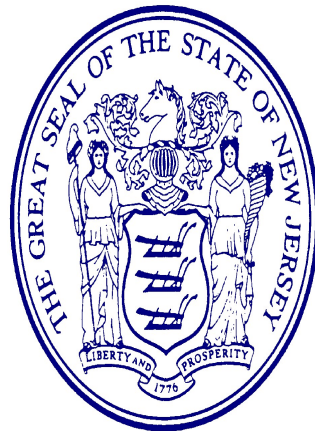


**CIE NEW JERSEY, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2021**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# CIE NEW JERSEY, LLC

## BALANCE SHEETS

AS OF SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$19,894	\$33,797
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, \$15 ; 2020, \$0 ).....	9	2,157	1,770
4	Inventories .....		0	0
5	Other Current Assets.....	5 *	5,129	641
6	Total Current Assets.....		27,180	36,208
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	6	132	334
9	Less: Accumulated Depreciation and Amortization.....	6	(40)	(8)
10	Property and Equipment - Net.....	6	92	326
11	Other Assets.....		434	627
12	Total Assets.....		\$27,706	\$37,161
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$858	\$1,591
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	9,681	9,336
19	Other Current Liabilities.....	7	19,244	16,062
20	Total Current Liabilities.....		29,783	26,989
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....		226	434
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		30,009	27,423
27	Stockholders', Partners', or Proprietor's Equity.....		(2,303)	9,738
28	Total Liabilities and Equity.....		\$27,706	\$37,161

\*Other current assets includes restricted cash of \$3,618 as of 9/30/21 and \$530 as of 9/30/20

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

# CIE NEW JERSEY, LLC

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino.....	9	\$47,929	\$46,384
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		2,607	1,822
5	Net Revenue.....		50,536	48,206
	Costs and Expenses:			
6	Casino.....		30,256	24,842
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		6,400	7,001
9	Total Costs and Expenses.....		36,656	31,843
10	Gross Operating Profit.....		13,880	16,363
11	Depreciation and Amortization.....		25	31
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	4	341	1,470
14	Income (Loss) from Operations.....		13,514	14,862
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		0	(1,507)
18	Nonoperating Income (Expense) - Net.....		0	0
19	Total Other Income (Expenses).....		0	(1,507)
20	Income (Loss) Before Taxes .....		13,514	13,355
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$13,514	\$13,355

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

# CIE NEW JERSEY, LLC

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino.....	9	\$16,261	\$17,594
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		847	728
5	Net Revenue.....		17,108	18,322
	Costs and Expenses:			
6	Casino.....		10,787	9,864
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		1,325	3,581
9	Total Costs and Expenses.....		12,112	13,445
10	Gross Operating Profit.....		4,996	4,877
11	Depreciation and Amortization.....		8	10
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	4	109	507
14	Income (Loss) from Operations.....		4,879	4,360
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		0	(833)
18	Nonoperating Income (Expense) - Net.....		0	0
19	Total Other Income (Expenses).....		0	(833)
20	Income (Loss) Before Taxes .....		4,879	3,527
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$4,879	\$3,527

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, 2020  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2019.....			\$7,048		\$7,048
2	Net Income - 2020.....			17,301		17,301
3	Capital Contributions.....			5,361		5,361
4	Capital Withdrawals.....			0		0
5	Partnership Distributions.....			0		0
6	Prior Period Adjustments.....			266		266
7	Distriubtion to Member			(13,982)		(13,982)
8						0
9						0
10	Balance, December 31, 2020.....		0	15,994	0	15,994
11	Net Income - 2021.....			13,514		13,514
12	Capital Contributions.....			0		0
13	Capital Withdrawals.....			0		0
14	Partnership Distributions.....			0		0
15	Prior Period Adjustments.....			0		0
16	Distribution to Member			(31,811)		(31,811)
17						0
18						0
19	Balance, September 30, 2021.....		\$0	(\$2,303)	\$0	(\$2,303)

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

# CIE NEW JERSEY, LLC

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$14,494	\$24,170
	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	(307)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		0	0
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances .....		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		0	0
11	.....		0	0
12	Net Cash Provided (Used) By Investing Activities.....		0	(307)
	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	Net Distributions to Member .....		(31,811)	(10,665)
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		(31,811)	(10,665)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(17,317)	13,198
25	Cash and Cash Equivalents at Beginning of Period.....		40,829	20,599
26	Cash and Cash Equivalents at End of Period.....		\$23,512	\$33,797
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$0	\$0

