

ISLE OF CAPRI CASINOS INC  
Form 10-Q  
March 04, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-Q**

---

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 26, 2014

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number 0-20538

**ISLE OF CAPRI CASINOS, INC.**

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**41-1659606**  
(I.R.S. Employer  
Identification Number)

**600 Emerson Road, Suite 300, Saint Louis, Missouri**  
(Address of principal executive offices)

**63141**  
(Zip Code)

Registrant's telephone number, including area code: **(314) 813-9200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of February 28, 2014, the Company had a total of 39,829,177 shares of Common Stock outstanding (which excludes 2,236,971 shares held by us in treasury).

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ISLE OF CAPRI CASINOS, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	January 26, 2014 (unaudited)	April 28, 2013
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 68,422	\$ 68,469
Marketable securities	25,477	25,520
Accounts receivable, net	10,115	11,077
Income taxes receivable	5,550	4,789
Deferred income taxes	2,027	1,573
Prepaid expenses and other assets	24,553	20,872
Assets held for sale	49,654	
Total current assets	185,798	132,300
Property and equipment, net	987,968	1,034,026
Other assets:		
Goodwill	242,795	280,803
Other intangible assets, net	67,377	60,748
Deferred financing costs, net	24,559	27,230
Restricted cash and investments	9,796	11,417
Prepaid deposits and other	5,015	7,075
Total assets	\$ 1,523,308	\$ 1,553,599
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Current maturities of long-term debt	\$ 438	\$ 415
Accounts payable	17,622	34,533
Accrued liabilities:		
Payroll and related	34,977	35,093
Property and other taxes	20,141	21,340
Interest	20,533	18,502
Progressive jackpots and slot club awards	16,369	16,579
Other	29,686	29,337
Liabilities related to assets held for sale	1,196	
Total current liabilities	140,962	155,799
Long-term debt, less current maturities	1,146,366	1,156,469
Deferred income taxes	33,895	43,104
Other accrued liabilities	19,393	33,303
Other long-term liabilities	22,671	22,514
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; none issued		
Common stock, \$.01 par value; 60,000,000 shares authorized; shares issued: 42,066,148 at January 26, 2014 and April 28, 2013	421	421

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Class B common stock, \$.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	246,938	246,214
Retained earnings (deficit)	(60,395)	(74,227)
Accumulated other comprehensive (loss) income		(247)
	186,964	172,161
Treasury stock, 2,236,971 shares at January 26, 2014 and 2,470,128 at April 28, 2013	(26,943)	(29,751)
Total stockholders' equity	160,021	142,410
Total liabilities and stockholders' equity	\$ 1,523,308	\$ 1,553,599

See notes to the consolidated financial statements.

## ISLE OF CAPRI CASINOS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 26, 2014	January 27, 2013	January 26, 2014	January 27, 2013
<b>Revenues:</b>				
Casino	\$ 235,843	\$ 236,727	\$ 733,185	\$ 696,583
Rooms	6,933	6,830	24,560	23,788
Food, beverage, pari-mutuel and other	32,404	31,571	99,123	92,054
Gross revenues	275,180	275,128	856,868	812,425
Less promotional allowances	(50,990)	(47,111)	(163,044)	(146,414)
Net revenues	224,190	228,017	693,824	666,011
<b>Operating expenses:</b>				
Casino	38,354	37,644	118,414	109,809
Gaming taxes	60,324	59,888	185,454	172,988
Rooms	1,448	1,398	5,221	4,934
Food, beverage, pari-mutuel and other	10,608	10,700	31,724	29,398
Marine and facilities	13,967	13,477	42,969	40,161
Marketing and administrative	56,120	58,690	175,010	168,140
Corporate and development	7,230	7,506	21,314	26,757
Litigation accrual reversals	(1,979)		(9,330)	
Preopening expense		978	3,898	4,319
Depreciation and amortization	20,171	18,805	60,495	51,402
Total operating expenses	206,243	209,086	635,169	607,908
Operating income	17,947	18,931	58,655	58,103
Interest expense	(21,910)	(22,005)	(59,758)	(64,414)
Interest income	84	100	260	406
Derivative income		222	398	532
Loss from continuing operations before income taxes	(3,879)	(2,752)	(445)	(5,373)
Income tax benefit	13,270	302	10,499	166
Income (loss) from continuing operations	9,391	(2,450)	10,054	(5,207)
Income from discontinued operations, net of income taxes	1,266	264	3,778	3,029
Net income (loss)	\$ 10,657	\$ (2,186)	\$ 13,832	\$ (2,178)
<b>Income (loss) per common share-basic and dilutive:</b>				
Income (loss) from continuing operations	\$ 0.24	\$ (0.06)	\$ 0.25	\$ (0.13)
Income from discontinued operations, net of income taxes	0.03		0.10	0.07
Net income (loss)	\$ 0.27	\$ (0.06)	\$ 0.35	\$ (0.06)
Weighted average basic shares	39,828,740	39,488,480	39,699,295	39,280,965
Weighted average diluted shares	39,911,715	39,488,480	39,758,965	39,280,965

See notes to the consolidated financial statements.



## ISLE OF CAPRI CASINOS, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except share amounts)

*(Unaudited)*

	Three Months Ended		Nine Months Ended	
	January 26, 2014	January 27, 2013	January 26, 2014	January 27, 2013
Net income (loss)	\$ 10,657	\$ (2,186)	\$ 13,832	\$ (2,178)
Other comprehensive income, net of tax:				
Deferred hedge adjustment, net of income tax provision of \$149 for the nine months ended January 26, 2014, and \$90 and \$268 for the three and nine months ended January 27, 2013, respectively		148	247	445
Unrealized gain on interest rate cap contracts, net of income tax provision of \$8 for the nine months ended January 27, 2013				14
Other comprehensive income		148	247	459
Comprehensive income (loss)	\$ 10,657	\$ (2,038)	\$ 14,079	\$ (1,719)

See notes to the consolidated financial statements.

## ISLE OF CAPRI CASINOS, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share amounts)

*(Unaudited)*

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accum. Other Compre- hensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance, April 28, 2013	42,066,148	\$ 421	\$ 246,214	\$ (74,227)	\$ (247)	\$ (29,751)	\$ 142,410
Net income				13,832			13,832
Other comprehensive income, net of tax					247		247
Issuance of restricted stock from treasury stock, net of forfeitures			(2,808)			2,808	
Stock compensation expense			3,532				3,532
Balance, January 26, 2014	42,066,148	\$ 421	\$ 246,938	\$ (60,395)	\$	\$ (26,943)	\$ 160,021

See notes to the consolidated financial statements.



## ISLE OF CAPRI CASINOS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	January 26, 2014	January 27, 2013
<b>Operating activities:</b>		
Net income (loss)	\$ 13,832	\$ (2,178)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	61,857	53,062
Amortization and write-off of deferred financing costs	3,344	4,220
Amortization of debt discount	180	163
Deferred income taxes	(9,812)	(1,178)
Stock compensation expense	3,532	4,079
Litigation accrual reversals	(16,953)	
Valuation allowance		1,500
Gain on derivative instruments	(398)	(532)
(Gain) loss on disposal of assets	(1,002)	2
Changes in operating assets and liabilities:		
Marketable securities	43	(194)
Accounts receivable	927	(2,072)
Insurance receivable		7,497
Income taxes receivable	(761)	(2,248)
Prepaid expenses and other assets	(2,129)	(4,477)
Accrued interest	2,823	5,297
Accounts payable and accrued liabilities	(7,028)	16,571
Net cash provided by operating activities	48,455	79,512
<b>Investing activities:</b>		
Purchase of property and equipment	(32,941)	(123,604)
Proceeds from asset sales, net	1,156	33,234
Payment towards gaming licenses	(7,500)	(5,000)
Restricted cash and investments	1,717	(560)
Net cash used in investing activities	(37,568)	(95,930)
<b>Financing activities:</b>		
Principal payments on debt	(361)	(361,366)
Proceeds from the issuance of long-term debt		350,000
Net borrowings (repayments) on line of credit	(9,900)	10,000
Payment of deferred financing costs	(673)	(8,847)
Net cash used in financing activities	(10,934)	(10,213)
Net decrease in cash and cash equivalents	(47)	(26,631)
Cash and cash equivalents, beginning of period	68,469	94,461
Cash and cash equivalents, end of the period	\$ 68,422	\$ 67,830

See notes to the consolidated financial statements.



