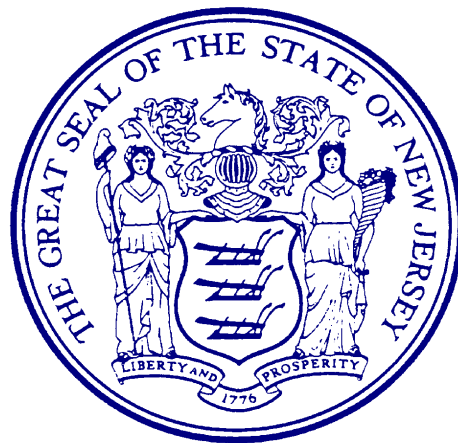


**CIE NEW JERSEY, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

**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, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$33,797	\$18,768
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$ ; 2019, \$0 ).....		1,770	1,717
4	Inventories .....		0	0
5	Other Current Assets.....		641	691
6	Total Current Assets.....		36,208	21,176
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....		334	1,111
9	Less: Accumulated Depreciation and Amortization.....		(8)	(1,051)
10	Property and Equipment - Net.....		326	60
11	Other Assets.....		627	818
12	Total Assets.....		\$37,161	\$22,054
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,591	\$1,321
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.....		9,336	5,167
19	Other Current Liabilities.....		16,062	9,604
20	Total Current Liabilities.....		26,989	16,092
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....		434	957
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		27,423	17,049
27	Stockholders', Partners', or Proprietor's Equity.....		9,738	5,005
28	Total Liabilities and Equity.....		\$37,161	\$22,054

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, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....		\$46,384	\$29,648
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		1,822	1,339
5	Net Revenue.....		48,206	30,987
	Costs and Expenses:			
6	Casino.....		24,842	15,861
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		7,001	4,265
9	Total Costs and Expenses.....		31,843	20,126
10	Gross Operating Profit.....		16,363	10,861
11	Depreciation and Amortization.....		31	31
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		1,470	1,238
14	Income (Loss) from Operations.....		14,862	9,592
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		(1,507)	(1,055)
18	Nonoperating Income (Expense) - Net.....		0	0
19	Total Other Income (Expenses).....		(1,507)	(1,055)
20	Income (Loss) Before Taxes .....		13,355	8,537
21	Provision (Credit) for Income Taxes.....		0	
22	Net Income (Loss).....		\$13,355	\$8,537

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, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....		\$17,594	\$9,672
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		728	507
5	Net Revenue.....		18,322	10,179
	Costs and Expenses:			
6	Casino.....		9,864	5,581
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		3,581	1,502
9	Total Costs and Expenses.....		13,445	7,083
10	Gross Operating Profit.....		4,877	3,096
11	Depreciation and Amortization.....		10	10
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		507	483
14	Income (Loss) from Operations.....		4,360	2,603
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		(833)	(350)
18	Nonoperating Income (Expense) - Net.....		0	0
19	Total Other Income (Expenses).....		(833)	(350)
20	Income (Loss) Before Taxes .....		3,527	2,253
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$3,527	\$2,253

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, 2019  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2018.....		\$0	\$5,095		\$5,095
2	Net Income (Loss) - 2019.....			10,710		10,710
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Distributions to Member			(8,757)		(8,757)
8						0
9						0
10	Balance, December 31, 2019.....		0	7,048	0	7,048
11	Net Income (Loss) - 2020.....			13,355		13,355
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Distributions to Member			(10,665)		(10,665)
17						0
18						0
19	Balance, September 30, 2020.....		\$0	\$9,738	\$0	\$9,738

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, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$24,170	\$11,508
	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.....		(307)	(11)
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			0	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		(307)	(11)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		0	0
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	Distribution to Member .....		(10,665)	(8,627)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(10,665)	(8,627)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		13,198	2,870
25	Cash and Cash Equivalents at Beginning of Period.....		20,599	15,898
26	Cash and Cash Equivalents at End of Period.....		\$33,797	\$18,768
	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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$13,355	\$8,537
30	Depreciation and Amortization of Property and Equipment.....		31	31
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 .....		269	(316)
39	(Increase) Decrease in Inventories .....		0	0
40	(Increase) Decrease in Other Current Assets.....		32	388
41	(Increase) Decrease in Other Assets.....		0	235
42	Increase (Decrease) in Accounts Payable.....		245	(528)
43	Increase (Decrease) in Other Current Liabilities .....		10,453	2,982
44	Increase (Decrease) in Other Liabilities .....		(215)	179
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$24,170	\$11,508

