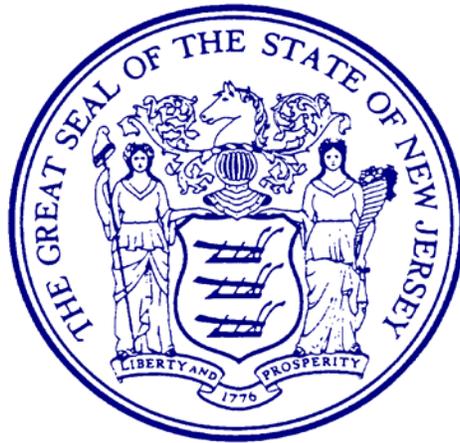


**CIE NEW JERSEY, LLC  
QUARTERLY REPORT**

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

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# CIE NEW JERSEY, LLC

## BALANCE SHEETS

AS OF DECEMBER 31, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$11,395	\$12,426
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, \$0; 2015, \$0).....	2, 3	1,382	792
4	Inventories .....		0	0
5	Other Current Assets.....	4	543	498
6	Total Current Assets.....		13,320	13,716
7	Investments, Advances, and Receivables.....	2, 5	0	1,140
8	Property and Equipment - Gross.....	2, 6	1,099	1,099
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(674)	(468)
10	Property and Equipment - Net.....	2, 6	425	631
11	Other Assets.....		0	0
12	Total Assets.....		\$13,745	\$15,487
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,087	\$962
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	3,556	12,701
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	7	3,571	2,954
19	Other Current Liabilities.....	8	6,472	6,384
20	Total Current Liabilities.....		14,686	23,001
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits .....	2	0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	10	0	0
26	Total Liabilities.....		14,686	23,001
27	Stockholders', Partners', or Proprietor's Equity.....		(941)	(7,514)
28	Total Liabilities and Equity.....		\$13,745	\$15,487

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 TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....	2	\$25,011	\$21,201
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....	2	1,612	1,307
5	Total Revenue.....		26,623	22,508
6	Less: Promotional Allowances.....		79	200
7	Net Revenue.....		26,544	22,308
	Costs and Expenses:			
8	Casino.....		14,623	12,068
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....		2,145	6,217
11	Total Costs and Expenses.....		16,768	18,285
12	Gross Operating Profit.....		9,776	4,023
13	Depreciation and Amortization.....		206	210
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	9	1,048	970
16	Income (Loss) from Operations.....		8,522	2,843
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	2	(1,909)	(270)
20	Nonoperating Income (Expense) - Net.....		(40)	4,989
21	Total Other Income (Expenses).....		(1,949)	4,719
22	Income (Loss) Before Taxes .....		6,573	7,562
23	Provision (Credit) for Income Taxes.....		0	0
24	Net Income (Loss).....		\$6,573	\$7,562

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 DECEMBER 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....	2	\$6,440	\$5,539
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....	2	352	308
5	Total Revenue.....		6,792	5,847
6	Less: Promotional Allowances.....		1	67
7	Net Revenue.....		6,791	5,780
	Costs and Expenses:			
8	Casino.....		4,238	3,262
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....		434	838
11	Total Costs and Expenses.....		4,672	4,100
12	Gross Operating Profit.....		2,119	1,680
13	Depreciation and Amortization.....		47	53
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	9	243	202
16	Income (Loss) from Operations.....		1,829	1,425
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	2	(252)	(72)
20	Nonoperating Income (Expense) - Net.....		(40)	0
21	Total Other Income (Expenses).....		(292)	(72)
22	Income (Loss) Before Taxes .....		1,537	1,353
23	Provision (Credit) for Income Taxes.....		0	0
24	Net Income (Loss).....		\$1,537	\$1,353

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

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2014.....			(\$15,076)		(\$15,076)
2	Net Income (Loss) - 2015.....			7,562		7,562
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2015.....		0	(7,514)	0	(7,514)
11	Net Income (Loss) - 2016.....			6,573		6,573
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, December 31, 2016.....		\$0	(\$941)	\$0	(\$941)