\* For Cash Flow Cash and Cash Equivalents includes restricted cash of \$3,618 as of 9/30/21 and \$883 as of 12/31/20

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

# CIE NEW JERSEY, LLC

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$13,514	\$13,355
30	Depreciation and Amortization of Property and Equipment...		25	31
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		36	269
39	(Increase) Decrease in Inventories .....		0	0
40	(Increase) Decrease in Other Current Assets.....		(589)	32
41	(Increase) Decrease in Other Assets.....		0	0
42	Increase (Decrease) in Accounts Payable.....		(1,093)	245
43	Increase (Decrease) in Other Current Liabilities .....		2,601	10,453
44	Increase (Decrease) in Other Liabilities .....		0	(215)
45			0	0
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$14,494	\$24,170

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		\$0	(\$307)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		\$0	(\$307)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	**	17,426		
12	Total	0	\$17,426	0	\$0

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FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	**	4,478		
12	Total	0	\$4,478	0	\$0

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

\*\*Recipient data is not readily available



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

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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.

11/12/2021

\_\_\_\_\_  
Date



\_\_\_\_\_  
Eric Hession

Co-President Caesars Sports & Online Gaming  
Title

4232-03

\_\_\_\_\_  
License Number

On Behalf of:

CIE NEW JERSEY, LLC

\_\_\_\_\_  
Casino Licensee

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

*In these notes, the words “CIENJ,” “Company,” “we,” “our,” and “us” refer to Caesars Interactive Entertainment New Jersey, LLC, unless otherwise stated or the context requires otherwise. In addition, “Caesars Entertainment,” “CEI,” and “Caesars” refer to Caesars Entertainment Inc., 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. On April 22, 2021, Caesars Entertainment completed the acquisition of William Hill PLC (the “William Hill Acquisition”), see below for further discussion of the William Hill Acquisition. Prior to the William Hill Acquisition, the sole member of the Company was Caesars Interactive Entertainment, LLC (“CIE”), and was a wholly-owned subsidiary of Caesars Growth Partners, LLC (“CGP”), which was a wholly owned subsidiary of Caesars. Upon the completion of the William Hill Acquisition, CIE was merged into William Hill US Holdco, Inc. (“Member”) and CIENJ became a wholly-owned subsidiary of William Hill US Holdco, Inc.

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

CIENJ was primarily organized to operate real money online gaming within the State of New Jersey. As of September 30, 2021, the Company offered real money online wagering to patrons in the State of New Jersey through CaesarsCasino.com, HarrahsCasino.com, and WSOP.com (the “Owned Platforms”). Additionally, the Company has entered into third party agreements which provide use of the Company’s gaming license and certain services (refer to Note 9 for the Company’s revenue recognition accounting policy). Through the Owned Platforms, as well as agreements with third parties, online sports betting is also offered.

### ***William Hill Acquisition***

On April 22, 2021, CEI completed the acquisition of William Hill PLC in an all-cash transaction. Following the William Hill Acquisition, CEI conducts sports wagering across 18 states plus the District of Columbia, 14 of which are mobile for sports betting, and operates regulated online real money gaming businesses in five states. CEI’s recently launched Caesars Sportsbook app operates on the Liberty technology platform, which was acquired in the William Hill Acquisition along with other technology platforms that CEI intends to migrate to the Liberty technology platform in the future, subject to approvals. Additionally, CEI continues to leverage the World Series of Poker (“WSOP”) brand, and license the WSOP trademarks for a variety of products and services.

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

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

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

The Company’s financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes thereto. Management believes the accounting estimates are appropriate and reasonably determined. Due to the inherent uncertainties in making these estimates, actual amounts could differ.

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

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

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

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

A novel strain of coronavirus (“COVID-19”) was declared a public health emergency by the United States Department of Health and Human Services on January 31, 2020. Due to the nature of the Company’s business, financial condition and results of operations were not materially affected by COVID-19 restrictions and experienced an increase in online gaming.

***Subsequent Events***

The Company completed its subsequent events review through November 12, 2021, the date on which the financial statements were available to be issued, and noted no items requiring disclosure.