**ISLE OF CAPRI CASINOS, INC.**

**Notes to Consolidated Financial Statements**

**(amounts in thousands, except share and per share amounts)**

*(Unaudited)*

**1. Nature of Operations**

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words *we*, *us*, *our* and similar terms, as well as *Company*, refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. As of January 26, 2014, our wholly owned subsidiaries owned or operated sixteen casino gaming facilities in the United States located in Black Hawk, Colorado; Pompano Beach, Florida; Bettendorf, Davenport, Marquette and Waterloo, Iowa; Lake Charles, Louisiana; Lula, Natchez and Vicksburg, Mississippi; Boonville, Cape Girardeau, Caruthersville and Kansas City, Missouri; and Nemacolin, Pennsylvania.

**2. Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ( *SEC* ) and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been omitted. In management's opinion, the accompanying interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results presented. The accompanying interim consolidated financial statements have been prepared without audit. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended April 28, 2013 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov) or our website at [www.islecorp.com](http://www.islecorp.com).

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2014 and 2013 are both 52-week years, which commenced on April 29, 2013 and April 30, 2012, respectively.

The consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all such operating segments have been aggregated into one reporting segment.

We evaluated all subsequent events through the date of the issuance of the consolidated financial statements. Other than the sale of our Davenport, Iowa casino operations as disclosed in Note 3 and the reversal of the litigation accrual as disclosed in Note 11, no material subsequent events have occurred that required recognition in the consolidated financial statements.



### 3. Discontinued Operations

On December 4, 2013, we entered into a definitive asset purchase agreement to sell substantially all of the assets and for the assumption of certain liabilities related to our casino located in Davenport, Iowa, ( Davenport ) for approximately \$51,000, net of cash on hand of \$2,150, and subject to working capital and certain other customary purchase price adjustments. As a result, certain balance sheet items related to Davenport have been classified as held for sale, and the results of operations for all periods are presented as discontinued operations. The sale was completed on February 3, 2014 and the net cash proceeds were utilized to repay borrowings under our Credit Facility.

In addition to Davenport, in fiscal 2013, our discontinued operations include the results of our Biloxi, Mississippi casino which was sold in November 2012. The results of our discontinued operations are summarized as follows:

	Three Months Ended		Nine Months Ended	
	January 26, 2014	January 27, 2013	January 26, 2014	January 27, 2013
Net revenues	\$ 8,864	\$ 14,574	\$ 28,539	\$ 67,221
Pretax income from discontinued operations	1,441	264	3,953	3,029
Income tax provision from discontinued operations	(175)		(175)	
Income from discontinued operations	1,266	264	3,778	3,029

The assets held for sale and liabilities related to those assets are as follows:

	January 26, 2014
Current assets:	
Accounts receivable, net	\$ 36
Prepaid expenses and other assets	386
Total current assets	422
Property and equipment, net	11,199
Goodwill	38,008
Prepaid deposits and other	25
Total assets	49,654
Current liabilities	
Accounts payable	626
Other accrued liabilities	570
Total current liabilities	1,196
Net assets	\$ 48,458

During the nine months ended January 27, 2013, we recorded a \$1,500 valuation allowance for our Biloxi operations reflecting a credit against the purchase price to satisfy our obligation to repair the property after Hurricane Isaac, as required by the purchase agreement.



#### 4. Long-Term Debt

Long-term debt consists of the following:

	January 26, 2014	April 28, 2013
Senior Secured Credit Facility, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 145,000	\$ 154,900
5.875% Senior Notes, interest payable semi-annually March 15 and September 15	350,000	350,000
7.75% Senior Notes, interest payable semi-annually March 15 and September 15, net of discount	298,426	298,246
8.875% Senior Subordinated Notes, interest payable semi-annually June 15 and December 15	350,000	350,000
Other	3,378	3,738
	1,146,804	1,156,884
Less current maturities	438	415
Long-term debt	\$ 1,146,366	\$ 1,156,469

*Senior Secured Credit Facility* Our Senior Secured Credit Facility, as amended and restated ( *Credit Facility* ), matures April 19, 2018 and consists of a \$300,000 revolving line of credit. The Credit Facility is secured on a first priority basis by substantially all of our assets and is guaranteed by substantially all of our significant subsidiaries. In July 2013, we entered into an agreement amending our Credit Facility to, among other things, modify our maximum allowed leverage and minimum interest coverage ratio covenants. As a result, we capitalized new deferred financing costs of \$673 during the nine months ended January 26, 2014.

Our net revolving line of credit availability at January 26, 2014, as limited by our borrowings, was approximately \$120,000, after consideration of approximately \$35,100 in outstanding letters of credit. We have an annual commitment fee related to the unused portion of the Credit Facility of up to 0.55% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rates of the Credit Facility for the nine months ended January 26, 2014 was 4.05%.

The Credit Facility includes a number of affirmative and negative covenants, as well as certain financial covenants including maintenance of a total leverage ratio, senior secured leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with the covenants as of January 26, 2014.

*5.875% Senior Notes* In March 2013, we issued \$350,000 of 5.875% Senior Notes due 2021 ( *5.875% Senior Notes* ). The net proceeds from the issuance were used to repay term loans under our Credit Facility. The 5.875% Senior Notes are general unsecured obligations and rank junior to all of our senior secured indebtedness and senior to our senior subordinated indebtedness. The 5.875% Senior Notes are redeemable, in whole or in part, at our option at any time on or after March 15, 2016, with call premiums as defined in the indenture governing the 5.875% Senior Notes.

*7.75% Senior Notes* In March 2011, we issued \$300,000 of 7.75% Senior Notes due 2019 at a price of 99.264% ( *7.75% Senior Notes* ). The 7.75% Senior Notes are general unsecured obligations and rank junior to all of our senior secured indebtedness and senior to our senior subordinated indebtedness. The 7.75% Senior Notes are redeemable, in whole or in part, at our option at any time on or after March 15, 2015, with call premiums as defined in the indenture governing the 7.75% Senior Notes.

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*8.875% Senior Subordinated Notes* In August 2012, we issued \$350,000 of 8.875% Senior Subordinated Notes due 2020 ( *8.875% Senior Subordinated Notes* ). The 8.875% Senior Subordinated Notes are general unsecured obligations and rank junior to all of our senior indebtedness. The 8.875% Senior Subordinated Notes are redeemable, in whole or in part, at our option at any time on or after June 15, 2016, with call premiums as defined in the indenture governing the 8.875% Senior Subordinated Notes.



## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

The 5.875% Senior Notes, 7.75% Senior Notes and 8.875% Senior Subordinated Notes are guaranteed, on a joint and several basis, by substantially all of our significant subsidiaries and certain other subsidiaries as described in Note 10. All of the guarantor subsidiaries are wholly owned by us.

