

ISLE OF CAPRI CASINOS INC
Form 10-Q
February 27, 2015

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 25, 2015

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.

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 24, 2015, the Company had a total of 40,027,800 shares of Common Stock outstanding (which excludes 2,038,348 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 25, 2015 (unaudited)	April 27, 2014
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 67,140	\$ 69,830
Marketable securities	27,999	27,289
Accounts receivable, net	11,824	12,615
Income taxes receivable	184	73
Deferred income taxes	3,898	4,106
Prepaid expenses and other assets	21,770	18,526
Total current assets	132,815	132,439
Property and equipment, net	927,692	955,604
Other assets:		
Goodwill	108,970	108,970
Other intangible assets, net	54,282	54,911
Deferred financing costs, net	20,080	23,439
Restricted cash and investments	9,173	9,807
Prepaid deposits and other	4,816	4,904
Total assets	\$ 1,257,828	\$ 1,290,074
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 200	\$ 230
Accounts payable	21,126	20,869
Accrued liabilities:		
Payroll and related	36,051	34,700
Property and other taxes	20,107	20,360
Interest	19,631	16,920
Progressive jackpots and slot club awards	16,181	16,306
Other	20,036	18,478
Total current liabilities	133,332	127,863
Long-term debt, less current maturities	1,020,722	1,066,071
Deferred income taxes	38,413	35,870
Other accrued liabilities	18,661	18,495
Other long-term liabilities	22,489	22,391
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 25, 2015 and April 27, 2014	421	421
Class B common stock, \$.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	248,169	247,819
Retained earnings (deficit)	(199,828)	(201,913)
	48,762	46,327

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Treasury stock, 2,038,348 shares at January 25, 2015 and 2,236,971 at April 27, 2014	(24,551)	(26,943)
Total stockholders' equity	24,211	19,384
Total liabilities and stockholders' equity	\$ 1,257,828	\$ 1,290,074

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 25, 2015	January 26, 2014	January 25, 2015	January 26, 2014
Revenues:				
Casino	\$ 256,842	\$ 235,843	\$ 767,359	\$ 733,185
Rooms	6,991	6,933	23,777	24,560
Food, beverage, pari-mutuel and other	34,281	32,404	102,839	99,123
Gross revenues	298,114	275,180	893,975	856,868
Less promotional allowances	(57,050)	(50,990)	(172,345)	(163,044)
Net revenues	241,064	224,190	721,630	693,824
Operating expenses:				
Casino	40,344	38,354	120,747	118,414
Gaming taxes	66,182	60,324	195,052	185,454
Rooms	1,371	1,448	5,123	5,221
Food, beverage, pari-mutuel and other	11,121	10,608	33,167	31,724
Marine and facilities	14,111	13,967	43,318	42,969
Marketing and administrative	55,485	56,120	175,704	175,010
Corporate and development	5,880	7,230	21,763	21,314
Litigation accrual reversals		(1,979)		(9,330)
Preopening expense				3,898
Depreciation and amortization	19,528	20,171	58,781	60,495
Total operating expenses	214,022	206,243	653,655	635,169
Operating income	27,042	17,947	67,975	58,655
Interest expense	(20,927)	(21,910)	(63,370)	(59,758)
Interest income	94	84	273	260
Derivative income				398
Income (loss) from continuing operations before income taxes	6,209	(3,879)	4,878	(445)
Income tax (provision) benefit	(786)	13,270	(2,793)	10,499
Income from continuing operations	5,423	9,391	2,085	10,054
Income from discontinued operations, net of income taxes		1,266		3,778
Net income	\$ 5,423	\$ 10,657	\$ 2,085	\$ 13,832
Income per common share-basic:				
Income from continuing operations	\$ 0.14	\$ 0.24	\$ 0.05	\$ 0.25
Income from discontinued operations, net of income taxes		0.03		0.10
Net income	\$ 0.14	\$ 0.27	\$ 0.05	\$ 0.35
Earnings per common share-diluted:				
Income from continuing operations	\$ 0.13	\$ 0.24	\$ 0.05	\$ 0.25
Income from discontinued operations, net of income taxes		0.03		0.10
Net income	\$ 0.13	\$ 0.27	\$ 0.05	\$ 0.35
Weighted average basic shares	40,028,776	39,828,740	39,929,845	39,699,295
Weighted average diluted shares	40,336,663	39,911,715	40,062,008	39,758,965

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 25, 2015	January 26, 2014	January 25, 2015	January 26, 2014
Net income	\$ 5,423	\$ 10,657	\$ 2,085	\$ 13,832
Other comprehensive income, net of tax:				
Deferred hedge adjustment, net of income tax provision of \$149 for the nine months ended January 26, 2014				247
Comprehensive income	\$ 5,423	\$ 10,657	\$ 2,085	\$ 14,079

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)		Treasury Stock		Total Stockholders Equity
Balance, April 27, 2014	42,066,148	\$	421	\$	247,819	\$	(201,913)	\$	(26,943)	\$	19,384
Net income							2,085				2,085
Other comprehensive income, net of tax											
Issuance of restricted stock from treasury stock, net of forfeitures					(2,392)				2,392		
Stock compensation expense					2,742						2,742
Balance, January 25, 2015	42,066,148	\$	421	\$	248,169	\$	(199,828)	\$	(24,551)	\$	24,211