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

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

***Cash and Cash Equivalents***

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

***Advertising and Promotions***

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

***Fair Value***

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

***Gaming Taxes***

The Company remits a tax equal to 15% of internet gross gaming revenue, as defined, to the State of New Jersey on a monthly basis. The Company’s gaming tax expense for the three months ended September 30, 2021 and 2020, was \$4,251 thousand and \$4,520 thousand, respectively. The Company’s gaming tax expense for the nine months ended September 30, 2021 and 2020, was \$12,020 thousand and \$10,157 thousand. Gaming taxes are included in Casino expense in the accompanying Statements of Income.

***Income Taxes***

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

***Casino Reinvestment Development Authority (“CRDA”) Investment Obligations***

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

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

Pursuant to a provision contained within legislation enacted to address Atlantic City’s fiscal matters (the “PILOT Legislation”), any CRDA funds not utilized or pledged for direct investments, the purchases of CRDA bonds or otherwise contractually obligated, as well as all funds received from the payment of the IAT going forward are allocated to the City of Atlantic City.

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

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.

**Note 3 — Merger with Caesars Entertainment, Inc.**

As described in Note 1, the Merger was completed on July 20, 2020. CEI's acquisition of Former Caesars was accounted for in accordance with FASB's ASC Topic 805, *Business Combinations*, with CEI considered the acquirer, which requires, among other things, that the assets acquired and liabilities assumed be recognized on CEI's balance sheet at their fair values as of the acquisition date. The fair value of the Company's assets and liabilities, as determined by CEI on the acquisition date, are summarized below. The Company elected to apply these adjusted fair values to its balance sheet as part of the acquisition.

<i>(Dollars in thousands)</i>	<b>Fair Value</b>	<b>Weighted-Average Useful Life (years)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 43,943	
Receivables, net	2,802	
Prepayments and other current assets	616	
Leasehold improvements and equipment, net	333	3 years
Deferred charges and other assets	681	
Total assets	<u>\$ 48,375</u>	
<b>Liabilities and Equity</b>		
Accounts payable	\$ 575	
Customer deposits	9,504	
Accrued gaming liabilities	6,504	
Accrued gaming taxes	3	
Other current liabilities	6,954	
Deferred credits and other liabilities	682	
Total liabilities	<u>24,222</u>	
Total member's equity	<u>24,153</u>	
Total liabilities and member's equity	<u>\$ 48,375</u>	

The fair values of the assets acquired and liabilities assumed were determined using the market, income, and cost approaches, or a combination. Valuation methodologies under both a market and income approach used for the identifiable net assets acquired in the acquisition make use of Level 3 inputs, such as expected cash flows and projected financial results. The market approach indicates value for a subject asset based on available market pricing for comparable assets.

Trade receivables and payables and other current and noncurrent assets and liabilities, including leasehold improvements and equipment, were valued at the existing carrying values as they represented the estimated fair value of those items at the acquisition date.

Other personal property assets such as furniture, gaming and computer equipment, fixtures, computer software, and other equipment were valued using the cost approach which is based on replacement or reproduction costs of the asset. The cost approach is an estimation of fair value developed by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and/or economic obsolescence.

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

**Note 4 — Related Party Transactions**

***Cross Marketing and Trademark License Agreement***

In 2011, CIE entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, CEI, and CEOC, LLC (“CEOC LLC”). In addition to granting CIE the exclusive rights to use various brands of CEI in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC LLC will provide certain marketing and promotional activities to CIE, including participation in CEI’s loyalty program, Caesars Rewards, and CIE will provide certain marketing and promotional activities to CEI and CEOC LLC. The agreement also provides for certain revenue share arrangements whereby CIE pays CEOC LLC for customer referrals. This agreement was terminated effective January 1, 2021. CIENJ, formerly a subsidiary of CIE, was subject to the terms and conditions of this agreement. For the three and nine months ended September 30, 2020, the Company’s expense in connection with this agreement was \$379 thousand and \$1,104 thousand, respectively. This expense is included in Charges from affiliates other than interest in the Statements of Income.