The indentures governing the 5.875% Senior Notes, 7.75% Senior Notes and 8.875% Senior Subordinated Notes limit, among other things, our ability and our restricted subsidiaries' ability to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates, pay dividends, or repurchase stock. The indentures also limit our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

### 5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three Months Ended		Nine Months Ended	
	January 26, 2014	January 27, 2013	January 26, 2014	January 27, 2013
<b>Numerator:</b>				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	\$ 9,391	\$ (2,450)	\$ 10,054	\$ (5,207)
Income from discontinued operations	1,266	264	3,778	3,029
Net income (loss)	\$ 10,657	\$ (2,186)	\$ 13,832	\$ (2,178)
<b>Denominator:</b>				
Denominator for basic income (loss) per share - weighted average shares				
	39,828,740	39,488,480	39,699,295	39,280,965
Effect of dilutive securities				
Employee stock options	54,508		50,181	
Restricted stock units	28,467		9,489	
Denominator for diluted income (loss) per share - adjusted weighted average shares and assumed conversions				
	39,911,715	39,488,480	39,758,965	39,280,965
<b>Basic income (loss) per share:</b>				
Income (loss) from continuing operations	\$ 0.24	\$ (0.06)	\$ 0.25	\$ (0.13)
Income from discontinued operations	0.03		0.10	0.07
Net income (loss)	\$ 0.27	\$ (0.06)	\$ 0.35	\$ (0.06)
<b>Diluted income (loss) per share:</b>				
Income (loss) from continuing operations	\$ 0.24	\$ (0.06)	\$ 0.25	\$ (0.13)
Income from discontinued operations	0.03		0.10	0.07
Net income (loss)	\$ 0.27	\$ (0.06)	\$ 0.35	\$ (0.06)

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. For the three and nine months ended January 26, 2014, stock options representing 753,860 shares, which are anti-dilutive, were excluded from the calculation of common shares for the diluted loss per share. For the three and nine months ended January 26, 2014, restricted stock units of 1,332,740, have been excluded from the calculation as the market performance condition related to those restricted stock units has not been achieved.

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Due to the loss from continuing operations for the three and nine months ended January 27, 2013, stock options representing 18,041 and 22,206 shares, which are potentially dilutive, and 1,009,160 and 1,009,160 shares, which are anti-dilutive, were excluded from the calculation of common shares for diluted loss per share for the respective periods. For the three and nine months ended January 27, 2013, restricted stock units of 1,714,286

were excluded from the calculation as the market performance condition related to those restricted stock units had not been achieved.

## 6. Stock Based Compensation

Under our Amended and Restated 2009 Long Term Stock Incentive Plan we have issued restricted stock units, restricted stock and stock options.

*Restricted Stock Units* During fiscal 2013, we granted restricted stock units ( RSUs ) containing market performance conditions which will determine the ultimate amount of RSUs, if any, to be awarded up to 1,714,286 shares. Any RSUs earned will vest 50% on April 26, 2015 and 50% on April 26, 2016. The fair value of these RSUs was determined utilizing a lattice pricing model which considers a range of assumptions including volatility and risk-free interest rates. The aggregate compensation cost related to these RSUs is \$4,932 to be recognized over the vesting periods. As of January 26, 2014, our unrecognized compensation cost for these RSUs is \$2,635.

*Restricted Stock* During the three months ended January 26, 2014, we issued 39,789 shares of restricted stock with a weighted average grant-date fair value of \$7.66 to employees. During the nine months ended January 26, 2014, we issued 127,883 shares of restricted stock with a weighted average grant-date fair value of \$7.78 to employees and 148,360 shares of restricted stock with a weighted-average grant date fair value of \$7.62 to directors. Restricted stock awarded to employees under annual long-term incentive grants primarily vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Our aggregate estimate of forfeitures for restricted stock for employees and directors is 9% and 0%, respectively. As of January 26, 2014, our unrecognized compensation cost for unvested restricted stock is \$1,683 with a remaining weighted average vesting period of 0.98 years.

## 7. Fair Value

Our interest rate swap derivative agreement matured in September 2013. The fair value of our interest swap contract was previously recorded using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis:

	Three Months Ended		Nine Months Ended	
	January 26, 2014	January 27, 2013	January 26, 2014	January 27, 2013
<b>Interest Rate Hedges</b>				
Beginning Balance	\$	\$ (1,708)	\$ (794)	\$ (2,493)
Realized gains		460	794	1,245
Ending Balance	\$	\$ (1,248)	\$	\$ (1,248)

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*Financial Instruments* - The estimated carrying amounts and fair values of our other financial instruments are as follows:

	January 26, 2014		April 28, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 68,422	\$ 68,422	\$ 68,469	\$ 68,469
Marketable securities	25,477	25,477	25,520	25,520
Accounts receivable	10,115	10,115	11,077	11,077
Restricted cash and investments	9,796	9,796	11,417	11,417
<b>Financial liabilities:</b>				
Revolving line of credit	\$ 145,000	\$ 142,100	\$ 154,900	\$ 151,802
5.875% Senior notes	350,000	354,375	350,000	357,000
7.75% Senior notes	298,426	324,538	298,246	327,698
8.875% Senior subordinated notes	350,000	375,813	350,000	381,535
Other long-term debt	3,378	3,378	3,738	3,738
Other long-term obligations	22,671	22,671	22,514	22,514

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and accounts receivable are carried at cost, which approximates fair value, due to their short-term maturities.

Marketable securities include investments of \$9,046 and \$9,433, as of January 26, 2014 and April 28, 2013, respectively, based upon Level 1 inputs obtained from quoted prices available in active markets and investments of \$16,431 and \$16,087, as of January 26, 2014 and April 28, 2013, respectively, based upon Level 2 inputs obtained from quoted prices of identical assets in inactive markets or quoted prices for similar assets in active and inactive markets. There were no transfers between Level 1 and Level 2 inputs during the nine months ended January 26, 2014.

Restricted cash and investments include restricted cash and investments of \$4,470 and \$3,979, as of January 26, 2014 and April 28, 2013, respectively, based upon Level 1 inputs obtained from quoted prices available in active markets and investments of \$5,326 and \$7,438, as of January 26, 2014 and April 28, 2013, respectively, based upon Level 2 inputs obtained from quoted prices of identical assets in inactive markets or quoted prices for similar assets in active and inactive markets. There were no transfers between Level 1 and Level 2 inputs during the nine months ended January 26, 2014.

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue (Level 1) or, when a quoted market price is not available, the discounted cash flow of future payments utilizing current rates available to us for debt of similar remaining maturities (Level 3). Debt obligations with a short remaining maturity have a carrying amount that approximates fair value.



**8. Income Taxes**

A summary of our effective income tax benefit from continuing operations is as follows:

	Three Months Ended		Nine Months Ended	
	January 26, 2014	January 27, 2013	January 26, 2014	January 27, 2013
Federal taxes at the statutory rate	\$ 1,358	\$ 963	\$ 156	\$ 1,881
State taxes	(45)	104	(492)	156
Permanent differences	(353)	(334)	(885)	(990)
Tax credits	570	350	1,082	1,050
Other	1,566	(76)	1,465	(96)
Valuation allowance	10,174	(705)	9,173	(1,835)
Income tax benefit from continuing operations	\$ 13,270	\$ 302	\$ 10,499	\$ 166

Our income tax benefit consists of 1) changes in the deferred tax liability attributable to indefinite lived intangibles, 2) changes in the valuation allowance placed upon our federal and state deferred tax assets including net operating loss carry forwards and tax credits, 3) expense for state jurisdictions where taxable income is generated without net operating loss carry forwards available, and 4) expense for unrecognized tax positions.

The assets and liabilities of Davenport were classified as held for sale as of January 26, 2014. Davenport's goodwill, previously treated as indefinite lived, now has a finite life. The expected utilization of the deferred tax liability associated with this goodwill has resulted in the reversal of \$11,993 of valuation allowances previously recognized in prior years.

