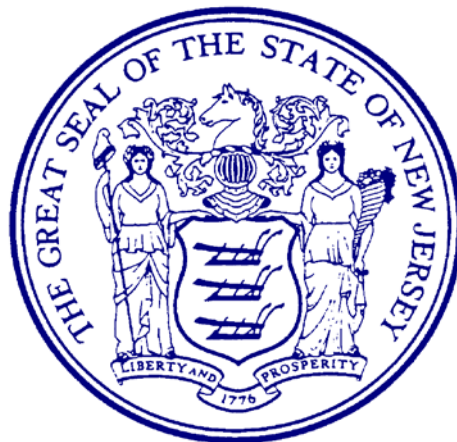


**CIE NEW JERSEY, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2014

**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, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2014 (c) | 2013 (d) |
|-------------|---|-------|-------------|-------------|
| | <u>ASSETS:</u> | | | |
| | Current Assets: | | | |
| 1 | Cash and Cash Equivalents..... | 2 | \$7,653 | \$0 |
| 2 | Short-Term Investments..... | | 0 | 0 |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, \$0; 2013, \$0)..... | 2, 3 | 0 1,112 | 0 0 |
| 4 | Inventories | | 0 | 0 |
| 5 | Other Current Assets..... | 4 | 388 | 0 |
| 6 | Total Current Assets..... | | 9,153 | 0 |
| 7 | Investments, Advances, and Receivables..... | 2, 5 | 350 | 0 |
| 8 | Property and Equipment - Gross..... | 2, 6 | 1,058 | 0 |
| 9 | Less: Accumulated Depreciation and Amortization..... | 2, 6 | (150) | 0 |
| 10 | Property and Equipment - Net..... | 2, 6 | 908 | 0 |
| 11 | Other Assets..... | | 0 | 0 |
| 12 | Total Assets..... | | \$10,411 | \$0 |
| | <u>LIABILITIES AND EQUITY:</u> | | | |
| | Current Liabilities: | | | |
| 13 | Accounts Payable..... | 9 | \$11,058 | \$0 |
| 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..... | 7 | 1,907 | 0 |
| 19 | Other Current Liabilities..... | 8 | 4,579 | 0 |
| 20 | Total Current Liabilities..... | | 17,544 | 0 |
| | Long-Term Debt: | | | |
| 21 | Due to Affiliates..... | | 0 | 0 |
| 22 | External..... | | 0 | 0 |
| 23 | Deferred Credits | 2 | 5,000 | 0 |
| 24 | Other Liabilities..... | | 0 | 0 |
| 25 | Commitments and Contingencies..... | 10 | 0 | 0 |
| 26 | Total Liabilities..... | | 22,544 | 0 |
| 27 | Stockholders', Partners', or Proprietor's Equity..... | | (12,133) | 0 |
| 28 | Total Liabilities and Equity..... | | \$10,411 | \$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 INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2014 (c) | 2013 (d) |
|-------------|---|-------|-------------|-------------|
| | Revenue: | | | |
| 1 | Casino..... | 2 | \$10,076 | \$0 |
| 2 | Rooms..... | | 0 | 0 |
| 3 | Food and Beverage..... | | 0 | 0 |
| 4 | Other..... | 2 | 1,008 | 0 |
| 5 | Total Revenue..... | | 11,084 | 0 |
| 6 | Less: Promotional Allowances..... | | 30 | |
| 7 | Net Revenue..... | | 11,054 | 0 |
| | Costs and Expenses: | | | |
| 8 | Casino..... | | 7,153 | 0 |
| 9 | Rooms, Food and Beverage..... | | 0 | 0 |
| 10 | General, Administrative and Other..... | | 13,718 | 0 |
| 11 | Total Costs and Expenses..... | | 20,871 | 0 |
| 12 | Gross Operating Profit..... | | (9,817) | 0 |
| 13 | Depreciation and Amortization..... | | 117 | 0 |
| | Charges from Affiliates Other than Interest: | | | |
| 14 | Management Fees..... | | 0 | 0 |
| 15 | Other..... | 9 | 458 | 0 |
| 16 | Income (Loss) from Operations..... | | (10,392) | 0 |
| | Other Income (Expenses): | | | |
| 17 | Interest Expense - Affiliates..... | | 0 | 0 |
| 18 | Interest Expense - External..... | | 0 | 0 |
| 19 | CRDA Related Income (Expense) - Net..... | 2 | (173) | 0 |