***Allocated General Corporate Expenses***

Prior to the William Hill Acquisition, CIE was a party to a shared services agreement with CEOC LLC pursuant to which CEOC LLC provided certain services to CIE. Following the William Hill Acquisition, the agreement remains in place. The agreement, among other things:

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

The Statements of Income reflect an allocation of both expenses incurred in connection with this shared services agreement and directly billed expenses incurred through CEI or its subsidiaries. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated, including at times a 10% surcharge. General corporate expenses subject to allocation include executive management, tax, insurance, accounting, legal, treasury and information technology expenses. For the three months ended September 30, 2021 and 2020, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$50 thousand and \$70 thousand, respectively. For the nine months ended September 30, 2021 and 2020, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$164 thousand and \$190 thousand, respectively. These expenses are included in Charges from affiliates other than interest in the Statements of Income.

***Datacenter License Agreement***

In 2013, CIENJ entered into a datacenter license agreement with Boardwalk Regency Corporation; d/b/a Caesars Atlantic City Hotel and Casino (“Caesars AC”), a subsidiary of CEOC LLC and an affiliate of CIENJ, to lease a portion of Caesars AC’s property for the purpose of housing CIENJ’s interactive gaming datacenter (the “Datacenter Agreement”).

***Distributions to Member***

Prior to the William Hill Acquisition, CIE paid certain costs on behalf of CIENJ, which were settled in the normal course of business. There was no formal agreement between CIE and CIENJ and no interest was imputed due to the related party nature of the arrangement. On a monthly basis, excess cash was swept from CIENJ to CIE in settlement of the costs paid by CIE on behalf of CIENJ. Cash distributions that exceed the costs paid by CIE were considered to be distributions to our Member. Following the William Hill Acquisition, the arrangement described above will remain in place and all cash distributions that exceed costs paid by William Hill US Holdco, Inc. will be considered distributions to our Member.

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

**Note 5 — Other Current Assets**

Other current assets consisted of the following:

<i>(In thousands)</i>	<b>As of September 30,</b>	
	<b>2021</b>	<b>2020</b>
Restricted cash	\$ 3,618	\$ —
Prepaid licenses	945	206
Prepaid advertising and other	566	435
Total other current assets	<u>\$ 5,129</u>	<u>\$ 641</u>

**Note 6 — Property and Equipment, net**

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

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

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

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

Property and equipment, net consisted of the following:

<i>(In thousands)</i>	<b>As of September 30,</b>	
	<b>2021</b>	<b>2020</b>
Leasehold improvements	\$ 14	\$ 18
Furniture, fixtures and equipment	118	316
Property and equipment, gross	132	334
Less: accumulated depreciation	(40)	(8)
Property and equipment, net	<u>\$ 92</u>	<u>\$ 326</u>

For the three months ended September 30, 2021 and 2020, CIENJ recorded depreciation expense totaling \$8 thousand and \$10 thousand, respectively. For the nine months ended September 30, 2021 and 2020, CIENJ recorded depreciation expense totaling \$25 thousand and \$31 thousand, respectively. Depreciation expense for Property and equipment is reflected in Depreciation and amortization in the Statements of Income.

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

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

Other accrued expenses consisted of the following:

<i>(In thousands)</i>	As of September 30,	
	2021	2020
Progressive slot liability	\$ 1,743	\$ 2,505
Gaming taxes	1,431	1,302
Participation fees	1,825	1,075
Free-play credits	1,184	952
CRDA expense	756	690
Marketing	—	593
Other accruals	2,742	2,219
Total other accrued expenses	<u>\$ 9,681</u>	<u>\$ 9,336</u>

Other current liabilities consisted of the following:

<i>(In thousands)</i>	As of September 30,	
	2021	2020
Internet patron liability	\$ 10,935	\$ 11,348
Payment processing liabilities	1,762	2,062
Race and sport online accounts	3,018	15
Internet partner liability	1,035	849
Other contract liabilities	2,285	1,595
Operating lease liability	209	193
Total other current liabilities	<u>\$ 19,244</u>	<u>\$ 16,062</u>

**Note 8 — Litigation, Contractual Commitments, and Contingent Liabilities**

***Litigation***

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

**Note 9 — Revenue Recognition**

***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 New Jersey LLC (“AAPN”), for 888 to develop and maintain the Company’s online gaming platforms as related to WSOP.com and HarrahsCasino.com, and provide certain interactive gaming service. 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.

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

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. Subsequently, in January 2018, NYX Gaming Group was acquired by Scientific Games Corporation. 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.

The Company recognized revenue share expense associated with its platform and content agreements of \$3,153 thousand and \$3,012 thousand for the three months ended September 30, 2021 and 2020, respectively, and \$8,189 thousand and \$7,488 thousand for the nine months ended September 30, 2021 and 2020, respectively. This expense is included in Casino expense in the accompanying Statements of Income.

