Increase (Decrease) in Accounts Payable		(97)	(275)
43	Increase (Decrease) in Other Current Liabilities		1,296	943
44	Increase (Decrease) in Other Liabilities		(97)	0
45				
46				
47	Net Cash Provided (Used) By Operating Activities		$7,395	$4,729

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2019	2018
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($12)	$0
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($12)	$0
	ACQUISITION OF BUSINESS ENTITIES:			
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
	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
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2019

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.

8/12/2019
Date

Christian Stuart

Executive Vice President Gaming & Interactive Entertainment

4507-03
License Number

On Behalf of:

CIE NEW JERSEY, LLC
Casino Licensee

In these notes, the words "CIENJ," "Company," "we," "our," and "us" refer to Caesars Interactive Entertainment New Jersey, LLC, unless otherwise stated or the context requires otherwise. In addition, "Caesars Entertainment," and "CEC" refer to Caesars Entertainment Corporation and its consolidated subsidiaries.

Note 1 — Organization and Basis of Presentation

Organization and Description of Business

The Company was formed on March 22, 2013 as a New Jersey limited liability company. The sole member of the Company is Caesars Interactive Entertainment, LLC ("CIE" or the "Member"). CIE is a wholly-owned subsidiary of Caesars Growth Partners, LLC ("CGP"), which is a wholly owned subsidiary of CEC.

The Company is licensed by the New Jersey Division of Gaming Enforcement ("DGE") to operate interactive real money online gaming in New Jersey 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. As of June 30, 2019, the Company offered real money online wagering to patrons in the State of New Jersey through 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. As of June 30, 2019, AAPN operated the 888.com platform under the Company's gaming license (refer to Note 9 for the Company's revenue recognition accounting policy).

Proposed Merger of Caesars Entertainment Corporation with Eldorado Resorts, Inc.

On June 24, 2019, Caesars, Eldorado Resorts, Inc., a Nevada corporation ("Eldorado"), and Colt Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of Eldorado ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Caesars (the "Merger"), with Caesars surviving the Merger as a direct wholly owned subsidiary of Eldorado. The transaction is expected to close in the first half of 2020. In connection with the Merger, Eldorado will change its name to Caesars Entertainment, Inc., subject to stockholder approval.

The Merger Agreement contains customary representations and warranties by each of Caesars and Eldorado, and each party has agreed to customary covenants. Each of Eldorado's and Caesars' obligation to consummate the Merger is subject to the satisfaction or waiver of certain conditions, including among others, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of required regulatory and stockholder approvals, conversion or certain amendments of, or another mutually agreed arrangement with respect to, Caesars' 5.00% convertible senior notes maturing in 2024 (the "CEC Convertible Notes"), and other customary closing conditions.

The Merger Agreement also contains termination rights for each of Caesars and Eldorado under certain circumstances. If the Merger Agreement is terminated under certain circumstances, each of Caesars and Eldorado may be required to pay a termination fee as set forth in the Merger Agreement.

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 ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes thereto. Management believes the accounting estimates are appropriate and reasonably determined. Due to the inherent uncertainties in making these estimates, actual amounts could differ.

The accompanying financial statements also include allocations of certain CEC 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 CEC 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 CEC or its subsidiaries and the Company have been identified in the financial statements as transactions between related parties (see Note 4).

Subsequent Events

The Company completed its subsequent events review through August 12, 2019, the date on which the financial statements were available to be issued, and noted no items requiring disclosure.

Note 2 — Summary of Significant Accounting Policies

Additional significant accounting policy disclosures are provided within the applicable notes to the financial statements.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of less than three months from the date of purchase and are stated at the lower of cost or market value.

Advertising and Promotions

CIENJ expenses advertising production costs the first time the advertising takes place.

Fair Value

The fair value of cash and cash equivalents, other current assets, payables, and other current liabilities approximates carrying value due to the short-term nature of these financial instruments.