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$307)	(\$11)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$307)	(\$11)
	<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 NINE MONTHS ENDED SEPTEMBER 30, 2020  
(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				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	**	14,078		
12	Total	0	\$14,078	0	\$0

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

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				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	**	5,782		
12	Total	0	\$5,782	0	\$0

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

\*\*Other includes cash bonuses and loyalty programs recorded as a reduction to revenue, recipient data is not available

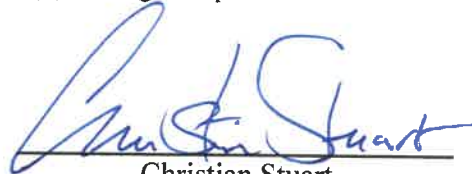


**CIE NEW JERSEY, LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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.

10/30/2020  
Date

  
Christian Stuart

Head of Caesars Sports and Online Gaming

4507-03  
License Number

On Behalf of:

CIE NEW JERSEY, LLC  
Casino Licensee

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

*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,” “CEI,” and “Caesars” refer to Caesars Entertainment Inc., formerly known as Eldorado Resorts, Inc. or 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 Caesars.

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 September 30, 2020, 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”). Additionally, the Company has entered into third party agreements which provide use of the Company’s gaming license and certain services (refer to Note 9 for the Company’s revenue recognition accounting policy). Through the Owned Platforms, as well as agreements with third parties, online sports betting is also offered.

### ***Effect of the COVID-19 Public Health Emergency***

A novel strain of coronavirus (“COVID-19”) was declared a public health emergency by the United States Department of Health and Human Services on January 31, 2020. On March 13, 2020, the President of the United States issued a proclamation declaring a national emergency concerning COVID-19. As a result of the COVID-19 public health emergency, various sports games and tournaments have been suspended, postponed or canceled based on various governmental directives as of September 30, 2020 which affects our online sports betting. In addition, we have experienced favorable effects to our real money online gaming volumes due to the various directives restricting travel and the mandated closure of gaming and entertainment venues. The extent of the ongoing and future effects of the COVID-19 public health emergency on the Company’s business generally is uncertain, but the Company expects that it will continue to have a significant impact on its business, results of operations and financial condition. The extent and duration of the impact of COVID-19 will ultimately depend on future developments, including but not limited to, the duration and severity of the outbreak, varying levels of restrictions on operations imposed by governmental authorities, the potential for authorities reimposing stay at home orders or additional restrictions in response to continued developments with the COVID-19 public health emergency.

### ***Merger of Caesars Entertainment Corporation with Eldorado Resorts, Inc.***

On July 20, 2020, Eldorado Resorts, Inc. (“Eldorado”) completed the merger in which a wholly-owned subsidiary of Eldorado merged with and into Caesars Entertainment Corporation (“Former Caesars”) with Former Caesars surviving as a wholly-owned subsidiary of Eldorado (the “Merger”) pursuant to the Agreement and Plan of Merger dated as of June 24, 2019 (as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 15, 2019, the “Merger Agreement”). In connection with the Merger, Caesars Entertainment Corporation changed its name to “Caesars Holdings, Inc.” and Eldorado Resorts, Inc. converted into a Delaware corporation and changed its name to “Caesars Entertainment, Inc.”

### ***Proposed Acquisition of William Hill***

Caesars has entered into agreements, which became effective January 29, 2019, with William Hill plc and William Hill U.S. Holdco, Inc. (“William Hill US”), its U.S. subsidiary (together, “William Hill”) which granted to William Hill the right to conduct betting activities, including operating our sportsbooks, in retail channels under certain skins for online channels with respect to Caesars’s current and future properties, conduct certain real money online gaming activities. Additionally, Caesars will receive a profit share from the operations of sports betting and other gaming activities associated with its properties. Caesars received a 20% ownership interest in William Hill US as well as 13.4 million ordinary shares of William Hill plc.

On September 30, 2020, Caesars announced that it had reached agreement with William Hill plc on the terms of a recommended cash acquisition pursuant to which Caesars would acquire the entire issued and to be issued share capital (other than shares owned by Caesars or held in treasury) of William Hill plc, in an all-cash transaction of approximately

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

£2,900 million, or \$3,700 million. The transaction is conditioned on, among other things, the approval of William Hill plc shareholders and receipt of required regulatory approvals. To provide liquidity to fund the cash purchase price for the proposed acquisition, Caesars entered into various financing transactions. On September 25, 2020, Caesars borrowed \$900 million under its revolving credit facility (the "CEI Revolving Credit Facility"), which was repaid subsequent to September 30, 2020. On September 28, 2020, Caesars deposited \$2,100 million, which included the borrowings under the CEI Revolving Credit Facility, into an escrow account related to the William Hill offer. As of September 30, 2020, these funds in escrow were classified as restricted cash until certain regulatory approvals were received. In addition, on October 1, 2020, Caesars raised an additional \$1,900 million through a public offering of Caesars Common Stock.