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	January 25, 2015	January 26, 2014
Operating activities:		
Net income	\$ 2,085	\$ 13,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,781	61,857
Amortization of deferred financing costs	3,359	3,344
Amortization of debt discount	194	180
Deferred income taxes	2,751	(9,812)
Stock compensation expense	2,742	3,532
Litigation accrual reversals		(16,953)
Gain on derivative instruments		(398)
Loss (gain) on disposal of assets	46	(1,002)
Changes in operating assets and liabilities:		
Marketable securities	(710)	43
Accounts receivable	791	927
Income taxes receivable	(111)	(761)
Prepaid expenses and other assets	(3,137)	(2,129)
Accrued interest	2,711	2,823
Accounts payable and accrued liabilities	2,745	(7,028)
Net cash provided by operating activities	72,247	48,455
Investing activities:		
Purchase of property and equipment	(30,032)	(32,941)
Proceeds from asset sales, net	54	1,156
Payment towards gaming licenses		(7,500)
Restricted cash and investments	614	1,717
Net cash used in investing activities	(29,364)	(37,568)
Financing activities:		
Principal payments on debt	(173)	(361)
Net repayments on line of credit	(45,400)	(9,900)
Payment of deferred financing costs		(673)
Net cash used in financing activities	(45,573)	(10,934)
Net decrease in cash and cash equivalents	(2,690)	(47)
Cash and cash equivalents, beginning of period	69,830	68,469
Cash and cash equivalents, end of the period	\$ 67,140	\$ 68,422

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. Our wholly owned subsidiaries own or operate fifteen casino gaming facilities in the United States located in Black Hawk, Colorado; Pompano Beach, Florida; Bettendorf, 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 condensed 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 condensed or omitted. In management's opinion, the accompanying interim condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results presented. The accompanying interim condensed 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 condensed 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 27, 2014 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 or our website at www.islecorp.com.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2015 and 2014 are both 52-week years, which commenced on April 28, 2014 and April 29, 2013, respectively.

The condensed 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.

Discontinued Operations - Discontinued operations include our former Davenport, Iowa casino operations sold in February 2014. The results of our discontinued operations are summarized as follows:

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

3. New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Update No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period. This update requires awards with a performance target which affects vesting and could be achieved after the requisite service period, be treated as a performance condition and should not be reflected in estimating the grant date fair value of the award. This update is effective for annual periods ending after December 15, 2015. Early adoption is permitted. The Company is evaluating the potential impact of the update on future grants under its stock-based compensation plans.

4. Long-Term Debt

Long-term debt consists of the following:

	January 25, 2015	April 27, 2014
Senior Secured Credit Facility:		
Revolving line of credit, expires April 19, 2018, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 19,300	\$ 64,700
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	298,682	298,488
8.875% Senior Subordinated Notes, interest payable Semi-annually June 15 and December 15	350,000	350,000
Other	2,940	3,113
	1,020,922	1,066,301
Less current maturities	200	230
Long-term debt	\$ 1,020,722	\$ 1,066,071

Senior Secured Credit Facility Our Senior Secured Credit Facility as amended and restated (Credit Facility) 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 guaranteed by substantially all of our significant subsidiaries.

Our net revolving line of credit availability at January 25, 2015, as limited by our outstanding borrowings, was approximately \$273,000, after consideration of approximately \$7,400 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 25, 2015 was 3.50%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with 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 25, 2015.

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On October 29, 2014, we amended our Credit Facility to revise the definition of consolidated EBITDA to exclude the costs associated with the Colorado Referendum and certain severance expenses related to the corporate restructuring.

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.

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.

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 Footnote 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 per share:

	Three Months Ended		Nine Months Ended	
	January 25, 2015	January 26, 2014	January 25, 2015	January 26, 2014
Numerator:				
Income applicable to common shares:				
Income from continuing operations	\$ 5,423	\$ 9,391	\$ 2,085	\$ 10,054
Income from discontinued operations		1,266		3,778
Net income	\$ 5,423	\$ 10,657	\$ 2,085	\$ 13,832
Denominator:				
Denominator for basic income per share - weighted average shares	40,028,776	39,828,740	39,929,845	39,699,295
Effect of dilutive securities Employee stock options	55,644	54,508	48,082	50,181
Restricted stock units	252,243	28,467	84,081	9,489
Denominator for diluted income per share - adjusted weighted average shares and assumed conversions	40,336,663	39,911,715	40,062,008	39,758,965
Basic income per share:				
Income from continuing operations	\$ 0.14	\$ 0.24	\$ 0.05	\$ 0.25
Income from discontinued operations		0.03		0.10
Net income	\$ 0.14	\$ 0.27	\$ 0.05	\$ 0.35
Diluted income per share:				
Income from continuing operations	\$ 0.13	\$ 0.24	\$ 0.05	\$ 0.25
Income from discontinued operations		0.03		0.10
Net income	\$ 0.13	\$ 0.27	\$ 0.05	\$ 0.35

