CIE NEW JERSEY, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2018

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents		$15,898	$13,265	
2	Short-Term Investments		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, $0 ; 2017, $0)		1,401	629	
4	Inventories		0	0	
5	Other Current Assets		1,079	310	
6	Total Current Assets		18,378	14,204	
7	Investments, Advances, and Receivables		0	0	
8	Property and Equipment - Gross		1,099	1,100	
9	Less: Accumulated Depreciation and Amortization		(1,019)	(865)	
10	Property and Equipment - Net		80	235	
11	Other Assets		100	0	
12	Total Assets		$18,558	$14,439	
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$1,849	$1,733	
14	Notes Payable		0	0	
	Current Portion of Long-Term Debt:				
15	Due to Affiliates		0	253	*
16	External		0	0	
17	Income Taxes Payable and Accrued		0	0	
18	Other Accrued Expenses		4,710	4,053	
19	Other Current Liabilities		6,904	4,854	
20	Total Current Liabilities		13,463	10,893	*
	Long-Term Debt:				
21	Due to Affiliates		0	0	
22	External		0	0	
23	Deferred Credits		0	0	
24	Other Liabilities		0	0	
25	Commitments and Contingencies		0	0	
26	Total Liabilities		13,463	10,893	*
27	Stockholders', Partners', or Proprietor's Equity		5,095	3,546	*
28	Total Liabilities and Equity		$18,558	$14,439	

* Prior Year restated to conform with Current Year Presentation

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	Revenue:				
1	Casino		$30,718	$29,211	*
2	Rooms		0	0	
3	Food and Beverage		0	0	
4	Other		1,384	1,442	
5	Net Revenue		32,102	30,653	*
	Costs and Expenses:				
6	Casino		17,968	17,196	*
7	Rooms, Food and Beverage		0	0	
8	General, Administrative and Other		4,774	2,661	
9	Total Costs and Expenses		22,742	19,857	
10	Gross Operating Profit		9,360	10,796	*
11	Depreciation and Amortization		154	191	
	Charges from Affiliates Other than Interest:				
12	Management Fees		0	0	
13	Other		1,246	1,070	
14	Income (Loss) from Operations		7,960	9,535	*
	Other Income (Expenses):				
15	Interest Expense - Affiliates		0	0	
16	Interest Expense - External		0	0	
17	CRDA Related Income (Expense) - Net		(1,141)	(1,077)	
18	Nonoperating Income (Expense) - Net		0	0	
19	Total Other Income (Expenses)		(1,141)	(1,077)	
20	Income (Loss) Before Taxes		6,819	8,458	*
21	Provision (Credit) for Income Taxes		0	0	
22	Net Income (Loss)		$6,819	$8,458	*

* Prior Year restated to conform with Current Year Presentation

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	Revenue:				
1	Casino		$8,230	$7,373	*
2	Rooms		0	0	
3	Food and Beverage		0	0	
4	Other		312	516	*
5	Net Revenue		8,542	7,889	*
	Costs and Expenses:				
6	Casino		4,467	4,283	
7	Rooms, Food and Beverage		0	0	
8	General, Administrative and Other		1,712	770	
9	Total Costs and Expenses		6,179	5,053	
10	Gross Operating Profit		2,363	2,836	*
11	Depreciation and Amortization		10	47	
	Charges from Affiliates Other than Interest:				
12	Management Fees		0	0	
13	Other		380	273	
14	Income (Loss) from Operations		1,973	2,516	*
	Other Income (Expenses):				
15	Interest Expense - Affiliates		0	0	
16	Interest Expense - External		0	0	
17	CRDA Related Income (Expense) - Net		(307)	(262)	
18	Nonoperating Income (Expense) - Net		0	0	
19	Total Other Income (Expenses)		(307)	(262)	
20	Income (Loss) Before Taxes		1,666	2,254	*
21	Provision (Credit) for Income Taxes		0	0	
22	Net Income (Loss)		$1,666	$2,254	*

* Prior Year restated to conform with Current Year Presentation

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, 2017
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	____ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2016..........**		$0	($976)	$0	($976)
2	Net Income (Loss) - 2017..........			8,458		8,458
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	Distribution to Member			(3,936)		(3,936)
8						0
9						0
10	**Balance, December 31, 2017..........**		0	3,546	0	3,546
11	Net Income (Loss) - 2018..........			6,819		6,819
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	Distribution to Member			(5,270)		(5,270)
17						0
18						0
19	**Balance, December 31, 2018..........**		$0	$5,095	$0	$5,095