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 TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$8,569	\$4,372
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....		0	0
3	Proceeds from the Sale of Short-Term Investments .....		0	0
4	Cash Outflows for Property and Equipment.....		0	0
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		(455)	(737)
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.....		(455)	(737)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		10,344	13,730
14	Payments to Settle Short-Term Debt.....		(19,489)	(14,650)
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.....		(9,145)	(920)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,031)	2,715
25	Cash and Cash Equivalents at Beginning of Period.....		12,426	9,711
26	Cash and Cash Equivalents at End of Period.....		\$11,395	\$12,426
	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 TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$6,573	\$7,562
30	Depreciation and Amortization of Property and Equipment.....		206	210
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.....		1,909	270
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(590)	201
39	(Increase) Decrease in Inventories .....		0	0
40	(Increase) Decrease in Other Current Assets.....		(359)	(43)
41	(Increase) Decrease in Other Assets.....		0	0
42	Increase (Decrease) in Accounts Payable.....		125	(778)
43	Increase (Decrease) in Other Current Liabilities .....		705	1,950
44	Increase (Decrease) in Other Liabilities .....		0	(5,000)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$8,569	\$4,372

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		\$0	\$0
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		\$0	\$0
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits	13,329	79		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	13,329	\$79	0	\$0

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FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits	598	1		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	598	\$1	0	\$0

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

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

FOR THE QUARTER ENDED DECEMBER 31, 2016

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

3/31/2017

Date

  
Marco Ceccarelli

Senior Vice President & Chief Information Officer  
Title

4372-03

License Number

On Behalf of:

CIE NEW JERSEY, LLC

Casino Licensee

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

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

***Organization and Description of Business***

Caesars Interactive Entertainment New Jersey, LLC (the “Company” or “CIENJ”) was formed on March 22, 2013 as a New Jersey limited liability company. The sole member of the Company is Caesars Interactive Entertainment, LLC (“CIE” or the “Member”, formerly Caesars Interactive Entertainment, Inc.). CIE is a wholly-owned subsidiary of Caesars Growth Partners, LLC (“CGP”). As of December 31, 2016, Caesars Acquisition Company directly owns 100% of the voting membership units of CGP and is the ultimate parent.

CGP is consolidated into Caesars Entertainment Corporation (“Caesars Entertainment”). As a result, CIENJ is also affiliated with all subsidiaries of Caesars Entertainment. Refer to Note 9 - Related Party Transactions for further discussion.

The Company is licensed by the New Jersey Division of Gaming Enforcement (“DGE”) to operate interactive real money online gaming 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. At December 31, 2016, 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. At December 31, 2016, AAPN operated the 888.com platform under the Company’s gaming license (refer to Note 2 - Summary of Significant Accounting Policies for the Company’s revenue recognition accounting policy).

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

The Company’s financial statements are prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the DGE, which require the use of estimates and assumptions that affect the reported amounts 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 Caesars Entertainment general corporate expenses. These allocations of general corporate expenses may not reflect the expense the Company would have incurred if CIENJ were a stand-alone company nor are they necessarily indicative of CIENJ’s future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from Caesars Entertainment are reasonable. Given the nature of these costs, it is not practicable for the Company to estimate what these costs would have been on a stand-alone basis.

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

**Note 2 - Summary of Significant Accounting Policies**

***Cash and Cash Equivalents***

Cash 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.

***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 twelve months ended December 31, 2016 and 2015.

***Property and Equipment***

Additions to property and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset and expenses maintenance and repair costs as incurred. Gains or losses on the dispositions of

property and equipment are included in the determination of income. Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease, as follows:

Leasehold improvements	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years

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

### ***Revenue Recognition***

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

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

In September 2013, the Company entered into an online platform and services agreement with Amaya Gaming Group, Inc. (“Amaya”), whereby CIENJ pays a fixed percentage of its net casino revenues, as defined in the agreement, for use of an online gaming platform and other interactive gaming services. In November 2014, NYX Gaming Group acquired the subsidiary of Amaya operating the online casino platform for the Caesars Casino brand. Similar to the 888 agreement, the Company is the primary obligor in this arrangement, and as such, CIENJ recognizes Casino revenue on a gross basis with a corresponding expense for the third-party’s share of net casino revenues.