*Subsequent Event* - At January 26, 2014, we had unrecognized tax benefits of \$8,059 that related to positions taken on Mississippi income tax returns for the fiscal years ending April 2002 through April 2008. Included in this amount is principle of \$4,072 and interest of \$3,987. The Mississippi Department of Revenues has challenged these positions, and the Supreme Court of Mississippi ruled in our favor on February 13, 2014. The Mississippi Department of Revenue has the opportunity to request a rehearing with the Supreme Court of Mississippi.

**9. Supplemental Disclosures**

*Cash Flow* For the nine months ended January 26, 2014 and January 27, 2013, we made net cash interest payments of \$61,139 and \$57,239, respectively. Additionally, we received net income tax refunds of \$93 and made net income tax payments of \$3,073 during the nine months ended January 26, 2014 and January 27, 2013, respectively.

For the nine months ended January 26, 2014 and January 27, 2013, the accrued purchases of property and equipment in accounts payable decreased by \$6,661 and \$4,353, respectively.

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

For the nine months ended January 26, 2014 and January 27, 2013, we capitalized interest of \$184 and \$2,330, respectively.

**10. Consolidating Condensed Financial Information**

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 5.875% Senior Notes, 7.75% Senior Notes and 8.875% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 5.875% Senior Notes, 7.75% Senior Notes and 8.875% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; CCSC/Blackhawk, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC-Black Hawk County, Inc.; IOC-Davenport, Inc.; IOC Holdings, L.L.C.; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino- Vicksburg Partnership, L.P.; IOC Cape Girardeau, LLC; Isle of Capri Bettendorf, L.C; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; PPI, Inc.; and St. Charles Gaming Company, L.L.C. Each of the subsidiaries guarantees its joint and several with the guarantees of the other subsidiaries.

During the nine months ended January 26, 2014, the IOC-PA, L.L.C. subsidiary changed designations from a Guarantor Subsidiary to a Non-Guarantor Subsidiary. All periods presented below reflect this change and the operations of IOC-PA, L.L.C as a Non-Guarantor Subsidiary.

Consolidating condensed balance sheets as of January 26, 2014 and April 28, 2013 are as follows:

	As of January 26, 2014				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Balance Sheet</b>					
Current assets	\$ 22,517	\$ 131,510	\$ 34,171	\$ (2,400)	\$ 185,798
Intercompany receivables	604,819			(604,819)	
Investments in subsidiaries	669,916	(29,794)		(640,122)	
Property and equipment, net	6,872	923,692	57,404		987,968
Other assets	53,973	281,712	29,812	(15,955)	349,542
Total assets	\$ 1,358,097	\$ 1,307,120	\$ 121,387	\$ (1,263,296)	\$ 1,523,308
Current liabilities	\$ 45,749	\$ 68,661	\$ 28,952	\$ (2,400)	\$ 140,962
Intercompany payables		559,276	45,543	(604,819)	
Long-term debt, less current maturities	1,146,168		198		1,146,366
Other accrued liabilities	6,159	78,332	7,423	(15,955)	75,959
Stockholders equity	160,021	600,851	39,271	(640,122)	160,021
Total liabilities and stockholders equity	\$ 1,358,097	\$ 1,307,120	\$ 121,387	\$ (1,263,296)	\$ 1,523,308

	As of April 28, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Balance Sheet</b>					
Current assets	\$ 19,176	\$ 84,251	\$ 28,922	\$ (49)	\$ 132,300
Intercompany receivables	626,444		11,803	(638,247)	



Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Investments in subsidiaries	643,257	(29,794)		(613,463)	
Property and equipment, net	7,831	977,423	48,772		1,034,026
Other assets	50,958	317,800	23,955	(5,440)	387,273
Total assets	\$ 1,347,666	\$ 1,349,680	\$ 113,452	\$ (1,257,199)	\$ 1,553,599
Current liabilities	\$ 43,139	\$ 77,340	\$ 35,368	\$ (48)	\$ 155,799
Intercompany payables		613,248	25,000	(638,248)	
Long-term debt, less current maturities	1,155,939	210	320		1,156,469
Other accrued liabilities	6,178	76,401	21,782	(5,440)	98,921
Stockholders equity	142,410	582,481	30,982	(613,463)	142,410
Total liabilities and stockholders equity	\$ 1,347,666	\$ 1,349,680	\$ 113,452	\$ (1,257,199)	\$ 1,553,599

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Consolidating condensed statements of operations for the three and nine months ended January 26, 2014 and January 27, 2013 are as follows:

Statement of Operations	For the Three Months Ended January 26, 2014				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Revenues:</b>					
Casino	\$	\$ 228,842	\$ 7,001	\$	\$ 235,843
Rooms, food, beverage, pari-mutuel and other	171	38,262	3,223	(2,319)	39,337
Management fee revenue	7,878			(7,878)	
Gross revenues	8,049	267,104	10,224	(10,197)	275,180
Less promotional allowances		(49,171)	(1,819)		(50,990)
Net revenues	8,049	217,933	8,405	(10,197)	224,190
<b>Operating expenses:</b>					
Casino		36,678	1,676		38,354
Gaming taxes		57,585	2,739		60,324
Rooms, food, beverage, pari-mutuel and other	7,433	78,833	5,426	(2,319)	89,373
Litigation accrual reversals	(1,979)				(1,979)
Management fee expense		7,578	300	(7,878)	
Depreciation and amortization	385	18,227	1,559		20,171
Total operating expenses	5,839	198,901	11,700	(10,197)	206,243
Operating income (loss)	2,210	19,032	(3,295)		17,947
Interest (expense) income, net	(11,168)	(10,117)	(541)		(21,826)
Equity in income (loss) of subsidiaries	5,546			(5,546)	
Income (loss) from continuing operations before income taxes	(3,412)	8,915	(3,836)	(5,546)	(3,879)
Income tax (provision) benefit	12,803	(1,095)	1,562		13,270
Income (loss) from continuing operations	9,391	7,820	(2,274)	(5,546)	9,391
Income (loss) of discontinued operations	1,266	937		(937)	1,266
Net income (loss)	\$ 10,657	\$ 8,757	\$ (2,274)	\$ (6,483)	\$ 10,657

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Statement of Operations	For the Three Months Ended January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Revenues:</b>					
Casino	\$	\$ 236,727	\$	\$	\$ 236,727
Rooms, food, beverage, pari-mutuel and other	204	38,191	2,179	(2,173)	38,401
Management fee revenue	7,923			(7,923)	
Gross revenues	8,127	274,918	2,179	(10,096)	275,128
Less promotional allowances		(47,111)			(47,111)
Net revenues	8,127	227,807	2,179	(10,096)	228,017
<b>Operating expenses:</b>					
Casino		37,644			37,644
Gaming taxes		59,888			59,888
Rooms, food, beverage, pari-mutuel and other	7,490	84,975	2,457	(2,173)	92,749
Management fee expense		7,923		(7,923)	
Depreciation and amortization	517	18,250	38		18,805
Total operating expenses	8,007	208,680	2,495	(10,096)	209,086
Operating income (loss)	120	19,127	(316)		18,931
Interest expense, net	(12,621)	(9,032)	(252)		(21,905)
Derivative income	222				222
Equity in income (loss) of subsidiaries	7,394			(7,394)	
Income (loss) from continuing operations before income taxes	(4,885)	10,095	(568)	(7,394)	(2,752)
Income tax (provision) benefit	2,435	(2,355)	222		302
Income (loss) from continuing operations	(2,450)	7,740	(346)	(7,394)	(2,450)
Income (loss) of discontinued operations	264	(114)		114	264
Net income (loss)	\$ (2,186)	\$ 7,626	\$ (346)	\$ (7,280)	\$ (2,186)