Our basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding for the period. Diluted earnings per share reflect the additional dilution from all potentially dilutive securities such as stock options and restricted stock units. Stock options with an exercise price in excess of the average market price of our common stock during the periods presented are not considered when calculating diluted earnings per share as they would be anti-dilutive. Restricted stock units where the market performance condition has not been achieved as of the end of the period have also been excluded from calculating diluted earnings per share. Excluded securities are as follows:

	Three Months Ended		Nine Months Ended	
	January 25, 2015	January 26, 2014	January 25, 2015	January 26, 2014
Employee stock options	205,060	753,860	205,060	753,860
Restricted stock units	1,269,351	1,332,740	1,269,351	1,332,740

6. Stock Based Compensation

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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 1,656,943 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 considered a range of assumptions including

volatility and risk-free interest rates. The aggregate compensation cost related to these RSUs is \$4,695 to be recognized over the vesting periods. As of January 25, 2015, our unrecognized compensation cost for these RSUs was \$922.

Restricted Stock During the nine months ended January 25, 2015, we issued 107,214 shares of restricted stock with a weighted average grant date fair value of \$7.92 to employees and 122,325 shares of restricted stock with a weighted-average grant date fair value of \$7.24 to directors. Restricted stock awards are made to employees and directors under annual long-term incentive grants which primarily vest one-third on each anniversary of the grant date for employees and vests one-half on the grant date and one-half on the first anniversary of the grant date for directors. Our aggregate estimate of forfeitures for restricted stock for employees and directors is 12% and 0%, respectively. As of January 25, 2015, our unrecognized compensation cost for unvested restricted stock was \$1,109 with a remaining weighted average vesting period of 0.95 years.

7. Fair Value

Items Measured at Fair Value on a Recurring Basis The following table sets forth the assets measured at fair value on a recurring basis, by input level, in the consolidated balance sheets at January 25, 2015 and April 27, 2014:

	Level 1	January 25, 2015 Level 2	Total
Assets:			
Marketable securities	\$ 8,581	\$ 19,418	\$ 27,999
Restricted cash and investments	4,748	4,425	9,173

	Level 1	April 27, 2014 Level 2	Total
Assets:			
Marketable securities	\$ 10,074	\$ 17,215	\$ 27,289
Restricted cash and investments	4,459	5,348	9,807

Marketable securities The estimated fair values of our marketable securities are determined on an individual asset basis based upon quoted prices of identical assets available in active markets (Level 1), quoted prices of identical assets in inactive markets, or quoted prices for similar assets in active and inactive markets (Level 2), and represent the amounts we would expect to receive if we sold these marketable securities.

Restricted cash and investments The estimated fair values of our restricted cash and investments are based upon quoted prices available in active markets (Level 1), or quoted prices for similar assets in active and inactive markets (Level 2), and represent the amounts we would expect to receive if we sold our restricted cash and investments.

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

	January 25, 2015		April 27, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Revolving line of credit	\$ 19,300	\$ 18,914	\$ 64,700	\$ 63,083
5.875% Senior notes	350,000	365,750	350,000	351,750
7.75% Senior notes	298,682	312,357	298,488	318,576
8.875% Senior subordinated notes	350,000	372,712	350,000	373,520
Other long-term debt	2,940	2,940	3,113	3,113
Other long-term liabilities	22,489	22,489	22,391	22,391

The fair value of our long-term debt or other long-term liabilities 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 (provision) benefit from continuing operations is as follows:

	Three Months Ended		Nine Months Ended	
	January 25, 2015	January 26, 2014	January 25, 2015	January 26, 2014
Federal taxes at the statutory rate	\$ (2,173)	\$ 1,358	\$ (1,707)	\$ 156
State taxes	72	(45)	592	(492)
Permanent differences	(197)	(353)	(2,202)	(885)
Tax credits	113	570	784	1,082
Other	(1)	1,566	(40)	1,465
Valuation allowance	1,400	10,174	(220)	9,173
Income tax (provision) benefit from continuing operations	\$ (786)	\$ 13,270	\$ (2,793)	\$ 10,499

Our income tax (provision) benefit from continuing operations consists of changes in the deferred tax liability attributable to indefinite lived intangibles and expense in state jurisdictions without net operating loss carryforwards available. During the three months ended January 26, 2014, we released a valuation allowance of \$11,993 related to the expected utilization of the deferred tax liability associated with Davenport's goodwill. The assets related to Davenport were classified as held for sale as of January 26, 2014, which resulted in the goodwill's deferred tax liability having a finite life.

As of January 25, 2015, we have a full valuation allowance on our federal and state deferred tax assets and have concluded that the valuation allowance was still needed due to our history of cumulative losses. During fiscal 2014, our Florida operations experienced their second consecutive year of substantive pretax income. These operations have continued to be profitable through the nine months ended January 25, 2015. While this is positive information, we have concluded that a valuation allowance is still required on the deferred tax assets related to these

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operations based on our history of losses. We continue to review our cumulative income position and income trend, as well as our future projections of sustained profitability for our Florida operations. If this profitability trend continues for the remainder of the fiscal year, we may reverse substantially all of our Florida state valuation allowance of approximately \$2,800 as early as the end of fiscal year 2015.