| 20 | Nonoperating Income (Expense) - Net..... | | 0 | 0 |
| 21 | Total Other Income (Expenses)..... | | (173) | 0 |
| 22 | Income (Loss) Before Taxes and Extraordinary Items..... | | (10,565) | 0 |
| 23 | Provision (Credit) for Income Taxes..... | | 0 | 0 |
| 24 | Income (Loss) Before Extraordinary Items..... | | (10,565) | 0 |
| | Extraordinary Items (Net of Income Taxes - | | | |
| 25 | 2014, \$0; 2013, \$0 | | 0 | 0 |
| 26 | Net Income (Loss)..... | | (\$10,565) | \$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 INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2014 (c) | 2013 (d) |
|-------------|--|-------|-------------|-------------|
| | Revenue: | | | |
| 1 | Casino..... | | \$4,793 | \$0 |
| 2 | Rooms..... | | 0 | 0 |
| 3 | Food and Beverage..... | | 0 | 0 |
| 4 | Other..... | | 362 | 0 |
| 5 | Total Revenue..... | | 5,155 | 0 |
| 6 | Less: Promotional Allowances..... | | 8 | 0 |
| 7 | Net Revenue..... | | 5,147 | 0 |
| | Costs and Expenses: | | | |
| 8 | Casino..... | | 3,393 | 0 |
| 9 | Rooms, Food and Beverage..... | | 0 | 0 |
| 10 | General, Administrative and Other..... | | 4,457 | |
| 11 | Total Costs and Expenses..... | | 7,850 | 0 |
| 12 | Gross Operating Profit..... | | (2,703) | 0 |
| 13 | Depreciation and Amortization..... | | 56 | 0 |
| | Charges from Affiliates Other than Interest: | | | |
| 14 | Management Fees..... | | 0 | 0 |
| 15 | Other..... | | 216 | 0 |
| 16 | Income (Loss) from Operations..... | | (2,975) | 0 |
| | Other Income (Expenses): | | | |
| 17 | Interest Expense - Affiliates..... | | 0 | 0 |
| 18 | Interest Expense - External..... | | 0 | 0 |
| 19 | CRDA Related Income (Expense) - Net..... | | (69) | 0 |
| 20 | Nonoperating Income (Expense) - Net..... | | 0 | 0 |
| 21 | Total Other Income (Expenses)..... | | (69) | 0 |
| 22 | Income (Loss) Before Taxes and Extraordinary Items..... | | (3,044) | 0 |
| 23 | Provision (Credit) for Income Taxes..... | | 0 | 0 |
| 24 | Income (Loss) Before Extraordinary Items..... | | (3,044) | 0 |
| 25 | Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0 | | 0 | 0 |
| 26 | Net Income (Loss)..... | | (\$3,044) | \$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 CHANGES IN PARTNERS',
PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013
AND THE SIX MONTHS ENDED JUNE 30, 2014

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | Contributed Capital (c) | Accumulated Earnings (Deficit) (d) | (e) | Total Equity (Deficit) (f) |
|-------------|---------------------------------|-------|-------------------------------|---|-----|-------------------------------------|
| 1 | Balance, December 31, 2012..... | | | | | \$0 |
| 2 | Net Income (Loss) - 2013..... | | | (1,568) | | (1,568) |
| 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, 2013..... | | 0 | (1,568) | 0 | (1,568) |
| 11 | Net Income (Loss) - 2014..... | | | (10,565) | | (10,565) |
| 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, June 30, 2014..... | | \$0 | (\$12,133) | \$0 | (\$12,133) |