In order to manage the risk of appreciation of the GBP denominated purchase price Caesars has entered into foreign exchange forward contracts.

In connection with the proposed acquisition of William Hill plc, on September 29, 2020, Caesars entered into a debt financing commitment letter pursuant to which the lenders party thereto have committed to arrange and provide a newly formed subsidiary of Caesars with (a) a £1,000 million senior secured 540-day bridge loan facility, (b) a £116 million senior secured 540-day revolving credit facility and (c) a £503 million senior secured 60-day bridge loan facility (collectively, the "Debt Financing"). The proceeds of the Debt Financing will be used (i) to pay a portion of the cash consideration for the proposed acquisition, (ii) to refinance certain of William Hill plc's and its subsidiaries' existing debt, (iii) to pay fees and expenses related to the acquisition and related transactions and (iv) for working capital and general corporate purposes.

In connection with the Debt Financing on October 6, 2020, a newly formed subsidiary of Caesars entered into a £1,500 million Interim Facilities Agreement with Deutsche Bank AG, London Branch and JPMorgan Chase Bank, N.A. to provide: (a) a 540-day £1,000 million asset sale bridge facility and (b) a 60-day £503 million cash confirmation bridge facility. Upon receipt of regulatory approvals, the restriction on the \$2,100 million funded as of September 30, 2020, was released and Caesars transferred \$1,400 million of cash into its operating accounts and the outstanding balance of the CEI Revolving Credit Facility was repaid in full. Approximately \$598 million of unrestricted cash remains in escrow.

***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 CEI 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 CEI 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 CEI 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 October 30, 2020, 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.

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

***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 the three months ended September 30, 2020 and 2019, was \$4,520 thousand and \$1,998 thousand, respectively. The Company's gaming tax expense for the nine months ended September 30, 2020 and 2019, was \$10,157 thousand and \$5,873 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 and state 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 September 30, 2020 and 2019, the Company incurred \$833 thousand and \$350 thousand, respectively, of IAT-related expense. For the nine months ended September 30, 2020 and 2019, the Company incurred \$1,507 thousand and \$1,055 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").

Effective January 1, 2020, we adopted the following Accounting Standards Updates ("ASU"), none of which had a material effect on our financial statements:

- ASU 2018-18, *Collaborative Arrangements*
- ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software*

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

- ASU 2016-13, *Financial Instruments - Credit Losses*

#### **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, CEI, and CEOC, LLC (“CEOC LLC”). In addition to granting CIE the exclusive rights to use various brands of CEI 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 CEI’s loyalty program, Caesars Rewards, and CIE will provide certain marketing and promotional activities to CEI 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 September 30, 2020 and 2019, the Company’s expense in connection with this agreement was \$379 thousand and \$331 thousand, respectively. For the nine months ended September 30, 2020 and 2019, the Company’s expense in connection with this agreement was \$1,104 thousand and \$910 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 CEI 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 September 30, 2020 and 2019, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$70 thousand and \$55 thousand, respectively. For the nine months ended September 30, 2020 and 2019, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$190 thousand and \$230 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”).

##### ***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.

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 5 — Other Current Assets**

Other current assets consisted of the following:

<i>(In thousands)</i>	<b>As of September 30, 2020</b>	
	<b>2020</b>	<b>2019</b>
Prepaid license fees	\$ 206	\$ 109
Prepaid advertising and other	435	582
Total other current assets	<u>\$ 641</u>	<u>\$ 691</u>

**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 net 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 their 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:

<i>(In thousands)</i>	<b>As of September 30,</b>	
	<b>2020</b>	<b>2019</b>
Leasehold improvements	\$ 18	\$ 700
Furniture, fixtures, and equipment	316	411
Property and equipment, gross	334	1,111
Less: accumulated depreciation	(8)	(1,051)
Property and equipment, net	<u>\$ 326</u>	<u>\$ 60</u>

For both of the three months ended September 30, 2020 and 2019, CIENJ recorded depreciation expense totaling \$10 thousand. For both of the nine months ended September 30, 2020 and 2019, CIENJ recorded depreciation expense totaling \$31 thousand. Depreciation expense for Property and equipment is reflected in Depreciation and amortization in the Statements of Income.