9. Supplemental Disclosures

Cash Flow For the nine months ended January 25, 2015 and January 26, 2014, we made net cash interest payments of \$57,300 and \$61,139, respectively. Additionally, we made net income tax payments of \$151 and received net income tax refunds of \$93 during the nine months ended January 25, 2015 and January 26, 2014, respectively.

For the nine months ended January 25, 2015 and January 26, 2014, the accrued purchases of property and equipment in accounts payable increased by \$310 and decreased by \$6,661, 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 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 is joint and several with the guarantees of the other subsidiaries.

During the nine months ended January 25, 2015, our wholly owned subsidiary, IOC-Davenport, Inc., changed designations from a Guarantor Subsidiary to a Non-Guarantor Subsidiary. All periods presented below reflect the operations of IOC-Davenport, Inc. as a Non-Guarantor Subsidiary.

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Consolidating condensed balance sheets as of January 25, 2015 and April 27, 2014 are as follows:

	As of January 25, 2015				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 20,760	\$ 80,641	\$ 34,000	\$ (2,586)	\$ 132,815
Intercompany receivables	469,584			(469,584)	
Investments in subsidiaries	561,764	3,358		(565,122)	
Property and equipment, net	7,024	882,677	37,991		927,692
Other assets	30,012	150,352	20,234	(3,277)	197,321
Total assets	\$ 1,089,144	\$ 1,117,028	\$ 92,225	\$ (1,040,569)	\$ 1,257,828
Current liabilities	\$ 37,003	\$ 70,375	\$ 28,540	\$ (2,586)	\$ 133,332
Intercompany payables		444,147	25,437	(469,584)	
Long-term debt, less current maturities	1,020,653		69		1,020,722
Other accrued liabilities	7,277	68,324	7,239	(3,277)	79,563
Stockholders' equity	24,211	534,182	30,940	(565,122)	24,211
Total liabilities and stockholders' equity	\$ 1,089,144	\$ 1,117,028	\$ 92,225	\$ (1,040,569)	\$ 1,257,828

	As of April 27, 2014				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 16,131	\$ 80,918	\$ 35,589	\$ (199)	\$ 132,439
Intercompany receivables	530,886			(530,886)	
Investments in subsidiaries	535,662	3,358		(539,020)	
Property and equipment, net	6,693	907,175	41,736		955,604
Other assets	35,837	151,044	20,236	(5,086)	202,031
Total assets	\$ 1,125,209	\$ 1,142,495	\$ 97,561	\$ (1,075,191)	\$ 1,290,074
Current liabilities	\$ 33,447	\$ 67,899	\$ 26,716	\$ (199)	\$ 127,863
Intercompany payables		495,416	35,470	(530,886)	
Long-term debt, less current maturities	1,065,913		158		1,066,071
Other accrued liabilities	6,465	68,002	7,375	(5,086)	76,756
Stockholders' equity	19,384	511,178	27,842	(539,020)	19,384
Total liabilities and stockholders' equity	\$ 1,125,209	\$ 1,142,495	\$ 97,561	\$ (1,075,191)	\$ 1,290,074

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Consolidating condensed statements of operations for the three and nine months ended January 25, 2015 and January 26, 2014 are as follows:

	For the Three Months Ended January 25, 2015					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated	
Statement of Operations						
Revenues:						
Casino	\$	\$	247,265	\$	9,577	\$ 256,842
Rooms, food, beverage, pari-mutuel and other	32		40,268		3,199	(2,227) 41,272
Management fee revenue	8,557				(8,557)	
Gross revenues	8,589		287,533		12,776	(10,784) 298,114
Less promotional allowances			(54,545)		(2,505)	(57,050)
Net revenues	8,589		232,988		10,271	(10,784) 241,064
Operating expenses:						
Casino			38,572		1,772	40,344
Gaming taxes			62,404		3,778	66,182
Rooms, food, beverage, pari-mutuel and other	7,327		78,963		3,905	(2,227) 87,968
Management fee expense			8,257		300	(8,557)
Depreciation and amortization	506		17,655		1,367	19,528
Total operating expenses	7,833		205,851		11,122	(10,784) 214,022
Operating income (loss)	756		27,137		(851)	27,042
Interest expense, net	(10,773)		(9,532)		(528)	(20,833)
Equity in income (loss) of subsidiaries	9,822				(9,822)	
Income (loss) from continuing operations before income taxes	(195)		17,605		(1,379)	(9,822) 6,209
Income tax (provision) benefit	5,618		(7,300)		896	(786)
Income (loss) from continuing operations	5,423		10,305		(483)	(9,822) 5,423
Income (loss) of discontinued operations						
Net income (loss)	\$ 5,423	\$	10,305	\$	(483)	\$ (9,822) 5,423