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$8,256	$9,144	
	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		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	Acquisition of intangible assets - gaming rights		(100)	0	
11	....				
12	Net Cash Provided (Used) By Investing Activities....................		(100)	0	
	CASH FLOWS FROM FINANCING ACTIVITIES:				
13	Proceeds from Short-Term Debt		20,477	6,726	*
14	Payments to Settle Short-Term Debt.....................................		(20,730)	(10,064)	
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	Net Distribution to Member		(5,270)	(3,936)	
22	....				
23	Net Cash Provided (Used) By Financing Activities...................		(5,523)	(7,274)	
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		2,633	1,870	
25	Cash and Cash Equivalents at Beginning of Period...................		13,265	11,395	
26	Cash and Cash Equivalents at End of Period.............................		$15,898	$13,265	

Line	Description	Notes	2018	2017
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$0	$0
28	Income Taxes..		$0	$0

* Prior Year restated to conform with Current Year Presentation

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, 2018 AND 2017
(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	CASH FLOWS FROM OPERATING ACTIVITIES:				
29	Net Income (Loss)		$6,819	$8,458	*
30	Depreciation and Amortization of Property and Equipment		154	191	
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		(772)	753	
39	(Increase) Decrease in Inventories		0	0	
40	(Increase) Decrease in Other Current Assets		(768)	232	
41	(Increase) Decrease in Other Assets		0	0	
42	Increase (Decrease) in Accounts Payable		116	646	
43	Increase (Decrease) in Other Current Liabilities		2,707	(1,136)	
44	Increase (Decrease) in Other Liabilities		0	0	
45					
46					
47	Net Cash Provided (Used) By Operating Activities		$8,256	$9,144	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
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
	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

* Prior Year restated to conform with Current Year Presentation

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

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

FOR THE QUARTER ENDED DECEMBER 31, 2018

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.

3/19/2019
Date

Christian Stuart

Executive Vice President Gaming & Interactive Entertainment
Title

4507-03
License Number

On Behalf of:

CIE NEW JERSEY, LLC
Casino Licensee

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

Note 1 — Organization and Basis of Presentation

Organization and Description of Business

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

The Company is licensed by the New Jersey Division of Gaming Enforcement ("DGE") to operate interactive real money online gaming in New Jersey and is subject to the rules and regulations established by the DGE.

CIENJ was primarily organized to operate real money online gaming within the State of New Jersey. As of December 31, 2018, the Company offered real money online wagering to patrons in the State of New Jersey through CaesarsCasino.com, HarrahsCasino.com, and WSOP.com (the "Owned Platforms"). The Owned Platforms began service on a limited basis in November 2013 with expanded 24-hour service shortly thereafter. Additionally, the Company entered into a services agreement with AAPN New Jersey, LLC, a non-affiliate third party, ("AAPN") to provide AAPN with non-exclusive use of the Company's license and certain interactive gaming services. As of December 31, 2018, AAPN operated the 888.com platform under the Company's gaming license (refer to Note 9 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 ("GAAP"). The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes thereto. Management believes the accounting estimates are appropriate and reasonably determined. Due to the inherent uncertainties in making these estimates, actual amounts could differ.

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

Transactions between CEC or its subsidiaries and the Company have been identified in the financial statements as transactions between related parties (see Note 4).

Adoption of New Revenue Recognition Standard

On January 1, 2018, we adopted the new accounting standard Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and all related amendments. See Note 9 for additional information and details on the effects of adopting the new standard.

Subsequent Events

The Company completed its subsequent events review through March 19, 2019, the date on which the financial statements were available to be issued, and noted no items requiring disclosure.

Note 2 — Summary of Significant Accounting Policies

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

Cash and Cash Equivalents

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

Intangible Assets Other Than Goodwill

In 2018, CEC acquired $100 thousand of initial sports wagering licenses for CIENJ related to online and retail sports gambling in New Jersey. The carrying value of these acquired indefinite-lived non-amortizing intangible assets approximates fair value.