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**Note 7 — Other Accrued Expenses and Other Current Liabilities**

Other accrued expenses consisted of the following:

<i>(In thousands)</i>	As of September 30,	
	2020	2019
Accrued gaming liabilities	\$ 4,902	\$ 3,161
Accrued revenue share expense	1,849	772
Accrued gaming taxes	1,302	711
Accrued CRDA expense	690	364
Other accruals	593	159
Total other accrued expenses	\$ 9,336	\$ 5,167

Other current liabilities consisted of the following:

<i>(In thousands)</i>	As of September 30,	
	2020	2019
Internet patron liability	\$ 11,348	\$ 6,211
Payment processing liabilities	2,086	1,508
Internet partner liability	1,374	727
Other contract liabilities	1,061	975
Operating lease liability	193	183
Total other current liabilities	\$ 16,062	\$ 9,604

**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***

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Online real money gaming	\$ 17,594	\$ 9,672	\$ 46,384	\$ 29,648
Other contract revenue	697	433	1,679	1,080
Total contract revenues	18,291	10,105	48,063	30,728
Lease revenue	31	74	143	259
Net revenues	\$ 18,322	\$ 10,179	\$ 48,206	\$ 30,987

***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.

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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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 September 30, 2020 and 2019, the Company recognized \$3,012 thousand and \$1,593 thousand, respectively, of revenue share expense associated with its platform and content agreements. For the nine months ended September 30, 2020 and 2019, the Company recognized \$7,488 thousand and \$4,616 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. As a result, revenue as reported in the accompanying Statements of Income only reflects CIENJ’s share of casino revenues associated with AAPN’s 888.com platform. For the three months ended September 30, 2020 and 2019, the Company recognized \$161 thousand and \$96 thousand, respectively, of revenue associated with this agreement. For the nine months ended September 30, 2020 and 2019, the Company recognized \$412 thousand and \$272 thousand, respectively, of revenue associated with this agreement. 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.

Caesars Rewards Loyalty Program

Through a cross-marketing agreement with CEOC, LLC, a majority-owned subsidiary of CEI and an affiliate of CIENJ, patrons of CaesarsCasino.com and HarrahsCasino.com have access to CEI’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 Poker Rewards 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 Poker Rewards 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 September 30, 2020 and 2019, the Company recorded \$123 thousand and \$37 thousand, respectively, as a reduction to Casino revenue in association with the Company’s loyalty



**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
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programs. For the nine months ended September 30, 2020 and 2019, the Company recorded \$307 thousand and \$90 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 at estimate of expected loss to be incurred. For the nine months ended September 30, 2020 and 2019, the Company recorded \$33 thousand and \$37 thousand, respectively, of allowance for doubtful accounts.

<i>(In thousands)</i>	<b>As of September 30,</b>	
	<b>2020</b>	<b>2019</b>
Reimbursable expenses and other	\$ 1,097	\$ 1,366
Credit card receivables, net	618	203
Contract receivables	1,715	1,569
Real estate leases	26	—
Other	29	148
Receivables, net	<u>\$ 1,770</u>	<u>\$ 1,717</u>

Contract Liabilities

On March 1, 2019, the Company entered into an agreement with WSI US, LLC ("Wynn") wherein the Company provides Wynn with access to an available gaming license in the state of New Jersey. Per the agreement the Company is entitled to a Minimum Annual Royalty Fee ("Royalty") and a percentage of casino and sports betting net gaming revenues should such revenues exceed the Royalty. On August 13, 2019 the Company received the initial term Royalty payment of \$1,290 thousand from Wynn which was recorded to Other current liabilities on the accompanying Balance Sheets. Wynn's gaming platform began operations as of July 2020. The fee is amortized on a straight-line basis and recognized as Other revenue.

<i>(In thousands)</i>	<b>Advanced Royalties</b>	<b>Other Deferred Revenue</b>	<b>Total</b>
Balance as of December 31, 2019	\$ 1,290	\$ —	\$ 1,290
Amount recognized during the period	(233)	(1)	(234)
Amount accrued during the period	—	5	5
Balance as of September 30, 2020	<u>\$ 1,057</u>	<u>\$ 4</u>	<u>\$ 1,061</u>

**CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

***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 the three months ended September 30, 2020 and 2019, the Company recognized \$31 thousand and \$75 thousand, respectively of revenue associated with sublease agreements. For the nine months ended September 30, 2020 and 2019, the Company recognized \$143 thousand and \$260 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 September 30, 2020.