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	For the Three Months Ended January 26, 2014					
Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated	
Revenues:						
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
Operating expenses:						
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, net	(11,168)	(9,746)	(912)			(21,826)
Equity in income (loss) of subsidiaries	5,546			(5,546)		
Income (loss) from continuing operations before income taxes	(3,412)	9,286	(4,207)	(5,546)		(3,879)
Income tax (provision) benefit	12,803	(663)	1,130			13,270
Income (loss) from continuing operations	9,391	8,623	(3,077)	(5,546)		9,391
Income (loss) of discontinued operations	1,266		937	(937)		1,266
Net income (loss)	\$ 10,657	\$ 8,623	\$ (2,140)	\$ (6,483)	\$	10,657

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	For the Nine Months Ended January 25, 2015									
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated					
Statement of Operations										
Revenues:										
Casino	\$	\$	736,244	\$	31,115	\$	767,359			
Rooms, food, beverage, pari-mutuel and other	74		123,463		9,835	(6,756)	126,616			
Management fee revenue	25,357					(25,357)				
Gross revenues	25,431		859,707		40,950	(32,113)	893,975			
Less promotional allowances			(163,896)		(8,449)		(172,345)			
Net revenues	25,431		695,811		32,501	(32,113)	721,630			
Operating expenses:										
Casino			115,783		4,964		120,747			
Gaming taxes			183,187		11,865		195,052			
Rooms, food, beverage, pari-mutuel and other	24,753		246,976		14,102	(6,756)	279,075			
Management fee expense			24,457		900	(25,357)				
Depreciation and amortization	1,483		53,211		4,087		58,781			
Total operating expenses	26,236		623,614		35,918	(32,113)	653,655			
Operating income (loss)	(805)		72,197		(3,417)		67,975			
Interest expense, net	(32,926)		(28,572)		(1,599)		(63,097)			
Equity in income (loss) of subsidiaries	21,399					(21,399)				
Income (loss) from continuing operations before income taxes	(12,332)		43,625		(5,016)	(21,399)	4,878			
Income tax (provision) benefit	14,417		(20,802)		3,592		(2,793)			
Income (loss) from continuing operations	2,085		22,823		(1,424)	(21,399)	2,085			
Income (loss) of discontinued operations										
Net income (loss)	\$	2,085	\$	22,823	\$	(1,424)	\$	(21,399)	\$	2,085

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	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	
Statement of Operations						
Revenues:						
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
Operating expenses:						
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)	(29,174)	4,151			(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)	29,893	2,664	(23,756)		(445)
Income tax (provision) benefit	19,300	(12,004)	3,203			10,499
Income (loss) from continuing operations	10,054	17,889	5,867	(23,756)		10,054
Income (loss) of discontinued operations	3,778		2,714	(2,714)		3,778
Net income (loss)	\$ 13,832	\$ 17,889	\$ 8,581	\$ (26,470)	\$	13,832

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Consolidating condensed statements of cash flows for the nine months ended January 25, 2015 and January 26, 2014 are as follows:

	Nine Months Ended January 25, 2015				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (10,373)	\$ 79,173	\$ 3,447	\$	\$ 72,247
Investing Activities:					
Purchases of property and equipment, net of proceeds	(1,863)	(27,758)	(357)		(29,978)
Restricted cash and investments			614		614
Parent company investment in subsidiaries	56,786			(56,786)	
Net cash provided by (used in) investing activities	54,923	(27,758)	257	(56,786)	(29,364)
Financing Activities:					
Principal payments on debt	(50)		(123)		(173)
Net repayments on line of credit	(45,400)				(45,400)
Net proceeds from (payments to) related parties		(51,269)	(5,517)	56,786	
Net cash provided by (used in) financing activities	(45,450)	(51,269)	(5,640)	56,786	(45,573)
Net increase (decrease) in cash and cash equivalents	(900)	146	(1,936)		(2,690)
Cash and cash equivalents at beginning of period	6,051	53,787	9,992		69,830
Cash and cash equivalents at end of the period	\$ 5,151	\$ 53,933	\$ 8,056	\$	\$ 67,140

	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
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (14,541)	\$ 63,475	\$ (479)	\$	\$ 48,455
Investing Activities:					
Purchases of property and equipment, net of proceeds	(253)	(14,833)	(16,699)		(31,785)
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	(14,833)	(22,482)	(21,625)	(37,568)
Financing Activities:					
Principal payments on debt	(47)		(314)		(361)
Net repayments on line of credit	(9,900)				(9,900)
Payments of deferred financing costs	(673)				(673)

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Net proceeds from (payments to) related parties		(50,982)		29,357		21,625	
Net cash provided by (used in) financing activities	(10,620)	(50,982)		29,043		21,625	(10,934)
Net increase (decrease) in cash and cash equivalents	(3,789)	(2,340)		6,082			(47)
Cash and cash equivalents at beginning of period	6,914	54,612		6,943			68,469
Cash and cash equivalents at end of the period	\$ 3,125	\$ 52,272	\$ 13,025	\$	\$	\$	68,422

11. Commitments and Contingencies

Legal and Regulatory Proceedings 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 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 resulted 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 is seeking damages of approximately \$4,600. In August 2014, we filed a cross claim against the general contractor alleging breach of contract and various indemnity claims. 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.