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 both the three months ended June 30, 2019 and 2018 was $1,917 thousand and $1,434 thousand, respectively. The Company's gaming tax expense for the six months ended June 30, 2019 and 2018 was $3,875 thousand and $2,861 thousand, respectively. Gaming taxes are included in Casino 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 loss 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 ("CRDA") Investment 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 ("IAT") 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. The Company records impairment charges to operations to reflect the estimated net realizable value of its CRDA investment.

Pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters (the "PILOT Legislation"), any CRDA funds not utilized or pledged for direct investments, the purchases of CRDA bonds or otherwise contractually obligated, as well as all funds received from the payment of the IAT going forward are allocated to the City of Atlantic City. The PILOT Legislation directs that these funds be used for the purposes of paying debt service on bonds issued by the City of Atlantic City prior to and after the date of the PILOT Legislation. These provisions expire as of December 31, 2026.

Subsequent to the passage of the PILOT Legislation, the Company has recorded the expense associated with IAT payments as a period charge within CRDA related income (expense) in the accompanying Statements of Income. For the three months ended June 30, 2019 and 2018, the Company incurred $351 thousand and $274 thousand, respectively, of IAT-related expense. For the six months ended June 30, 2019 and 2018, the Company incurred $705 thousand and $548 thousand, respectively, of IAT-related expense.

Note 3 — Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (the "FASB") issued the following authoritative guidance amending the FASB Accounting Standards Codification ("ASC").

In 2019, we adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and all related amendments (see Note 10).

The following ASUs were not effective as of June 30, 2019:

Previously Disclosed

Collaborative Arrangements - ASU 2018-18: Amended guidance makes targeted improvements to GAAP for collaborative arrangements including: (i) clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 when the collaborative arrangement participant is a customer in the context of a unit of account, (ii) adding unit-of-account guidance in ASC 808 to align with the guidance in ASC 606 (that is, a distinct good or service) when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within the scope of ASC 606, and (iii) requiring that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under ASC 606 is precluded if the collaborative arrangement participant is not a customer. The amendments in this update are effective for nonpublic entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years beginning after December 15, 2021. Early adoption is permitted. The amendments should be applied retrospectively to the date of initial application of ASC 606. An entity may elect to apply the amendments in this ASU retrospectively either to all contracts or only to contracts that are not completed at the date of initial application of ASC 606. An entity should disclose its election. An entity may elect to apply the practical expedient for contract modifications that is permitted for entities using the modified retrospective transition method in ASC 606. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Intangibles - Goodwill and Other - Internal-Use Software - ASU 2018-15: Amended guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected. The amendments in this update are effective for nonpublic entities for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Financial Instruments - Credit Losses - ASU 2016-13 (amended through May 2019): Amended guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. Amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this ASU. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Note 4 — 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, CEC, and CEOC, LLC ("CEOC LLC"). In addition to granting CIE the exclusive rights to use various brands of CEC in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC LLC will provide certain marketing and promotional activities to CIE, including participation in CEC's loyalty program, Caesars Rewards, and CIE will provide certain marketing and promotional activities to CEC and CEOC LLC. The agreement also provides for certain revenue share arrangements whereby CIE pays CEOC LLC for customer referrals. This agreement is in effect until December 31, 2026, unless terminated earlier 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 June 30, 2019 and 2018, the Company's expense in connection with this agreement was $301 thousand and $199 thousand, respectively. For the six months ended June 30, 2019 and 2018, the Company's expense in connection with this agreement was $579 thousand and $376 thousand, respectively. This expense is included in Charges from affiliates other than interest in the Statements of Income.

Allocated General Corporate Expenses

CIE is a party to a shared services agreement with CEOC LLC pursuant to which CEOC LLC provides certain services to CIE. The agreement, among other things:

- contemplates that CEOC LLC will provide certain services related to accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, information systems, office space, and corporate and other centralized services;
- allows the parties to modify the terms and conditions of CEOC LLC'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 LLC in exchange for the provision of services in an amount equal to the fully allocated cost of such 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 CEC 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. General corporate expenses subject to allocation include executive management, tax, insurance, accounting, legal, treasury and information technology expenses. For the three months ended June 30, 2019 and 2018, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling $64 thousand and $111 thousand, respectively. For the six months ended June 30, 2019 and 2018, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling $175 thousand and $212 thousand, respectively. These expenses are included in Charges from affiliates other than interest in the Statements of Income.