For the twelve months ended December 31, 2016 and 2015, the Company recognized \$3,233 and \$2,433, respectively, of revenue share expense associated with its platform and content agreements. For the three months ended December 31, 2016 and 2015, the Company recognized \$915 and \$704, 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 an agreement to provide administrative interactive gaming services to non-affiliate third parties, whereby the Company receives a fixed percentage of net casino revenues, as defined in the 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, Casino revenue as reported in the accompanying Statements of Income only reflects CIENJ’s share of casino revenues associated with the third party non-affiliate’s platform. For the twelve months ended December 31, 2016 and 2015, the Company recognized \$257 and \$302, respectively, of revenue associated with this agreement. For the three months ended December 31, 2016 and 2015, the Company recognized \$57 and \$70, respectively, of revenue associated with this agreement. This revenue is included in Casino revenue in the accompanying Statements of Income. Additionally, reimbursable expenses incurred on behalf of third parties in connection with these arrangements are recorded on a gross basis and associated revenues are included in Other Revenues in the accompanying Statements of Income.

### ***Loyalty Programs***

Through a cross-marketing agreement with Caesars Entertainment Operating Company (“CEO”), a majority-owned subsidiary of Caesars Entertainment and an affiliate of CIENJ, patrons of CaesarsCasino.com and HarrahsCasino.com have access to Caesars Entertainment’s Total Rewards loyalty program. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. Additionally, patrons of CaesarsCasino.com and HarrahsCasino.com have the opportunity to redeem their online reward credits for cash that is 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 such credits are earned 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.

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 such credits are earned as a reduction to Casino revenue in the accompanying Statements of Income. For the twelve months ended December 31, 2016 and 2015, the Company recorded \$48 and \$200, respectively, as a reduction to Casino Revenue in association with the Company's loyalty programs. For the three months ended December 31, 2016 and 2015, the Company recorded \$0 and \$67, 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 twelve months ended December 31, 2016 and 2015 was \$4,885 and \$3,859, respectively. The Company's gaming tax expense for the three months ended December 31, 2016 and 2015 was \$1,302 and \$1,064, 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 \$605 and \$4,395 for the twelve months ended December 31, 2016 and 2015, respectively. Advertising expense was \$200 and \$339 for the three months ended December 31, 2016 and 2015, respectively. Advertising expense is included in General, Administrative and Other expense in the accompanying Statements of Income.

### ***Income Taxes***

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

### ***Casino Reinvestment Development Authority ("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.

During the second quarter of 2016, 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 law. These provisions expire as of December 31, 2026.

Concurrent with the passage of the PILOT Legislation, CIENJ and certain affiliates of Caesars Entertainment (collectively, the "Companies") reached a donation credit agreement with the CRDA, which was subsequently formalized in July 2016. The agreement provides that the Companies will donate their current IAT funds on deposit with the CRDA, in exchange for a donation credit of 50% to be used by the Companies for eligible nongaming projects.

Upon reaching the donation credit agreement, CIENJ, which does not offer nongaming amenities and is therefore unable to use released IAT funds for nongaming projects, agreed to sell and assign all of its rights to the released IAT funds to certain affiliates of Caesars Entertainment, and, in exchange, agreed to receive a \$200 rent credit for future rent payments owed under its datacenter license agreement. This asset sale and assignment agreement was subsequently formalized in July 2016. Refer to Note 9 - Related Party Transactions for a description of the datacenter license agreement. The balance of the rent credit was \$82 as of December 31, 2016, and is recorded within Other Current Assets in the accompanying Balance Sheets.

For the twelve months ended December 31, 2016 and 2015, the Company incurred \$1,909 and \$270 of impairment expense. For the three months ended December 31, 2016 and 2015, the Company incurred \$252 and \$72 of impairment

expense. This expense, recorded in connection with marking the Company's CRDA investment to its estimated net realizable value as described above, is included in CRDA Related Income (Expense) - Net, in the accompanying Statements of Income.

On a prospective basis, the Company will record a charge to expense for 100% of the obligation amount as of the date the obligation arises.