We and our wholly-owned subsidiary, Riverboat Corporation of Mississippi - Vicksburg, have been 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 disposed of the 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 have been 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 in a final and irrevocable decision 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 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.

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 was selected by the Pennsylvania Gaming Control Board. The agreement included a commitment for a loan that was secured by a stand by letter of credit of \$25,000, which could only be drawn upon if the Tower JV was awarded the license. In November 2014, the license was awarded to another applicant and we cancelled the letter of

credit. In December 2014, we terminated all of our agreements with Tower Investments, Inc.

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, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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 and are not guarantees of future performance. 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 27, 2014.

Executive Overview

We are a 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.

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 27, 2014 and by giving consideration to the following:

Items Impacting Income from Continuing Operations Significant items impacting our income from continuing operations during the periods ended January 25, 2015, and January 26, 2014 are as follows:

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Colorado Referendum Costs During the nine months ended January 25, 2015, the Company incurred costs of \$4.1 million in support of efforts to defeat the proposed November referendum that would have expanded gaming to racetracks in certain Colorado counties.

Property Tax Settlement During the nine months ended January 25, 2015, we reduced property tax expense by \$1.2 million as a result of the settlement of our property tax appeal at our Waterloo, Iowa property for calendar years 2011 through 2014.

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Corporate Restructuring - During the nine months ended January 25, 2015, we eliminated executive positions in the corporate office to maximize efficiency and streamline reporting lines, resulting in severance expense of \$2.3 million.

Casino Openings We opened our Lady Luck Casino on the Nemacolin Woodlands Resort in Farmington, Pennsylvania on July 1, 2013.

Legal Recoveries During February 2014, we received a favorable ruling in our Silver Land legal proceedings. As a result of this favorable ruling, 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 appellant ruling in our Greece gaming license legal proceedings. As a result of this favorable ruling, 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.

Disruption 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 in 2013. These disruptive events had a negative impact on our operating results for the prior year periods.

Income Tax (Provision) Benefit Our income tax (provision) benefit from continuing operations was impacted by changes in the deferred tax liability attributable to indefinite lived intangibles and expense for state jurisdictions where taxable income is generated. Our tax provision was \$0.8 million and \$2.8 million for the three and nine months ended January 25, 2015, respectively.

During the three and 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. 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.

Results of Operations

Revenues and operating expenses for the three and nine months ended January 25, 2015 and January 26, 2014 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 25, 2015	January 26, 2014		
Revenues:				
Casino	\$ 256,842	\$ 235,843	\$ 20,999	8.9%
Rooms	6,991	6,933	58	0.8%
Food, beverage, pari-mutuel and other	34,281	32,404	1,877	5.8%
Gross revenues	298,114	275,180	22,934	8.3%
Less promotional allowances	(57,050)	(50,990)	(6,060)	11.9%
Net revenues	241,064	224,190	16,874	7.5%
Operating expenses:				
Casino	40,344	38,354	1,990	5.2%
Gaming taxes	66,182	60,324	5,858	9.7%
Rooms	1,371	1,448	(77)	-5.3%
Food, beverage, pari-mutuel and other	11,121	10,608	513	4.8%
Marine and facilities	14,111	13,967	144	1.0%
Marketing and administrative	55,485	56,120	(635)	-1.1%
Corporate and development	5,880	7,230	(1,350)	-18.7%
Litigation accrual reversal		(1,979)	1,979	N/M
Depreciation and amortization	19,528	20,171	(643)	-3.2%
Total operating expenses	\$ 214,022	\$ 206,243	7,779	3.8%

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 25, 2015	January 26, 2014		
Revenues:				
Casino	\$ 767,359	\$ 733,185	\$ 34,174	4.7%
Rooms	23,777	24,560	(783)	-3.2%
Food, beverage, pari-mutuel and other	102,839	99,123	3,716	3.7%
Gross revenues	893,975	856,868	37,107	4.3%
Less promotional allowances	(172,345)	(163,044)	(9,301)	5.7%
Net revenues	721,630	693,824	27,806	4.0%
Operating expenses:				
Casino	120,747	118,414	2,333	2.0%
Gaming taxes	195,052	185,454	9,598	5.2%
Rooms	5,123	5,221	(98)	-1.9%
Food, beverage, pari-mutuel and other	33,167	31,724	1,443	4.5%
Marine and facilities	43,318	42,969	349	0.8%
Marketing and administrative	175,704	175,010	694	0.4%
Corporate and development	21,763	21,314	449	2.1%
Litigation accrual reversal		(9,330)	9,330	N/M
Preopening expense		3,898	(3,898)	N/M
Depreciation and amortization	58,781	60,495	(1,714)	-2.8%

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Total operating expenses	\$	653,655	\$	635,169	18,486	2.9%
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Casino Casino revenues increased \$21.0 million, or 8.9%, for the three months ended January 25, 2015, as compared to the same period in fiscal 2014. Casino revenues increased at all 15 properties due to improved macroeconomic trends, favorable weather conditions compared to the prior year quarter and more focused marketing efforts. Notably, our properties in Pompano, Nemacolin, Lula, Kansas City and Black Hawk had year-over-year increases in casino revenues of \$5.0 million, \$2.6 million, \$1.7 million, \$1.5 million and \$1.5 million, respectively.