The Company performs an annual impairment assessment of non-amortizing intangible assets as of October 1 or more frequently, if impairment indicators exist. The Company determines the estimated fair value of our gaming license primarily using a cost-based approach using the pricing in recent similar gaming rights' auctions or sales as a basis of value, which are considered Level 2 inputs in the fair value hierarchy.

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 years ended December 31, 2018 and 2017 was $6,055 thousand and $5,686 thousand, respectively. Gaming taxes are included in Casino expense in the accompanying Statements of Income.

Income Taxes

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

Casino Reinvestment Development Authority ("CRDA") Investment Obligations

The New Jersey Casino Control Act provides, among other things, for an investment equal to 2.5% of gross internet gaming revenues in lieu of an investment alternative tax ("IAT") equal to 5% of gross internet gaming revenues.

The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions, or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. The Company has elected to make the 2.5% investment with the CRDA as described above. The funds on deposit are held in an interest-bearing account by the CRDA. The Company records impairment charges to operations to reflect the estimated net realizable value of its CRDA investment.

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 Legislation. These provisions expire as of December 31, 2026.

Concurrent with the passage of the PILOT Legislation, CIENJ and certain affiliates of CEC (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 CEC, and, in exchange, agreed to receive a $200 thousand 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 4 for a description of the datacenter license agreement. The rent credit was fully utilized as of December 31, 2017.

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. Expenses recorded were $1,141 thousand and $1,077 thousand for the years ended December 31, 2018 and 2017, respectively.

Note 3 — Recently Issued Accounting Pronouncements

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

In 2018, we adopted ASU 2014-09, *Revenue from Contracts with Customers* (see Note 9).

In 2018, the following ASUs became effective, but there was no quantitative or qualitative effect on our financial statements:

- ASU 2018-09, *Codification Improvements.*
- ASU 2016-18, *Statement of Cash Flows.*

The following ASUs were not effective as of December 31, 2018:

New Developments

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

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

Previously Issued

Financial Instruments - Credit Losses - June 2016 (amended through November 2018): Amended guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. Amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this ASU. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Leases - February 2016 (amended through December 2018): The amended guidance is intended to increase transparency and comparability among organizations by requiring additional disclosures to reflect the significance of an entity's leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Many long-term operating leases, including agreements relating to real estate, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. Certain leases embedded in other arrangements, such as service and supplier contracts, may be accounted for separately by allocating payments between lease and non-lease components.

The new standard provides a number of optional practical expedients in transition. We currently expect to elect the package of practical expedients, which permits us to carryforward our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, we currently expect to adopt the practical expedient that allows comparative periods to be reported under current lease accounting guidance consistent with previously issued financial statements. We also do not currently expect to record leases on the balance sheet that at the commencement date have a lease term of twelve months or less.

While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our Balance Sheet for our real estate operating leases and providing significant new disclosures about our leasing activities. These operating leases will be recognized on a straight-line basis in rent expense. Additionally, we continue to evaluate the impact of the adoption on our existing failed sale-leaseback transactions. The Company expects the accounting for lease agreements where the Company is a lessor to be accounted for in the same manner as those agreements are accounted for under current accounting guidance.

This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We will adopt the new standard on January 1, 2019 and have elected to apply the guidance as of the adoption date. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

Note 4 — Related Party Transactions

Cross Marketing and Trademark License Agreement

CIE entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, CEC, and CEOC, LLC ("CEOC LLC"). In addition to granting CIE the exclusive rights to use various brands of CEC in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC LLC will provide certain marketing and promotional activities to CIE, including participation in CEC's loyalty program, Caesars Rewards, formerly known as Total Rewards, and CIE will provide certain marketing and promotional activities to CEC and CEOC LLC. The agreement also provides for certain revenue share arrangements whereby CIE pays CEOC LLC for customer referrals. This agreement is in effect until December 31, 2026, unless terminated earlier pursuant to the agreement's terms. CIENJ, as a subsidiary of CIE, is subject to the terms and conditions of this agreement. For the years ended December 31, 2018 and 2017, the Company's expense in connection with this agreement was $801 thousand and $618 thousand, respectively. This expense is included in Charges from affiliates other than interest in the Statements of Income.