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, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2014 (c) | 2013 (d) |
|-------------|--|-------|-------------|-------------|
| 1 | CASH PROVIDED (USED) BY OPERATING ACTIVITIES.. | | \$3,672 | \$0 |
| | 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..... | | (18) | 0 |
| 5 | Proceeds from Disposition of Property and Equipment..... | | 0 | 0 |
| 6 | CRDA Obligations | 2 | (252) | 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..... | | (270) | 0 |
| | 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 | | | | |
| 22 | | | | |
| 23 | Net Cash Provided (Used) By Financing Activities..... | | 0 | 0 |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents..... | | 3,402 | 0 |
| 25 | Cash and Cash Equivalents at Beginning of Period..... | | 4,251 | 0 |
| 26 | Cash and Cash Equivalents at End of Period..... | | \$7,653 | \$0 |
| | 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 SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2014 (c) | 2013 (d) |
|-------------|--|-------|-------------|-------------|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| 29 | Net Income (Loss)..... | | (\$10,565) | \$0 |
| 30 | Depreciation and Amortization of Property and Equipment..... | | 117 | 0 |
| 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..... | | 173 | 0 |
| 37 | (Gain) Loss from Other Investment Activities..... | | 0 | 0 |
| 38 | (Increase) Decrease in Receivables and Patrons' Checks | | (429) | 0 |
| 39 | (Increase) Decrease in Inventories | | 0 | 0 |
| 40 | (Increase) Decrease in Other Current Assets..... | | 570 | 0 |
| 41 | (Increase) Decrease in Other Assets..... | | 0 | 0 |
| 42 | Increase (Decrease) in Accounts Payable..... | | 10,321 | 0 |
| 43 | Increase (Decrease) in Other Current Liabilities | | 0 | 0 |
| 44 | Increase (Decrease) in Other Liabilities | | 3,485 | 0 |
| 45 | | | | |
| 46 | | | | |
| 47 | Net Cash Provided (Used) By Operating Activities..... | | \$3,672 | \$0 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | | |
|----|--|--|--------|-----|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | | |
| 48 | Additions to Property and Equipment..... | | (\$18) | \$0 |
| 49 | Less: Capital Lease Obligations Incurred..... | | 0 | 0 |
| 50 | Cash Outflows for Property and Equipment..... | | (\$18) | \$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
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(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 | 2,744 | 30 | | |
| 7 | Complimentary Cash Gifts | | | | |
| 8 | Entertainment | | | | |
| 9 | Retail & Non-Cash Gifts | | | | |
| 10 | Parking | | | | |
| 11 | Other | | | | |
| 12 | Total | 2,744 | \$30 | 0 | \$0 |

FOR THE THREE MONTHS ENDED JUNE 30, 2014

| 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 | 844 | 8 | | |
| 7 | Complimentary Cash Gifts | | | | |
| 8 | Entertainment | | | | |
| 9 | Retail & Non-Cash Gifts | | | | |
| 10 | Parking | | | | |
| 11 | Other | | | | |
| 12 | Total | 844 | \$8 | 0 | \$0 |

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

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

FOR THE QUARTER ENDED JUNE 30, 2014

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.

8/15/14

Date



[Insert Name Here]

Senior Vice President
and Chief Financial Officer

Title

License Number

On Behalf of:

CIE NEW JERSEY, LLC
Casino Licensee

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Caesars Interactive Entertainment New Jersey, LLC (the “Company” or “CIENJ”) was formed on March 22, 2013 as a New Jersey limited liability company. The sole member of the Company is Caesars Interactive Entertainment, Inc. (“CIE” or the “Member”). CIE is a majority owned subsidiary of Caesars Growth Partners, LLC (“CGP”). As of June 30, 2014, 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 June 30, 2014, the Company offered real money online wagering to patrons in the State of New Jersey through the following internet-based gaming services: 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 June 30, 2014, AAPN operated the 888.com platform under the Company’s gaming license (refer to Note 2 for the Company’s revenue recognition accounting policy).

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

The Company was formed in March 2013 and did not begin operations until November 2013; therefore, comparative financial information for prior periods is not available.