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Casino operating expenses increased \$2.0 million, or 5.2%, for the three months ended January 25, 2015, as compared to the same period in the prior fiscal year reflecting the increased casino revenues partially offset by savings from cost reduction initiatives.

Casino revenues increased \$34.2 million, or 4.7%, for the nine months ended January 25, 2015, as compared to the same period in fiscal 2014. Casino revenues at our Nemaquin property, which opened July 1, 2013, were \$31.1 million and \$17.9 million for the nine months ended January 25, 2015 and January 26, 2014, respectively. Excluding casino revenues at our Nemaquin property, casino revenues increased \$21.0 million, or 2.9%, primarily due to favorable results in the third quarter of 2015.

Casino operating expenses increased \$2.3 million, or 2.0%, for the nine months ended January 25, 2015, as compared to the same period in the prior fiscal year. Excluding casino operating expenses of \$5.0 million and \$4.2 million at our Nemaquin property for the nine months ended January 25, 2015 and January 26, 2014, respectively, casino expenses increased \$1.6 million, or 1.4%, reflecting the increased casino revenues partially offset by savings from cost reduction initiatives.

Gaming Taxes State and local gaming taxes increased \$5.9 million, or 9.7%, and \$9.6 million, or 5.2%, for the three and nine months ended January 25, 2015, respectively, as compared to the same period in the prior fiscal year. The increase was commensurate with the increase in casino revenues and a change in the mix of our gaming revenues derived from states with higher gaming tax rates.

Rooms Rooms revenue increased \$0.1 million, or 0.8%, and decreased \$0.8 million, or 3.2%, for the three and nine months ended January 25, 2015, respectively, as compared to the same period in the prior fiscal year. The decrease for the nine month period was due to lower occupancy rates.

Food, Beverage, Pari-Mutuel and Other Food, beverage, pari-mutuel and other revenues increased \$1.9 million, or 5.8%, and \$3.7 million, or 3.7%, for the three and nine months ended January 25, 2015, respectively, as compared to the same periods in the prior fiscal year. Excluding food, beverage and other revenue at our Nemaquin property, which opened July 1, 2013, for the nine months ending January 25, 2015 and January 26, 2014 of \$3.1 million and \$2.1 million, respectively, food, beverage and other revenue increased \$2.7 million, for the nine months ended January 25, 2015, as compared to the same period in fiscal 2014, primarily reflective of the increase in casino revenues.

Food, beverage, pari-mutuel and other expenses increased \$0.5 million, or 4.8%, and \$1.4 million, or 4.5%, for the three and nine months ended January 25, 2015, respectively, as compared to the same periods in the prior fiscal year. The increase in expense is commensurate with the increase in food, beverage, pari-mutuel and other revenues.

Promotional Allowances Promotional allowances increased \$6.1 million, or 11.9%, for the three months ended January 25, 2015, reflecting changes in our marketing programs. Promotional allowances increased at our properties in Lake Charles, Pompano and Black Hawk by \$1.4 million, \$1.2 million and \$0.9 million, respectively.

Promotional allowances increased \$9.3 million, or 5.7%, for the nine months ended January 25, 2015, as compared to the same period in fiscal 2014. Excluding promotional allowances at our Nemaquin property, which opened July 1, 2013, for the nine months ending January 25, 2015 and January 26, 2014, of \$8.4 million and \$3.9 million, respectively, promotional allowances increased \$4.8 million, or 3.0%, for the nine

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months ended January 25, 2015, as compared to the same period in fiscal 2014, primarily reflective of changes in our marketing programs.

Marketing and Administrative Marketing and administrative expenses decreased \$0.6 million, or 1.1%, for the three months ended January 25, 2015 as compared to the same period in the prior fiscal year reflecting changes in our marketing programs as well as savings from cost reduction initiatives.

Marketing and administrative expenses increased \$0.7 million, or 0.4%, for the nine months ended January 25, 2015 as compared to the same period in the prior fiscal year. Excluding marketing and administrative expenses at our Nemacolin property for both periods, the \$4.1 million of costs incurred to defeat the Colorado referendum and the \$1.2 million credit related to the property tax settlement at Waterloo, marketing and administrative

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expenses decreased \$3.9 million, or 2.3%, reflecting changes in our marketing programs as well as savings from cost reduction initiatives.

Corporate and Development During the three months ended January 25, 2015, our corporate and development expenses were \$5.9 million compared to \$7.2 million for the three months ended January 26, 2014. The decrease reflects lower stock compensation expense of \$0.2 million and savings due to our corporate realignment completed earlier in fiscal 2015 and continued focus on managing expenses.