Allocated General Corporate Expenses

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

- contemplates that CEOC LLC will provide certain services related to accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, information systems, office space, and corporate and other centralized services;
- allows the parties to modify the terms and conditions of CEOC LLC's performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC LLC in exchange for the provision of services in an amount equal to the fully allocated cost of such services plus a margin of 10%.

The Statements of Income reflect an allocation of both expenses incurred in connection with this shared services agreement and directly billed expenses incurred through CEC or its subsidiaries. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated, including at times a 10% surcharge. General corporate expenses subject to allocation include executive management, tax, insurance, accounting, legal, treasury and information technology expenses. For the years ended December 31, 2018 and 2017, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling $446 thousand and $451 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"). The term of the Datacenter Agreement is 10 years unless certain conditions are met, in which case the agreement may terminate earlier. For both the years ended December 31, 2018 and 2017, the Company recorded $235 thousand of expense related to the Datacenter Agreement. Refer to Note 8 for further discussion of future minimum rental commitments.

Due to Affiliates

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. As of December 31, 2018 and 2017, CIENJ's payable to Member was zero and $253 thousand, respectively, and is presented as Due to affiliates in the Balance Sheets.

Note 5 — Other Current Assets

Other current assets consisted of the following:

	As of December 31,	
(In thousands)	**2018**	**2017**
Prepaid license fees	$ 248	$ 210
Prepaid advertising and other	831	100
Total other current assets	$ 1,079	$ 310

Note 6 — Property and Equipment, net

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

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

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

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

Property and equipment, net consisted of the following:

	As of December 31,	
(In thousands)	**2018**	**2017**
Leasehold improvements	$ 700	$ 700
Furniture, fixtures, and equipment	400	400
Property and equipment, gross	1,100	1,100
Less: accumulated depreciation	(1,020)	(866)
Property and equipment, net	$ 80	$ 234

The aggregate depreciation expense for Property and equipment is reflected in Depreciation and amortization in the Statements of Income and was $154 thousand and $191 thousand, respectively, for the years ended December 31, 2018 and 2017.

Note 7 — Other Accrued Expenses and Other Current Liabilities

Other accrued expenses consisted of the following:

	As of December 31,	
(In thousands)	**2018**	**2017**
Accrued gaming liabilities	2,850	2,317
Accrued revenue share expense	852	697
Accrued gaming taxes	694	571
Accrued CRDA expense	313	262
Other accruals	1	206
Total accrued expenses	$ 4,710	$ 4,053

Other current liabilities consisted of the following:

	As of December 31,	
(In thousands)	**2018**	**2017**
Internet patron liability	$ 5,745	$ 4,622
Internet partner liability	311	232
Payment processing liabilities	848	—
Total other current liabilities	$ 6,904	$ 4,854

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.

Leases

As discussed in Note 4, the Company leases space from Caesars AC for its interactive gaming datacenter. As of December 31, 2018, CIENJ's future minimum rental commitments under this operating lease were as follows:

(In thousands)	Noncancelable Operating Leases
2019	$ 235
2020	235
2021	235
2022	235
2023	178
Thereafter	—
Total minimum rental commitments	$ 1,118

The Company is the lessor under several sublease agreements pertaining to its leased interactive gaming datacenter space. For the years ended December 31, 2018 and 2017, the Company recognized $324 thousand and $329 thousand, respectively, of rental revenue in relation to these sublease agreements, which is included in Other revenue within the accompanying Statements of Income. There were no future minimum rental payments contractually owed to the Company under sublease agreements as of December 31, 2018.

Note 9 — Revenue Recognition

Adoption of New Revenue Recognition Standard

In May 2014, the FASB issued a new standard related to revenue recognition, Accounting Standards Updated 2014-09, *Revenue from Contracts with Customers*. We adopted the standard effective January 1, 2018, using the full retrospective method, which requires the Company to recast each prior reporting period presented consistent with the new standard. The most significant effects of adopting the new standard related to the accounting for the Caesars Rewards customer loyalty program.

Previously, the accrued liability was based on the estimated cost of fulfilling the redemption of Reward Credits, after consideration of estimated forfeitures (referred to as "breakage"), based upon the cost of historical redemptions. Upon adoption of the new accounting standard, Reward Credits are no longer recorded at cost, and a deferred revenue model is used to account for the classification and timing of revenue recognized as well as the classification of related expenses when Reward Credits are redeemed. This results in a portion of casino revenues being recorded as deferred revenue as Reward Credits are earned. Revenue is recognized in a future period based on when and for what good or service the Reward Credits are redeemed (e.g., a hotel room). This change and other less significant adjustments that were required upon adoption did not have an aggregate material effect on total net revenues, operating income, net income, or cash flows.