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 LLC 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"). See Note 10 for a discussion of this lease.

Distributions to Member

CIE pays certain costs on behalf of CIENJ, which are settled in the normal course of business. No formal agreement between the Member and CIENJ exists, and no interest is imputed due to the related party nature of the arrangement. Quarterly, excess cash is swept from CIENJ to CIE in settlement of the costs paid by CIE on behalf of CIENJ. Cash distributions that exceed the costs paid by CIE are considered to be distributions to our member.

Note 5 — Other Current Assets

Other current assets consisted of the following:

(In thousands)	As of June 30, 2019	As of June 30, 2018
Prepaid license fees	$ 205	$ 155
Prepaid advertising and other	621	15
Total other current assets	$ 826	$ 170

Note 6 — Property and Equipment, net

Additions to leasehold improvements and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset, while costs of repairs and maintenance are charged to expense as incurred. Gains or losses on the disposition of leasehold improvements and equipment are included in the determination of income.

Depreciation on computer equipment, furniture and fixtures and leasehold improvements is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease, as follows:

Furniture, fixtures and equipment	2.5 to 12 years
Leasehold improvements	3 to 30 years

Management reviews the carrying value of leasehold improvements 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, 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 and prospects, and the effect of obsolescence, demand, competition, a change in physical condition, and legal and other economic factors.

Property and equipment, net consisted of the following:

(In thousands)	As of June 30, 2019	As of June 30, 2018
Leasehold improvements	$ 700	$ 700
Furniture, fixtures, and equipment	411	399
Property and equipment, gross	1,111	1,099
Less: accumulated depreciation	(1,040)	(962)
Property and equipment, net	$ 71	$ 137

For the three months ended June 30, 2019 and 2018, CIENJ recorded depreciation expense totaling $11 thousand and $48 thousand, respectively. For the six months ended June 30, 2019 and 2018, CIENJ recorded depreciation expense totaling $21 thousand and $96 thousand, respectively. Depreciation expense for Property and equipment is reflected in Depreciation and amortization in the Statements of Income.

Note 7 — Other Accrued Expenses and Other Current Liabilities

Other accrued expenses consisted of the following:

	As of June 30,	
(In thousands)	2019	2018
Accrued gaming liabilities	$ 2,803	$ 2,204
Accrued revenue share expense	1,025	596
Accrued gaming taxes	757	501
Accrued CRDA expense	358	274
Other accruals	22	36
Total accrued expenses	$ 4,965	$ 3,611

Other current liabilities consisted of the following:

	As of June 30,	
(In thousands)	2019	2018
Internet patron liability	$ 6,506	$ 5,436
Payment processing liabilities	1,209	669
Internet partner liability	197	134
Operating lease liability	180	—
Other contract liabilities	28	—
Total other current liabilities	$ 8,120	$ 6,239

Note 8 — Litigation, Contractual Commitments, and Contingent Liabilities

Litigation

The Company is party to other ordinary and routine litigation incidental to our business. We do not expect the outcome of any such litigation to have a material effect on our financial position, results of operations, or cash flows, as we do not believe it is reasonably possible that we will incur material losses as a result of such litigation.

Note 9 — Revenue Recognition

Disaggregation of Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2019	2018	2019	2018
Online real money gaming	$ 9,946	$ 7,398	$ 19,976	$ 14,695
Other contract revenue	268	283	647	577
Total contract revenues	10,214	7,681	20,623	15,272
Other	84	85	185	173
Net revenues	$ 10,298	$ 7,766	$ 20,808	$ 15,445

Accounting Policies

We analyze our revenues based upon the type of services we provide. We recognize revenue for services when the services are performed and when we have no substantive performance obligation remaining. Sales and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or costs and expenses.