The Company entered into an agreement to provide administrative interactive gaming services to AAPN, whereby the Company receives a fixed percentage of Net Casino Revenues, as defined in the agreement, for providing such administrative services. The Company is not the primary obligor in this arrangement, and as such, CIENJ records revenue on a net basis. As a result, revenue as reported in the accompanying Statements of Income only reflects CIENJ’s share of casino revenues associated with AAPN’s 888.com platform. The Company recognized revenue associated with this agreement of \$165 thousand and \$161 thousand for the three months ended September 30, 2021 and 2020, respectively, and \$514 thousand and \$412 thousand for the nine months ended September 30, 2021 and 2020, respectively. Additionally, reimbursable expenses incurred on behalf of third parties in connection with these arrangements are recorded on a gross basis and associated revenues are included in Other revenue in the accompanying Statements of Income.

*Caesars Rewards Loyalty Program*

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

Patrons of the WSOP.com platform have access to the Company’s Poker Rewards loyalty program. Under this program, patrons have the opportunity to redeem their points for cash once a certain tier status is achieved in accordance with the terms of the program. Patrons of the Poker Rewards loyalty program also have the ability to earn status in the Caesars Rewards program through the Company’s tier matching program. As points earned under this program can be redeemed for cash, the Company accrues 100% of the cash converted point balance as such credits are earned as a reduction to Casino revenue in the accompanying Statements of Income. For the three months ended September 30, 2021 and 2020, the Company recorded \$19 thousand and \$123 thousand, respectively, as a reduction to Casino revenue in association with the Company’s loyalty programs. For the nine months ended September 30, 2021 and 2020, the Company recorded \$46 thousand and \$307 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.



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

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

Receivables

Receivables primarily consist of amounts collectible from third party credit card processors and reimbursable expenses from internet service partners. Credit card processing receivables typically have a high turnover rate and are generally not subject to increased credit risk. Receivables are typically non-interest bearing and are initially recorded at cost. Management reserves for receivables at estimate of expected loss to be incurred. For the nine months ended September 30, 2021 and 2020, the Company recorded \$45 thousand and \$33 thousand, respectively, of allowance for doubtful accounts.

<i>(In thousands)</i>	As of September 30,	
	2021	2020
Reimbursable expenses and other	\$ 1,673	\$ 1,097
Credit card receivables, net	404	618
Contract receivables	2,077	1,715
Real estate leases	75	26
Other	5	29
Receivables, net	<u>\$ 2,157</u>	<u>\$ 1,770</u>

Contract Liabilities

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

<i>(In thousands)</i>	Advanced Royalties	Other Deferred Revenue	Total
<b>Predecessor</b>			
Balance as of December 31, 2019	\$ 1,290	\$ —	\$ 1,290
Amount recognized during the period	—	—	—
Amount accrued during the period	—	—	—
Balance as of July 20, 2020	<u>\$ 1,290</u>	<u>\$ —</u>	<u>\$ 1,290</u>
<b>Successor</b>			
Balance as of July 21, 2020	\$ 1,290	\$ —	\$ 1,290
Amount recognized during the period	(233)	(1)	(234)
Amount accrued during the period	—	5	5
Balance as of September 30, 2020	<u>\$ 1,057</u>	<u>\$ 4</u>	<u>\$ 1,061</u>
<b>Successor</b>			
Balance as of December 31, 2020	\$ 735	\$ —	\$ 735
Amount recognized during the period	(968)	(59)	(1,027)
Amount accrued during the period	1,290	182	1,472
Balance as of September 30, 2021	<u>\$ 1,057</u>	<u>\$ 123</u>	<u>\$ 1,180</u>

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

***Lessor Arrangements***

The Company is the lessor under several sublease agreements pertaining to its leased interactive gaming datacenter space. These leases are short-term in nature. The rental revenue in relation to these sublease agreements is included in Other revenue within the accompanying Statements of Income. The Company recognized revenue associated with the sublease agreements of \$24 thousand and \$31 thousand for the three months ended September 30, 2021 and 2020, respectively, and \$80 thousand and \$143 thousand for the nine months ended September 30, 2021 and 2020, respectively. There were no future minimum rental payments contractually owed to the Company under sublease agreements as of September 30, 2021.