Effect of Adopting New Revenue Recognition Standard - Balance Sheets

(In thousands)	Previously Reported	ASC Adjustments	As Recast
December 31, 2017			
Due to affiliates	$ —	$ 253	$ 253
Member's equity	3,799	(253)	3,546
December 31, 2016			
Member's deficit	(941)	(35)	(976)

Effect of Adopting New Revenue Recognition Standard - Statements of Income and Comprehensive Income

	Year Ended December 31, 2017	
(In thousands)	**Prior to Adoption**	**Post Adoption**
Revenue:		
Casino revenue	$ 29,428	$ 29,211
Other revenue	1,442	1,442
Total revenues	30,870	30,653
Costs and expenses:		
Casino expense	17,195	17,196
General administrative and other expense	2,661	2,661
Gross operating profit	11,014	10,796
Depreciation and amortization	191	191
Charges from affiliates other than interest	1,070	1,070
Income (loss) from operations	9,753	9,535
CRDA related income (expense)	(1,077)	(1,077)
Net income	$ 8,676	$ 8,458

Disaggregation of Revenue

	Years Ended December 31,	
(In thousands)	**2018**	**2017**
Online real money gaming	$ 30,718	$ 29,211
Other contract revenue	1,060	1,113
Total contract revenues	31,778	30,324
Other	324	329
Net revenues	$ 32,102	$ 30,653

Accounting Policies

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

Casino Revenue

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

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

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

For the years ended December 31, 2018 and 2017, the Company recognized $4,790 thousand and $4,520 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, Casino 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 years ended December 31, 2018 and 2017, the Company recognized $280 thousand and $233 thousand, 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 revenue in the accompanying Statements of Income.

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

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

Caesars Rewards Loyalty Program

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

Patrons of the WSOP.com platform have access to the Company's Action Club loyalty program. Under this program, patrons have the opportunity to redeem their points for cash once a certain tier status is achieved in accordance with the terms of the program. Patrons of the Action Club loyalty program also have the ability to earn status in the Caesars Rewards program through the Company's tier matching program. As points earned under this program can be redeemed for cash, the Company accrues 100% of the cash converted point balance as such credits are earned as a reduction to Online real money gaming revenue in the accompanying Statements of Income. For the years ended December 31, 2018 and 2017, the Company recorded $649 thousand and $8 thousand, respectively, as a reduction to Casino revenue in association with the Company's loyalty programs.

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

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

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

Receivables

Receivables primarily consist of amounts collectible from third party credit card processors and reimbursable expenses from internet service partners. Credit card processing receivables typically have a high turnover rate and are generally not subject to increased credit risk. Receivables are typically non-interest bearing and are initially recorded at cost. Management reserves for receivables when objective evidence exists that a receivable may be uncollectible. There was no allowance for doubtful accounts recorded as of December 31, 2018 or 2017.

	As of December 31,	
(In thousands)	2018	2017
Reimbursable expenses and other	$ 1,171	$ 629
Credit card receivables	179	—
Contract receivables	1,350	629
Other	51	—
Receivables	$ 1,401	$ 629

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

AESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LI

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2018

(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	1,401		
8	Total Other Receivables	1,401		$1,401
9	Totals (Form DGE-205)	$1,401	$0	$1,401

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 EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 20__

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games				
2	Slot Machines				
3	Administration				
4	Casino Accounting				
5	Simulcasting				
6	Other				
7	Total - Casino	0	$0	$0	$0
8	ROOMS				0
9	FOOD AND BEVERAGE				0
10	GUEST ENTERTAINMENT				0
11	MARKETING				0
12	OPERATION AND MAINTENANCE				0
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office				0
14	Accounting and Auditing				0
15	Security				0
16	Other Administrative and General				0
	OTHER OPERATED DEPARTMENTS:				
17					0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	0	$0	$0	$0

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

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

3/19/2019
Date

Christian Stuart

Executive Vice President Gaming & Interactive Entertainment
Title (4507-03)

On Behalf of:

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
Casino Licensee