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Statement of Operations	For the Nine Months Ended January 26, 2014				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Revenues:</b>					
Casino	\$	\$ 715,259	\$ 17,926	\$	\$ 733,185
Rooms, food, beverage, pari-mutuel and other	525	121,036	9,108	(6,986)	123,683
Management fee revenue	23,933			(23,933)	
Gross revenues	24,458	836,295	27,034	(30,919)	856,868
Less promotional allowances		(159,117)	(3,927)		(163,044)
Net revenues	24,458	677,178	23,107	(30,919)	693,824
<b>Operating expenses:</b>					
Casino		114,217	4,197		118,414
Gaming taxes		178,230	7,224		185,454
Rooms, food, beverage, pari-mutuel and other	24,194	246,699	16,229	(6,986)	280,136
Litigation accrual reversals	(1,979)		(7,351)		(9,330)
Management fee expense		23,425	508	(23,933)	
Depreciation and amortization	1,168	55,540	3,787		60,495
Total operating expenses	23,383	618,111	24,594	(30,919)	635,169
Operating income (loss)	1,075	59,067	(1,487)		58,655
Interest (expense) interest, net	(34,475)	(30,288)	5,265		(59,498)
Derivative income	398				398
Equity in income (loss) of subsidiaries	23,756			(23,756)	
Income (loss) from continuing operations before income taxes	(9,246)	28,779	3,778	(23,756)	(445)
Income tax (provision) benefit	19,300	(13,312)	4,511		10,499
Income (loss) from continuing operations	10,054	15,467	8,289	(23,756)	10,054
Income (loss) of discontinued operations	3,778	2,714		(2,714)	3,778
Net income (loss)	\$ 13,832	\$ 18,181	\$ 8,289	\$ (26,470)	\$ 13,832

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Statement of Operations	For the Nine Months Ended January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Revenues:</b>					
Casino	\$	\$ 696,583	\$	\$	\$ 696,583
Rooms, food, beverage, pari-mutuel and other	546	115,279	6,890	(6,873)	115,842
Management fee revenue	23,205			(23,205)	
Gross revenues	23,751	811,862	6,890	(30,078)	812,425
Less promotional allowances		(146,414)			(146,414)
Net revenues	23,751	665,448	6,890	(30,078)	666,011
<b>Operating expenses:</b>					
Casino		109,809			109,809
Gaming taxes		172,988			172,988
Rooms, food, beverage, pari-mutuel and other	29,220	246,689	4,673	(6,873)	273,709
Management fee expense		23,205		(23,205)	
Depreciation and amortization	1,522	49,599	281		51,402
Total operating expenses	30,742	602,290	4,954	(30,078)	607,908
Operating income (loss)	(6,991)	63,158	1,936		58,103
Interest expense, net	(36,820)	(26,484)	(704)		(64,008)
Derivative income	532				532
Equity in income (loss) of subsidiaries	24,126			(24,126)	
Income (loss) from continuing operations before income taxes	(19,153)	36,674	1,232	(24,126)	(5,373)
Income tax (provision) benefit	13,946	(13,338)	(442)		166
Income (loss) from continuing operations	(5,207)	23,336	790	(24,126)	(5,207)
Income (loss) of discontinued operations	3,029	901		(901)	3,029
Net income (loss)	\$ (2,178)	\$ 24,237	\$ 790	\$ (25,027)	\$ (2,178)

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

Consolidating condensed statements of cash flows for the nine months ended January 26, 2014 and January 27, 2013 are as follows:

	Nine Months Ended January 26, 2014				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Cash Flows</b>					
Net cash provided by (used in) operating activities	\$ (14,541)	\$ 66,779	\$ (3,783)	\$	\$ 48,455
<b>Investing Activities:</b>					
Purchases of property and equipment, net of proceeds	(253)	(15,067)	(17,621)		(32,941)
Proceeds from sales of assets, net		34	1,122		1,156
Payments towards gaming license			(7,500)		(7,500)
Restricted cash and investments			1,717		1,717
Parent company investment in subsidiaries	21,625			(21,625)	
Net cash provided by (used in) investing activities	21,372	(15,033)	(22,282)	(21,625)	(37,568)
<b>Financing Activities:</b>					
Principal payments on debt	(47)	(200)	(114)		(361)
Net repayments on line of credit	(9,900)				(9,900)
Payments of deferred financing costs	(673)				(673)
Net proceeds from (payments to) related parties		(53,973)	32,348	21,625	
Net cash provided by (used in) financing activities	(10,620)	(54,173)	32,234	21,625	(10,934)
Net increase (decrease) in cash and cash equivalents	(3,789)	(2,427)	6,169		(47)
Cash and cash equivalents at beginning of period	6,914	57,268	4,287		68,469
Cash and cash equivalents at end of period	\$ 3,125	\$ 54,841	\$ 10,456		\$ 68,422

	Nine Months Ended January 27, 2013				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Cash Flows</b>					
Net cash provided by (used in) operating activities	\$ (46,926)	\$ 126,002	\$ 436	\$	\$ 79,512
<b>Investing Activities:</b>					
Purchases of property and equipment, net of proceeds	(791)	(118,919)	(3,894)		(123,604)
Proceeds from sales of assets, net		33,234			33,234
Payments towards gaming license			(5,000)		(5,000)
Restricted cash and investments		218	(778)		(560)
Parent company investment in subsidiaries	28,736			(28,736)	
Net cash provided by (used in) investing activities	27,945	(85,467)	(9,672)	(28,736)	(95,930)

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

**Financing Activities:**

Principal payments on debt	(361,025)	(237)	(104)	(361,366)
Proceeds from the issuance of long-term debt	350,000			350,000
Net borrowings on line of credit	10,000			10,000
Payments of deferred financing costs	(8,847)			(8,847)
Net proceeds from (payments to) related parties		(37,566)	8,830	28,736
Net cash provided by (used in) financing activities	(9,872)	(37,803)	8,726	28,736
Net increase (decrease) in cash and cash equivalents	(28,853)	2,732	(510)	(26,631)
Cash and cash equivalents at beginning of period	39,365	50,749	4,347	94,461
Cash and cash equivalents at end of the period	\$ 10,512	\$ 53,481	\$ 3,837	\$ 67,830

## 11. Commitments and Contingencies

*Legal and Regulatory Proceedings* We and our wholly-owned subsidiary, Riverboat Corporation of Mississippi - Vicksburg, were defendants in a lawsuit filed in the Circuit Court of Adams County, Mississippi by Silver Land, Inc., alleging breach of contract in connection with our 2006 sale of casino operations in Vicksburg, Mississippi. The court originally ruled in favor of Silver Land and awarded damages of \$1,979, which we accrued. We appealed the decision and in June 2013 the court of appeals reversed the trial court and ruled in our favor. Silver Land filed a Petition for Writ of Certiorari in November 2013 requesting review by the Mississippi Supreme Court. On February 20, 2014, the Mississippi Supreme Court denied Silver Land's request, which effectively disposes of this matter in its entirety. As a result, during the three and nine months ended January 26, 2014, we reversed a litigation accrual of \$2,223, of which \$1,979 was recorded as a reduction to operating expenses and \$244 was recorded as a reduction to interest expense.

Our wholly owned subsidiary, Lady Luck Gaming Corporation, and several joint venture partners were defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions alleged that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. The lawsuits continued through the appeals process and in October 2013, the Supreme Administrative Court rejected both lawsuits which disposed of this matter completely. As a result, during the nine months ended January 26, 2014, we reversed a litigation accrual of \$14,730, of which \$7,351 was recorded as a reduction to operating expenses and \$7,379 was recorded as a reduction to interest expense.