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.

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and six-month periods ended June 30, 2014.

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

| | |
|---|----------------|
| Leasehold improvements..... | 5 – 10 years |
| Furniture, fixtures and equipment | 2.5 – 20 years |

The Company 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, with liabilities recognized for customer deposits and are recorded as Casino revenue in the accompanying Statements of Income. 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 Fordart Limited (“Fordart”), an affiliate of AAPN, to develop and maintain the Company’s online gaming platform and provide certain interactive gaming services once the platform begins service. Under this agreement, the Company pays Fordart 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 Fordart’s share of Net Casino Revenues.

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, the Company has an online platform and services agreement with a separate non-affiliate company 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. Similar to the Fordart 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 and six-month periods ended June 30, 2014, the Company recognized \$0.2 million and \$1.3 million, 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 interactive gaming services to non-affiliate third parties, whereby the Company receives a fixed percentage of net casino revenues, as defined in the agreements, for providing such services. The Company is not the primary obligor in these arrangements, and as such, CIENJ records revenue on a net basis. As a result, Casino revenues as reported in the Statements of Income only reflect CIENJ's share of casino revenues associated with AAPN's 888.com platform. For the three and six-month periods ended June 30, 2014, the Company recognized \$0.1 million and \$0.2 million of revenue associated with this agreement, respectively. 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 June 30, 2014, the Company had \$5.0 million of deferred revenue associated with an interactive gaming services agreement with a non-affiliate third party. The deferred revenue is presented as Deferred Credits in the accompanying Balance Sheets.

Loyalty Programs – Through a cross-marketing agreement with Caesars Entertainment Operating Company ("CEOC"), a wholly owned subsidiary of Caesars Entertainment and an affiliate of CIENJ, patrons of CaesarsCasino.com and HarrahsCasino.com have access to Caesars Entertainment's Total Rewards loyalty program. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. Additionally, patrons of CaesarsCasino.com and HarrahsCasino.com have the opportunity to redeem their online reward credits for cash that is deposited directly into the patron's online wagering account. As the Company does not have sufficient history to determine the percentage of players that may choose to redeem reward credits for cash over non-cash awards, the Company accrues 100% of the cash converted point balance as a reduction to Casino revenues in the accompanying Statements of Income. Refer to Note 9 – Related Party Transactions for further description of the cross-marketing agreement with CEOC.

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and six-month periods ended June 30, 2014, the Company recorded less than \$0.1 million and \$0.1 million, 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 and six-month periods ended June 30, 2014 was \$1.1 million and \$2.1 million, 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 \$2.7 million and \$11.5 million for the three and six-month periods ended June 30, 2014, respectively. Advertising expense is included in General, Administrative and Other expense in the accompanying Statements of Income.

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

Casino Reinvestment Development Authority Investment ("CRDA") Obligations – The New Jersey Casino Control Act provides, among other things, for an investment equal to 2.5% of gross internet gaming revenues in lieu of an investment alternative tax equal to 5% of gross internet gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions, or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. The Company has elected to make the 2.5% investment with CRDA as described above.

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and six-month periods ended June 30, 2014, the Company incurred \$0.1 million and \$0.2 million of impairment expense, respectively. This expense is included in CRDA Related Expense – Net, in the accompanying Statements of Income (Line 19).

NOTE 3 – RECEIVABLES AND PATRONS’ CHECKS

Receivables consisted of the following (in thousands):

| | June 30, | |
|---------------------------------------|-----------------|-------------|
| | 2014 | 2013 |
| Reimbursable expenses | \$ 577 | \$ - |
| Credit card receivables | 535 | - |
| | <u>\$ 1,112</u> | <u>\$ -</u> |
| Less: Allowance for doubtful accounts | - | - |
| | <u>\$ 1,112</u> | <u>\$ -</u> |

NOTE 4 – OTHER CURRENT ASSETS

Other current assets consisted of the following (in thousands):

| | June 30, | |
|----------------------|-----------------|-------------|
| | 2014 | 2013 |
| Prepaid license fees | \$ 289 | \$ - |
| Prepaid advertising | 99 | - |
| | <u>\$ 388</u> | <u>\$ -</u> |