### Note 3 - Receivables and Patrons' Checks

Receivables and Patrons' Checks consisted of the following:

(In thousands)	December 31,	
	2016	2015
Reimbursable expenses	\$ 766	\$ 202
Credit card receivables	616	590
	1,382	792
Less: Allowance for doubtful accounts	—	—
	\$ 1,382	\$ 792

### Note 4 - Other Current Assets

Other Current Assets consisted of the following:

(In thousands)	December 31,	
	2016	2015
Prepaid license fees	\$ 451	\$ 451
Prepaid rent	82	—
Prepaid advertising	10	47
	\$ 543	\$ 498

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

Investments, Advances, and Receivables consisted of the following:

(In thousands)	December 31,	
	2016	2015
CRDA deposits	\$ —	\$ 1,702
Less: Valuation allowance	—	(562)
	\$ —	\$ 1,140

### Note 6 - Property and Equipment

Property and Equipment consisted of the following:

(In thousands)	December 31,	
	2016	2015
Leasehold improvements	\$ 700	\$ 700
Furniture, fixtures, and equipment	399	397
Construction in process	—	2
	1,099	1,099
Less: Accumulated depreciation	(674)	(468)
	\$ 425	\$ 631

## Note 7 - Other Accrued Expenses

Other Accrued Expenses consisted of the following:

(In thousands)	December 31,	
	2016	2015
Accrued gaming liabilities	\$ 2,421	\$ 1,795
Accrued gaming taxes	550	467
Accrued CRDA expense	252	219
Accrued revenue share expense	176	298
Other accruals	172	175
	<u>\$ 3,571</u>	<u>\$ 2,954</u>

## Note 8 - Other Current Liabilities

Other Current Liabilities consisted of the following:

(In thousands)	December 31,	
	2016	2015
Internet patron liability	\$ 5,863	\$ 5,709
Payment processing liability	399	341
Internet partner payable	210	334
	<u>\$ 6,472</u>	<u>\$ 6,384</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 December 31, 2016 and 2015, cash and cash equivalents maintained in separate bank accounts totaled \$11,395 and \$12,426, respectively, and the patron deposits and internet gaming accounts were \$5,863 and \$5,709, respectively.

## Note 9 - Related Party Transactions

### *Cross Marketing and Trademark License Agreement*

In 2011, CIE entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, Caesars Entertainment, and CEOC. In addition to granting CIE the exclusive rights to use various brands of Caesars Entertainment in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC will provide certain marketing and promotional activities to CIE, including participation in Caesars Entertainment's Total Rewards loyalty program, and CIE will provide certain marketing and promotional activities to Caesars Entertainment and CEOC. The agreement also provides for certain revenue share arrangements whereby CIE pays CEOC for customer referrals. This agreement is in effect until December 31, 2026, unless earlier terminated pursuant to the agreement's terms. CIENJ, as a subsidiary of CIE, is subject to the terms and conditions of this agreement. For the twelve months ended December 31, 2016 and 2015, the Company's expense in connection with this agreement was \$579 and \$394, respectively. For the three months ended December 31, 2016 and 2015, the Company's expense in connection with this agreement was \$128 and \$91, respectively. This expense is included in Other Charges from Affiliates Other than Interest in the Statements of Income.

### *Allocated General Corporate Expenses*

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

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

have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated, including at times a 10% surcharge. For the twelve months ended December 31, 2016 and 2015, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$469 and \$576, respectively. For the three months ended December 31, 2016 and 2015, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$115 and \$111, respectively. This expense is included in Charges from Affiliates Other than Interest: Other 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 and an affiliate of CIENJ, to lease a portion of Caesars AC’s property for the purpose of housing CIENJ’s interactive gaming datacenter (the “Datacenter Agreement”). The term of the Datacenter Agreement is 10 years unless certain conditions are met, in which case the agreement may terminate earlier. For the twelve months ended December 31, 2016 and 2015, the Company recorded \$235 and \$225, respectively, of expense related to the Datacenter Agreement. For the three months ended December 31, 2016 and 2015, the Company recorded \$58 and \$56, 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. Refer to Note 10 - Commitments and Contingencies for further discussion of future minimum rental commitments.

### ***Sale and Assignment of IAT Funds***

During 2016 CIENJ agreed to sell and assign all of its rights to its IAT funds donation credit to certain affiliates of Caesars Entertainment in exchange for a \$200 rent credit for future rent payments owed under its datacenter license agreement. Refer to Note 2 - Summary of Significant Accounting Policies for further discussion of this sale and assignment.