We were named as a defendant in a complaint filed in the Circuit Court for Broward County, Florida. The complaint alleged we sent unsolicited fax advertisements in violation of the Telephone Consumer Protection Act of 1991, as amended by the Junk Fax Prevention Act of 2005 (the TCPA), and sought to certify a class action. The complaint sought statutory damages for alleged negligent and willful violations of the TCPA, attorneys' fees, costs and injunction relief. In April 2013, we entered into a settlement agreement with the plaintiff and on May 22, 2013, the Court issued an order granting preliminary approval of the settlement and finalized its approval of the settlement in October 2013. Settlement of this matter was finalized during the nine months ended January 26, 2014 and payments were within the Company's reserves for this lawsuit.

In October 2012, we opened our new casino in Cape Girardeau, Missouri. A subcontractor filed a mechanics' lien against our property resulting from a dispute between the subcontractor and our general contractor for the construction project. We demanded that the general contractor cause the lien to be bonded against or satisfied, however the general contractor refused to do so and asserted that a portion of the subcontractor's claim results from additional work directly requested by us. In October 2013, the subcontractor filed suit against our wholly-owned subsidiary IOC-Cape Girardeau, LLC, the general contractor and two other defendants alleging various contract and equitable claims and seeking damages of approximately \$4,600. The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. In the event that we incur any costs in connection with this matter, we do not believe that any such costs would be material, and if incurred, the settlement of construction costs would be capitalized.

In April 2013, our wholly owned subsidiary, PPI, Inc., d/b/a Isle Casino Racing Pompano Park, was named as a defendant in a collective action matter in the U.S. District Court - Southern District of Florida. The claim alleges tipping and tip-credit violations of the Fair Labor Standards Act for certain employees. The outcome of this matter is still in doubt and cannot be predicted. We intend to continue to put forth a vigorous defense against the claim asserted in this matter.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present and future development sites have, in some cases, been used as manufacturing facilities or other facilities



that generate materials that are required to be remediated under environmental laws and regulations, there can be no

guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

We are subject to various contingencies and litigation matters and have a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, we believe they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

*Development Projects* On February 1, 2013, we signed an agreement with Tower Investments, Inc. to manage The Provence, the resort and casino on North Broad Street, Philadelphia, proposed by Tower Entertainment, LLC (the Tower JV ), if the project is selected by the Pennsylvania Gaming Control Board (the PGCB ). The Tower JV is one of five applicants for the final gaming license in Philadelphia. As part of our agreement with the Tower JV, we agreed to loan \$25,000 to the Tower JV for the purpose of securing the Pennsylvania gaming license fee relating to the project. The commitment for the loan is secured by a stand by letter of credit, which can only be drawn upon if the Tower JV is awarded the license. If the Tower JV is selected, we have the option to either 1) be repaid from the proceeds of permanent financing, or 2) convert the \$25,000 loan into a minority investment in the Tower JV. The PGCB indicated that they expect to announce a decision with respect to the license in April 2014.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

*This report contains statements that we believe are, or may be considered to be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as may, will, expect, intend, estimate, foresee, project, anticipate, believe, plans, forecasts, continue or could or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.*

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K for the year ended April 28, 2013.

**Executive Overview**

We are a leading developer, owner and operator of branded gaming facilities and related dining, lodging and entertainment facilities in regional markets in the United States. We have sought and established geographic diversity to limit the risks caused by weather, regional economic difficulties, gaming tax rates and regulations of local gaming authorities. We currently operate casinos in Colorado, Florida, Iowa, Louisiana, Mississippi, Missouri and Pennsylvania. We also operate a harness racing track at our casino in Florida.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the year ended April 28, 2013 and by giving consideration to the following:

*Items Impacting Income (Loss) from Continuing Operations* Significant items impacting our income (loss) from continuing operations during the periods ended January 26, 2014, and January 27, 2013 are as follows:

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*Legal Recoveries* On February 20, 2014, we received a favorable ruling in our Silver Land legal proceedings. As a result, during the three and nine months ended January 26, 2014, we reversed a litigation accrual of \$2.2 million, of which \$2.0 million was recorded as a reduction to operating expenses and \$0.2 million was recorded as a reduction to interest expense.

During October 2013, we received a favorable ruling in our Greece gaming license legal proceedings. As a result, during the nine months ended January 26, 2014, we reversed a litigation accrual of \$14.7 million, of which \$7.3 million was recorded as a reduction to operating expenses and \$7.4 million was recorded as a reduction to interest expense.

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*Disruption* Several of our properties' operating results have been impacted during the nine months ended January 26, 2014 by disruption as follows:

- Severe winter weather negatively impacted visitation and revenues at several of our casinos in December 2013 and January 2014.
- Our Black Hawk property's attendance was negatively impacted by the severe weather and flooding in Colorado during September 2013.
- Our Boonville property was affected by power outages and was forced to close three times for a total of approximately 40 hours, of which two periods were over the key holidays of Father's Day weekend and on the 4th of July.

During fiscal 2013, we remodeled our main hotel tower at our Lake Charles property and the casino floor at our Vicksburg property. As a result, certain areas of these properties may not have been accessible to our customers during the construction period resulting in a loss of revenues. Construction was substantially completed during the three months ended January 27, 2013.

*Casino Openings* We opened our Lady Luck Casino on the Nemacolin Woodlands Resort in Farmington, Pennsylvania on July 1, 2013 and our Isle Casino in Cape Girardeau, Missouri on October 30, 2012.

*Increased Competition* From time to time, new or expanded facilities by our competitors impact our results. For example, competition from a new casino in Natchez that opened at the end of December 2012 has negatively impacted our Natchez casino. Expansions by Arkansas based competitors have negatively impacted our Lula property.

*Income Tax Benefit* During the nine months ended January 26, 2014, we reversed a valuation allowance of \$12.0 million as a result of our Davenport sale and the change in the status of the indefinite lived intangible assets. Our income tax benefit from continuing operations was impacted by our estimate of annual taxable income for financial statement purposes, changes in the deferred tax liability attributable to indefinite lived intangibles, our percentage of permanent and other items in relation to such estimated income or loss, as well as changes in valuation allowances. As a result, our tax benefit from continuing operations was \$13.3 million and \$10.5 million for the three and nine months ended January 26, 2014, respectively.

### *Discontinued Operations*

*Sale of Davenport* On December 4, 2013, we entered into a definitive asset purchase agreement to sell substantially all of the assets and for the assumption of certain liabilities related to our casino located in Davenport, Iowa, ( "Davenport" ) for approximately \$51.0 million, net of cash on hand of \$2.2 million, and subject to working capital and certain other customary purchase price adjustments. As a result, certain balance sheet items related to Davenport have been classified as held for sale, and the results of operations for all periods are presented as discontinued operations. The sale was completed on February 3, 2014 and the net cash proceeds were utilized to repay borrowings under our Credit Facility.

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*Sale of Biloxi* On November 29, 2012, we completed the sale of our Biloxi, Mississippi casino operations. During the nine months ended January 27, 2013, we recorded a \$1.5 million valuation allowance reflecting a credit against the purchase price to satisfy our obligation to repair the property after Hurricane Isaac, as required by the purchase agreement.