NOTE 5 – INVESTMENTS, ADVANCES, AND RECEIVABLES

Investments, advances, and receivables consisted of the following (in thousands):

| | June 30, | |
|---------------------------|-----------------|-------------|
| | 2014 | 2013 |
| CRDA deposits | \$ 523 | \$ - |
| Less: valuation allowance | (173) | - |
| | <u>\$ 350</u> | <u>\$ -</u> |

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

| | June 30, | |
|-----------------------------------|-----------------|-------------|
| | 2014 | 2013 |
| Leasehold improvements | \$ 700 | \$ - |
| Furniture, fixtures and equipment | 357 | - |
| Construction in process | 1 | - |
| | <u>\$ 1,058</u> | <u>\$ -</u> |
| Less: Accumulated depreciation | (150) | - |
| | <u>\$ 908</u> | <u>\$ -</u> |

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses consisted of the following (in thousands):

| | June 30, | |
|-------------------------------|-----------------|-------------|
| | 2014 | 2013 |
| Accrued gaming liabilities | \$ 1,065 | \$ - |
| Accrued gaming taxes | 390 | - |
| Accrued CRDA expense | 212 | - |
| Accrued revenue share expense | 191 | - |
| Other accruals | 49 | - |
| | <u>\$ 1,907</u> | <u>\$ -</u> |

NOTE 8 – OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following (in thousands):

| | June 30, | |
|------------------------------|-----------------|-------------|
| | 2014 | 2013 |
| Internet patron liability | \$ 4,168 | \$ - |
| Payment processing liability | 298 | - |
| Internet partner payable | 113 | - |
| | <u>\$ 4,579</u> | <u>\$ -</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 June 30, 2014, cash and cash equivalents maintained in separate bank accounts totaled \$7.7 million and the patron deposits and internet gaming accounts were \$4.2 million.

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 where 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 and six-month periods ended June 30, 2014, the Company’s expense in connection with this agreement was \$0.1 million and \$0.2 million, 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 agreements, among other things:

- contemplate 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;
- allow 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
- provide 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 these shared services agreements and directly billed expenses incurred through Caesars Entertainment and CEOC. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated. For the three and six-month periods ended June 30, 2014, CIENJ recorded allocated general corporate expenses (including at times a 10% surcharge) and directly billed expenses totaling \$0.1 million and \$0.3 million, 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”).

Caesars Interactive Entertainment New Jersey, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 9 – RELATED PARTY TRANSACTIONS (continued)

The term of the Datacenter Agreement is 10 years unless certain conditions are met in which case the agreement may terminate earlier. As consideration for the Datacenter Agreement, CIENJ paid Caesars AC a one-time fee of \$0.01 million and will pay a monthly fee of \$0.01 million over the term of the agreement. For the three and six-month periods ended June 30, 2014, the Company recorded less than \$0.1 million and \$0.1 million, 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.

Payable to Member – CIE pays certain costs on behalf of CIENJ, which are settled in the normal course of business. At June 30, 2014, CIENJ’s payable to Member was \$9.4 million. Payable to Member is included in Accounts payable in the accompanying Balance Sheets.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

Leases – As discussed in Note 9, the Company leases space from Caesars AC for its interactive gaming datacenter. As of June 30, 2014, CIENJ’s future minimum rental commitments under this operating lease are as follows (in thousands):

| Year | Operating lease |
|----------------------------------|----------------------------|
| 2014 | \$ 61.9 |
| 2015 | 123.8 |
| 2016 | 123.8 |
| 2017 | 123.8 |
| 2018 | 123.8 |
| Thereafter | 588.1 |
| Total minimum rental commitments | <u>\$ 1,145.3</u> |

NOTE 11 – SUBSEQUENT EVENTS

The Company completed its subsequent events review through August 15, 2014, the date on which the financial statements were available to be issued, and noted no items.