### ***Debt due to Member***

CIE pays certain costs on behalf of CIENJ, which are settled in the normal course of business. While no formal agreement between the Member and CIENJ exists, the arrangement is akin to a financing arrangement. No interest is imputed due to the related party nature of the arrangement. At December 31, 2016 and 2015, CIENJ’s payable to Member was \$3,556 and \$12,701, respectively, and is presented as Current Portion of Long-Term Debt: Due to Affiliates in the Balance Sheets.

## **Note 10 - Commitments and Contingencies**

### ***Leases***

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

<b>(In thousands)</b>	
<b>Year</b>	<b>Operating Leases</b>
2017	\$ 235
2018	235
2019	235
2020	235
2021	235
Thereafter	412
<b>Total minimum rental commitments</b>	<b>\$ 1,587</b>

As discussed in Note 2 - Summary of Significant Accounting Policies, during the second quarter of 2016 the Company entered into an asset sale and assignment agreement, whereby CIENJ agreed to sell and assign all of its rights to the released IAT funds to certain affiliates of Caesars Entertainment, and, in exchange, agreed to receive a \$200 rent credit for future rent payments owed under its datacenter license agreement. The balance of the rent credit was \$82 as of December 31, 2016, and is recorded within Other Current Assets in the accompanying Balance Sheets. The rent credit is to be applied to CIENJ’s future monthly minimum rental commitments and will accordingly reduce required future cash outflows by \$82 during 2017.

***Litigation***

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

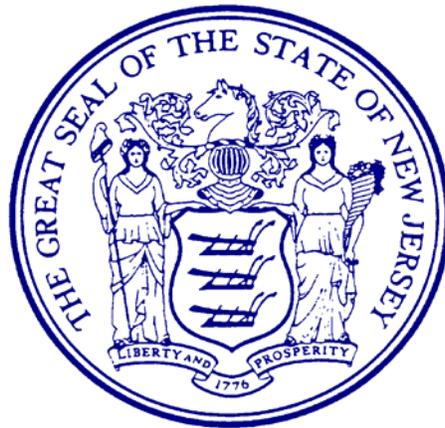
**Note 11 - Subsequent Events**

The Company completed its subsequent events review through March 31, 2017, the date on which the financial statements were available to be issued, and noted no items other than as disclosed herein.

**CAESARS INTERACTIVE ENTERTAINMENT  
NEW JERSEY, LLC  
ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

**CAESARS INTERACTIVE ENTERTAINMENT  
NEW JERSEY, LLC**

**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$0		
2	Returned Patrons' Checks.....			
3	Total Patrons' Checks.....	-	\$0	\$0
4	Hotel Receivables.....	-	-	\$0
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	1,382		
8	Total Other Receivables.....	1,382	-	\$1,382
9	Totals (Form DGE-205).....	\$1,382	\$0	\$1,382

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$0
11	Counter Checks Issued.....	
12	Checks Redeemed Prior to Deposit.....	
13	Checks Collected Through Deposits.....	
14	Checks Transferred to Returned Checks.....	
15	Other Adjustments.....	
16	Ending Balance.....	\$0
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	
19	Provision as a Percent of Counter Checks Issued.....	0.0%

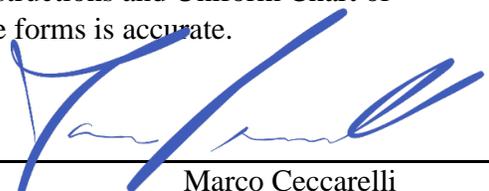
**CAESARS INTERACTIVE ENTERTAINMENT  
NEW JERSEY, LLC  
ANNUAL FILINGS STATEMENT OF  
CONFORMITY, ACCURACY AND COMPLIANCE**

FOR THE YEAR ENDED DECEMBER 31, 2016

1. Under penalties provided by law, I declare that I have examined the Annual Filings (DGE-340, DGE-350, DGE-370 and DGE-380), and to the best of my knowledge and belief, all the information contained on those forms has been prepared in conformity with the Division's Annual Filings Instructions and Uniform Chart of Accounts, and the information contained on those forms is accurate.

3/31/2017

Date



\_\_\_\_\_  
Marco Ceccarelli

Senior Vice President & Chief Information Officer (4372-03)  
Title (License Number)

On Behalf of:

CAESARS INTERACTIVE ENTERTAINMENT  
NEW JERSEY, LLC  
Casino Licensee