**Results of Operations**

Revenues and operating expenses for the three and nine months ended January 26, 2014 and January 27, 2013 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 26, 2014	January 27, 2013		
<b>Revenues:</b>				
Casino	\$ 235,843	\$ 236,727	\$ (884)	-0.4%
Rooms	6,933	6,830	103	1.5%
Food, beverage, pari-mutuel and other	32,404	31,571	833	2.6%
Gross revenues	275,180	275,128	52	0.0%
Less promotional allowances	(50,990)	(47,111)	(3,879)	8.2%
Net revenues	224,190	228,017	(3,827)	-1.7%
<b>Operating expenses:</b>				
Casino	38,354	37,644	710	1.9%
Gaming taxes	60,324	59,888	436	0.7%
Rooms	1,448	1,398	50	3.6%
Food, beverage, pari-mutuel and other	10,608	10,700	(92)	-0.9%
Marine and facilities	13,967	13,477	490	3.6%
Marketing and administrative	56,120	58,690	(2,570)	-4.4%
Corporate and development	7,230	7,506	(276)	-3.7%
Litigation accrual reversals	(1,979)		(1,979)	N/M
Preopening expense		978	(978)	N/M
Depreciation and amortization	20,171	18,805	1,366	7.3%
Total operating expenses	\$ 206,243	\$ 209,086	(2,843)	-1.4%

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 26, 2014	January 27, 2013		
<b>Revenues:</b>				
Casino	\$ 733,185	\$ 696,583	\$ 36,602	5.3%
Rooms	24,560	23,788	772	3.2%
Food, beverage, pari-mutuel and other	99,123	92,054	7,069	7.7%
Gross revenues	856,868	812,425	44,443	5.5%
Less promotional allowances	(163,044)	(146,414)	(16,630)	11.4%
Net revenues	693,824	666,011	27,813	4.2%
<b>Operating expenses:</b>				
Casino	118,414	109,809	8,605	7.8%
Gaming taxes	185,454	172,988	12,466	7.2%
Rooms	5,221	4,934	287	5.8%
Food, beverage, pari-mutuel and other	31,724	29,398	2,326	7.9%
Marine and facilities	42,969	40,161	2,808	7.0%
Marketing and administrative	175,010	168,140	6,870	4.1%
Corporate and development	21,314	26,757	(5,443)	-20.3%
Litigation accrual reversals	(9,330)		(9,330)	N/M
Preopening expense	3,898	4,319	(421)	N/M
Depreciation and amortization	60,495	51,402	9,093	17.7%
Total operating expenses	\$ 635,169	\$ 607,908	27,261	4.5%

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*Casino* Casino revenues decreased \$0.9 million, or 0.4%, for the three months ended January 26, 2014, as compared to the same period in fiscal 2013. Excluding casino revenues of \$7.0 million at our Nemaquin property, casino revenues decreased \$7.9 million or 3.3% compared to prior year. Casino revenues decreased at



## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

our Iowa and Kansas City properties by \$3.4 million and \$1.8 million, respectively, due to the combination of severe winter weather and market conditions in fiscal 2014 as compared to fiscal 2013. Our Cape Girardeau property decreased by \$1.8 million due to inclement weather and the impact of initial heightened visitation in fiscal 2013 due to the opening of the property. In addition, our Natchez property decreased by \$1.5 million as a result of market conditions. These decreases were offset by increased revenues of \$3.0 million at our Pompano property which were driven by focused marketing efforts.

Casino operating expenses increased \$0.7 million, or 1.9%, for the three months ended January 26, 2014, as compared to the same period in the prior fiscal year. Excluding casino operating expenses of \$1.7 million at our Nemaacolin properties, casino expenses decreased \$1.0 million, or 2.6% commensurate with casino revenues.

Casino revenues increased \$36.6 million, or 5.3%, for the nine months ended January 26, 2014, as compared to the same period in fiscal 2013. Excluding casino revenues of \$28.2 million and \$17.9 million at our Cape Girardeau and Nemaacolin properties, respectively, during the comparative period for which they were not open during the prior year, our casino revenues decreased \$9.5 million, or 13.6%. Casino revenues decreased at our Natchez, Lula and Kansas City properties by \$10.7 million due to market conditions and weather and decreased at our Iowa and Boonville properties due to weather and disruptions of \$5.7 million and \$3.1 million, respectively. These decreases were offset by increases at our Pompano property of \$11.6 million which were driven by focused marketing efforts.

Casino operating expenses increased \$8.6 million, or 7.8%, for the nine months ended January 26, 2014, as compared to the same period in the prior fiscal year. Excluding casino operating expenses of \$8.8 million at our Cape Girardeau and Nemaacolin properties during the comparative period for which they were not open during the prior year, casino expenses decreased \$0.2 million commensurate with casino revenues.

*Gaming Taxes* State and local gaming taxes decreased \$0.4 million, or 0.7%, and increased \$12.5 million, or 7.2%, for the three and nine months ended January 26, 2014, respectively, as compared to the same period in the prior fiscal year. The increase during the nine months ended January 26, 2014 was commensurate with casino revenues.

*Rooms* Rooms revenue increased \$0.1 million, or 1.5%, and \$0.8 million, or 3.2%, for the three and nine months ended January 26, 2014, respectively, as compared to the same period in the prior fiscal year. This is a result of the increase in Lake Charles revenue for the periods due to the completion of the hotel renovation during the three months ended January 27, 2013. Rooms expense increased commensurate with the increase in rooms revenue.

*Food, Beverage, Pari-Mutuel and Other* Food, beverage, pari-mutuel and other revenues increased \$0.8 million, or 2.6%, and \$7.1 million, or 7.7%, for the three and nine months ended January 26, 2014, respectively, as compared to the same periods in the prior fiscal year. The increases included \$0.9 million for our Nemaacolin property for the three month period and \$5.8 million for our Cape Girardeau and Nemaacolin properties for the comparative period for which they were not open during the prior year.

Food, beverage, pari-mutuel and other expenses were flat for the three months ended January 27, 2014 and increased \$2.3 million, or 7.9%, for the nine months ended January 27, 2014, as compared to the same periods in the prior fiscal year. The increase during the nine month period included \$2.1 million of expense at our Cape Girardeau and Nemaacolin properties for the comparative period for which they were not open during the prior year.

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

*Promotional Allowances* Promotional allowances increased \$3.9 million, or 8.2%, for the three months ended January 26, 2014, which included promotional allowances of \$1.8 million at our Nemaquin property. The Pompano property's promotional allowances increased \$1.2 million which helped contribute to their increase in casino revenues.

Promotional allowances increased \$16.6 million, or 11.4%, for the nine months ended January 26, 2014, which included promotional allowances of \$8.9 million at our Cape Girardeau and Nemaquin properties for the

## Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

comparative period for which they were not open during the prior year and a \$6.0 million increase at our Pompano property which helped contribute to their increase in casino revenues.

*Marine and Facilities* Marine and facilities expenses increased \$0.5 million, or 3.6%, for the three months ended January 26, 2014 as compared to the same period in the prior fiscal year. Excluding facilities expense for our Nemaquin property of \$0.3 million, marine and facilities expense increased by \$0.2 million or 1.1%.

Marine and facilities expenses increased \$2.8 million, or 7.0%, for the nine months ended January 26, 2014 as compared to the same period in the prior fiscal year. Excluding marine and facilities expense for our Cape Girardeau and Nemaquin properties of \$2.5 million for the comparative period for which they were not open during the prior year, marine and facilities expense were relatively unchanged.

*Marketing and Administrative* Marketing and administrative expenses decreased \$2.6 million, or 4.4%, for the three months ended January 26, 2014 as compared to the same period in the prior fiscal year. Excluding marketing and administrative expenses of \$2.7 million at our Nemaquin property, marketing and administrative expenses decreased \$5.3 million, or 9.0%, due to changes in our marketing programs as well as savings from cost reduction initiatives.

Marketing and administrative expenses increased \$6.9 million, or 4.1%, for the nine months ended January 26, 2014 as compared to the same period in the prior fiscal year. Excluding marketing and administrative expenses of \$14.4 million at our Cape Girardeau and Nemaquin properties for the comparative period for which they were not open during the prior year, marketing and administrative expenses decreased \$7.5 million, or 4.5%, due to changes in our marketing programs as well as savings from cost reduction initiatives.