Casino Revenue

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 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 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 revenue on a gross basis with a corresponding expense for the third-party's share of Net Casino Revenues.

For the three months ended June 30, 2019 and 2018, the Company recognized $1,353 thousand and $654 thousand, respectively, of revenue share expense associated with its platform and content agreements. For the six months ended June 30, 2019 and 2018, the Company recognized $3,023 thousand and $1,624 thousand, respectively, of revenue share expense associated with its platform and content agreements. This expense is included in Casino expense in the accompanying Statements of Income.

The Company entered into an agreement to provide administrative interactive gaming services to AAPN, whereby the Company receives a fixed percentage of Net Casino Revenues, as defined in the agreement, for providing such administrative services. The Company is not the primary obligor in this arrangement, and as such, CIENJ records revenue on a net basis. For the three months ended June 30, 2019 and 2018, the Company recognized $78 thousand and $68 thousand, respectively, of revenue associated with this agreement. For the six months ended June 30, 2019 and 2018, the Company recognized $176 thousand and $126 thousand, respectively, of revenue associated with this agreement. This revenue is included in Other 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 revenue in the accompanying Statements of Income.

In May 2018, the Company launched its shared liquidity software, which allows the merging of player pools in the states of New Jersey, Delaware and Nevada for WSOP.com and 888poker. The purpose of merging player pools between states is to boost revenue in each state and create a better poker site with more games and larger guaranteed prize pools for the players.

In September 2018, the Company launched The Caesars Casino & Sports app for mobile sports betting which allows anyone in New Jersey who downloads the app to place bets on their favorite sporting events. They can also play over 400 casino games including slots, table games, and video poker.

Caesars Rewards Loyalty Program

Through a cross-marketing agreement with CEOC, LLC ("CEOC"), a majority-owned subsidiary of CEC and an affiliate of CIENJ, patrons of CaesarsCasino.com and HarrahsCasino.com have access to CEC's customer loyalty program, Caesars Rewards. Caesars Rewards grants Reward Credits to Caesars Rewards Members based on on-property spending, including gaming, hotel, dining, and retail shopping at all Caesars-affiliated properties. Members may redeem Reward Credits for complimentary or discounted goods and services such as rooms, food and beverages, merchandise, entertainment, and travel accommodations. Members are able to accumulate Reward Credits over time that they may redeem at their discretion under the terms of the program. 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. A member's Reward Credit balance is forfeited if the member does not earn at least one Reward Credit during a continuous six-month period. Reward Credits earned by customers are recorded as a reduction to Casino revenue in the accompanying Statements of Income. Refer to Note 4 for further description of the cross-marketing agreement.

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 Caesars 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 such credits are earned as a reduction to Casino revenue in the accompanying Statements of Income. For the three months ended June 30, 2019 and 2018, the Company recorded $14 thousand and $68 thousand, respectively, as a reduction to Casino revenue in association with the Company's loyalty programs. For the three months ended June 30, 2019 and 2018, the Company recorded $53 thousand and $91 thousand, respectively, as a reduction to Casino revenue in association with the Company's loyalty programs.

Because of the significance of the Caesars Rewards program and the ability for customers to accumulate Reward Credits based on their past play, we have determined that Reward Credits granted in conjunction with other earning activity represent a performance obligation. As a result, for transactions in which Reward Credits are earned, we allocate a portion of the transaction price to the Reward Credits that are earned based upon the relative standalone selling prices ("SSP") of the goods and services involved.

We have determined the SSP of a Reward Credit by computing the redemption value of credits expected to be redeemed. Because Reward Credits are not otherwise independently sold, we analyzed all Reward Credit redemption activity over the preceding calendar year and determined the redemption value based on the fair market value of the goods and services for which the Reward Credits were redeemed.

As part of determining the SSP for Reward Credits, we also determined that there is generally an amount of Reward Credits that is not redeemed, which is considered "breakage." We recognize the expected breakage proportionally with the pattern of revenue recognized related to the redemption of Reward Credits. We periodically reassess our customer behaviors and revise our expectations as deemed necessary on a prospective basis.