*Corporate and Development* During the three months ended January 26, 2014, our corporate and development expenses decreased \$0.3 million, or 3.7%, from the same period in the prior fiscal year due to savings from cost reduction initiatives.

During the nine months ended January 26, 2014, our corporate and development expenses decreased \$5.4 million, or 20.3%, compared to the same period in the prior fiscal year. The nine months ended January 26, 2014 includes a gain of \$1.0 million from the sale of our corporate aircraft and the prior nine month period included \$1.5 million of non-recurring debt refinancing costs and \$1.0 million of increased legal expenses. The remaining decrease is due to other savings achieved through cost reduction initiatives.

*Depreciation and Amortization* Depreciation and amortization expense for the three and nine months ended January 26, 2014 increased \$1.4 million and \$9.1 million, respectively, and is related to the depreciation at our Cape Girardeau and Nemaquin properties.

### *Other Income (Expense) and Income Taxes*

Interest expense, interest income, derivative income and income tax benefit for the three and nine months ended January 26, 2014 and January 27, 2013 are as follows:

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 26, 2014	January 27, 2013		
Interest expense	\$ (21,910)	\$ (22,005)	\$ 95	-0.4%
Interest income	84	100	(16)	-16.0%
Derivative income		222	(222)	-100.0%
Income tax benefit	13,270	302	12,968	4294.0%

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 26, 2014	January 27, 2013		
Interest expense	\$ (59,758)	\$ (64,414)	\$ 4,656	-7.2%
Interest income	260	406	(146)	-36.0%
Derivative income	398	532	(134)	-25.2%
Income tax benefit	10,499	166	10,333	6224.7%

*Interest Expense* Interest expense decreased by \$0.1 million and \$4.7 million for the three and nine months ended January 26, 2014, respectively, as compared to the same periods in the prior fiscal year. This change primarily reflects the reversal of \$0.2 million in interest expense related to the Silver Land legal proceedings during the three month period and the reversal of \$7.4 million in interest expense related to the Greek litigation proceedings during the nine month period. This decrease was offset by the additional interest associated with the senior notes issued in August 2012 and March 2013, as well as the reduction of capitalized interest during fiscal 2014 compared to fiscal 2013.

### Liquidity and Capital Resources

*Cash Flows from Operating Activities* - During the nine months ended January 26, 2014, we generated \$48.5 million in cash flows from operating activities compared to generating \$79.5 million during the nine months ended January 27, 2013. The year over year decrease in cash flows from operating activities is the result of business volumes and working capital changes. Additionally, the cash flows from operating activities for the first nine months of fiscal 2013 includes the collection of \$7.5 million of insurance receivables related to flooding during fiscal 2012.

*Cash Flows used in Investing Activities* - During the nine months ended January 26, 2014, we used \$37.6 million for investing activities compared to using \$95.9 million during the nine months ended January 27, 2013. Significant investing activities for the nine months ended January 26, 2014 included capital expenditures of \$32.9 million, of which \$17.4 million related to Nemaocolin, as well as an additional \$7.5 million toward a Nemaocolin table gaming license. These outflows were offset by \$1.7 million of cash inflows from the change in restricted cash and investments and \$1.2 million in proceeds from the sale of property and equipment.

Significant investing activities for the nine months ended January 27, 2013 included capital expenditures of \$123.6 million, of which \$83.1 million related to Cape Girardeau and Nemaocolin as well as an additional \$5.0 million toward a Nemaocolin slot license. Cash generated from investing activities primarily consists of net proceeds from the sale of our casino in Biloxi, Mississippi of \$33.2 million.

*Cash Flows used in Financing Activities* During the nine months ended January 26, 2014, our net cash flows used in financing activities were primarily from repayments of \$9.9 million of borrowings under our Credit Facility. During the nine months ended January 27, 2013, our net cash flows used in financing activities were \$10.2 million, including repayments of \$357.3 million of our 7% senior subordinated notes, repayments of \$4.1 million in other long-term debt, proceeds of \$350 million from the issuance of our 8.875% senior subordinated notes, \$10.0 million in net borrowings under the revolving line of credit and payments for deferred financing costs of \$8.8 million.

*Availability of Cash and Additional Capital* - At January 26, 2014, we had cash and cash equivalents of \$68.4 million and marketable securities of \$25.5 million. As of January 26, 2014, we had \$145.0 million in outstanding revolving credit borrowings under our Credit Facility and our net line of credit availability was approximately \$120.0 million.

We completed the sale of our Rhythm City casino in Davenport, Iowa, on February 3, 2014, and received approximately \$50 million in net proceeds. We have utilized the proceeds to reduce borrowings under our Credit Facility.

*Capital Expenditures and Development Activities* As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to: obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

In June 2013, we completed the construction of Lady Luck Nemaocolin, a new casino at the Nemaocolin Woodlands Resort in Western Pennsylvania, and our casino opened July 1, 2013. To date, we have expended \$54.6 million, including licensing fees of \$12.5 million.

On February 1, 2013, we signed an agreement with Tower Investments, Inc. to manage The Provence, the resort and casino on North Broad Street, Philadelphia, proposed by Tower Entertainment, LLC (the Tower JV), if the project is selected by the Pennsylvania Gaming Control Board. The Tower JV is one of six applicants for the final gaming license in Philadelphia. As part of our agreement with the Tower JV, we committed to loan \$25 million to the Tower JV for the purpose of securing the Pennsylvania gaming license fee relating to the project. The commitment for the loan is secured by a stand by letter of credit, which can only be drawn upon if the Tower JV is awarded the license. If the Tower JV is selected, we have the option to either 1) be repaid from the proceeds of permanent financing or 2) convert the \$25 million loan into a minority investment in the Tower JV.

Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. The timing, completion and amount of additional capital projects will be subject to improvement of economic and local market conditions, cash flows from our continuing operations and borrowing availability under our Credit Facility.

Typically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flow and debt financing. While we believe that cash on hand, cash flow from operations, and available borrowings under our Credit Facility will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future, there is no assurance that these sources will in fact provide adequate funding for our planned and necessary expenditures or that the level of our capital investments will be sufficient to allow us to remain competitive in our existing markets.

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our Credit Facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

### **Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;

- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and
- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.



For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2013 Annual Report on Form 10-K. There were no newly identified significant accounting estimates in the third quarter of fiscal year 2014, nor were there any material changes to the critical accounting policies and estimates set forth in our 2013 Annual Report.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with the Isle of Capri Casinos, Inc. senior secured credit facility ( Credit Facility ).

**ITEM 4. CONTROLS AND PROCEDURES**

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of January 26, 2014. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of January 26, 2014, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act of 1934 and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in our internal controls over financial reporting during the fiscal quarter ended January 26, 2014, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

A reference is made to the information contained in Footnote 11 of our unaudited consolidated financial statements included herein, which is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

We are not aware of any material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K for the fiscal year ended April 28, 2013.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

We have purchased our common stock under stock repurchase programs. These programs allow for the repurchase of up to 6,000,000 shares. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases have been made under the program since September 2007.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURE**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ISLE OF CAPRI CASINOS, INC.**

Dated: March 4, 2014

/s/ DALE R. BLACK  
Dale R. Black  
Chief Financial Officer  
(Principal Financial Officer and Authorized Officer)

31

---

Edgar Filing: ISLE OF CAPRI CASINOS INC - Form 10-Q

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following financial statements and notes from the Isle of Capri Casinos, Inc. Quarterly Report on Form 10-Q as of and for the three and nine months ended January 26, 2014, filed on March 4, 2014, formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Comprehensive Income; (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.