Receivables

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 allowance for doubtful accounts recorded as of June 30, 2019 or 2018.

	As of June 30,	
(In thousands)	2019	2018
Reimbursable expenses and other	$ 1,435	$ 556
Credit card receivables	320	854
Contract receivables	1,755	1,410
Other	103	—
Receivables	$ 1,858	$ 1,410

Note 10 — Leases

Adoption of New Lease Accounting Standard

In February 2016, the FASB issued a new standard related to leases, ASU 2016-02, *Leases (Topic 842)* ("ASC 842"). We adopted the standard effective January 1, 2019, using the retrospective approach applied as of the beginning of the period of adoption. The Company elected to utilize the transition guidance within the new standard that permits us to (i) continue to report under legacy lease accounting guidance for comparative periods consistent with previously issued financial statements; and (ii) carryforward our prior conclusions about lease identification, lease classification, and initial direct costs. The most significant effects of adopting the new standard relate to the recognition of right-of-use ("ROU") assets and liabilities for leases classified as operating leases when the Company is the lessee in the arrangement. Adopting the new standard did not affect our accounting related to leases when the Company is the lessor in the arrangement.

We assess whether an arrangement is or contains a lease at the inception of the agreement. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term using our incremental borrowing rate, which is consistent with interest rates of similar financing arrangements based on the information available at the commencement date. The ROU assets were also adjusted to include any prepaid lease payments and reduced by any previously accrued lease liabilities. The terms of our leases used to determine the ROU asset and lease liability take into account options to extend when it is reasonably certain that we will exercise those options. Lease expense is recognized on a straight-line basis over the lease term. Additionally, we have elected the short-term lease measurement and recognition exemption and do not establish ROU assets or lease liabilities for operating leases with terms of 12 months or less.

(In thousands)	Prior to Adoption	Effect of Adoption	Post Adoption
Other assets [(1)]	100	953	1,053
Other current liabilities [(1)]	6,904	175	7,079
Other liabilities [(1)]	—	778	778

[(1)] *Operating leases previously considered as off-balance sheet obligations are now recognized as operating lease liabilities with corresponding ROU assets.*

Lessee Arrangements

As discussed in Note 4, the Company leases space from Caesars AC for its interactive gaming datacenter. The following are additional details related to leases recorded on our Balance Sheet as of June 30, 2019:

(In thousands)	Balance Sheet Classification	June 30, 2019
Assets		
Operating lease ROU assets [(1)]	Other assets	$ 862
Liabilities		
Current operating lease liabilities [(1)]	Other current liabilities	180
Non-current operating lease liabilities [(1)]	Other liabilities	682

[(1)] *As noted above, we have elected the short-term lease measurement and recognition exemption and do not establish ROU assets or liabilities for operating leases with terms of 12 months or less.*

Maturity of Lease Liabilities as of June 30, 2019

(In thousands)	Operating Leases
Remaining 2019	$ 118
2020	235
2021	235
2022	235
2023	178
Total	1,001
Less: present value discount	(139)
Lease liability	$ 862

Lease Costs

	Three Months Ended	Six Months Ended
(In thousands)	June 30, 2019	
Operating lease expense	$ 59	$ 118

Other Information

(In thousands)	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 118

Weighted-Average Details

	June 30, 2019
Weighted-average remaining lease term (in years)	4.3
Weighted-average discount rate	7.10%

Lessor Arrangements

The Company is the lessor under several sublease agreements pertaining to its leased interactive gaming datacenter space. These leases are short-term in nature. The rental revenue in relation to these sublease agreements is included in Other revenue within the accompanying Statements of Income. For both of the three months ended June 30, 2019 and 2018, the Company recognized $84 thousand of revenue associated with sublease agreements. For the six months ended June 30, 2019 and 2018, the Company recognized $185 thousand and $173 thousand, respectively, of revenue associated with sublease agreements. There were no future minimum rental payments contractually owed to the Company under sublease agreements as of June 30, 2019.