During the nine months ended January 25, 2015, our corporate and development expenses were \$21.8 million compared to \$21.3 million for the nine months ended January 26, 2014. The nine months ended January 25, 2015 includes severance of \$2.3 million resulting from the corporate restructuring. The nine months ended January 26, 2014 includes a gain of \$1.0 million from the sale of our corporate aircraft. Excluding these items, corporate and development decreased \$2.9 million, or 12.8%, reflecting lower stock compensation expense of \$0.8 million and savings due to our corporate realignment completed in fiscal 2015 and continued focus on managing expenses.

Depreciation and Amortization Depreciation and amortization expense for the three and nine months ended January 25, 2015 decreased \$0.6 million and \$1.7 million, respectively, primarily due to certain assets becoming fully depreciated.

Other Income (Expense) and Income Taxes

Interest expense, interest income, derivative income and income tax benefit for the three and nine months ended January 25, 2015 and January 26, 2014 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 25, 2015	January 26, 2014		
Interest expense	\$ (20,927)	\$ (21,910)	\$ 983	-4.5%
Interest income	94	84	10	11.9%
Income tax (provision) benefit	(786)	13,270	(14,056)	-105.9%

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 25, 2015	January 26, 2014		
Interest expense	\$ (63,370)	\$ (59,758)	\$ (3,612)	6.0%
Interest income	273	260	13	5.0%
Derivative income		398	(398)	-100.0%
Income tax (provision) benefit	(2,793)	10,499	(13,292)	-126.6%

Interest Expense Interest expense decreased by \$1.0 million and increased by \$3.6 million for the three and nine months ended January 25, 2015, respectively, as compared to the same periods in the prior fiscal year. The three and nine months of the prior year includes the reversal of \$0.2 million in interest expense resulting from the favorable Silver Land litigation ruling and the nine months of the prior year includes the reversal of \$7.4 million in interest expense resulting from the favorable Greek litigation ruling. Excluding these reversals, interest expense decreased \$1.2 million and \$4.0 million in the three and nine months of the current year, respectively, on lower credit facility borrowings.

Liquidity and Capital Resources

Cash Flows provided by Operating Activities - During the nine months ended January 25, 2015, we generated \$72.2 million in cash flows from operating activities compared to generating \$48.5 million during the nine months ended January 26, 2014. The year-over-year increase in cash flows from operating activities is the result of improved operating income, increased business volumes and working capital changes.

Cash Flows used in Investing Activities - During the nine months ended January 25, 2015, we used \$29.4 million for investing activities compared to using \$37.6 million during the nine months ended January 26, 2014. Significant investing activities for the nine months ended January 25, 2015 included capital expenditures of \$30.0 million. 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 Nemacolin, as well as an additional \$7.5 million toward a Nemacolin 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.

Cash Flows used in Financing Activities - During the nine months ended January 25, 2015, our net cash flows used in financing activities were primarily to repay \$45.4 million of borrowings under our Credit Facility. 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.

Availability of Cash and Additional Capital - At January 25, 2015, we had cash and cash equivalents of \$67.1 million and marketable securities of \$28.0 million. As of January 25, 2015, we had \$19.3 million in outstanding revolving credit borrowings under our Credit Facility and our net line of credit availability was approximately \$273.0 million, as limited by our outstanding borrowings and letters of credit.

Capital Expenditures and Development Activities - Historically, as part of our business development activities, 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.

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 was selected by the Pennsylvania Gaming Control Board. The agreement included a commitment for a loan that was secured by a stand by letter of credit of \$25 million, which could only be drawn upon if the Tower JV was awarded the license. In November 2014, the license was awarded to another applicant and we cancelled the letter of credit. In December 2014, we terminated all of our agreements with Tower Investments, Inc.

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

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Typically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flows 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 2014 Annual Report on Form 10-K. There were no newly identified significant accounting estimates in the third quarter of fiscal year 2015, nor were there any material changes to the critical accounting policies and estimates set forth in our 2014 Annual Report.

New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Update No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period. This update requires awards with a performance target which affects vesting and could be achieved after the requisite service period, be treated as a performance condition and should not be reflected in estimating the grant date fair value of the award. This update is effective for annual periods ending after December 15, 2015. Early adoption is permitted. The Company is evaluating the potential impact of the update on future grants under its stock-based compensation plans.

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 our 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 25, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of January 25, 2015, 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 25, 2015, 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

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended April 27, 2014, except for the following:

We face significant competition from other gaming operations, including Native American gaming facilities, and from legalization or expansion of gaming by states in or near where we own properties, that could have a material adverse effect on our future operations.

The gaming industry is intensely competitive, and we face a high degree of competition in the markets in which we operate. We have numerous competitors, including land-based casinos, dockside casinos, riverboat casinos, casinos located on racing, pari-mutuel operations or Native American-owned lands and video lottery and poker machines not located in casinos. We also compete with other forms of legalized gaming and entertainment such as online computer gambling, bingo, pull tab games, card parlors, sports books, cruise-to-nowhere operations, pari-mutuel or telephonic betting on horse racing and dog racing, state-sponsored lotteries, jai-alai, and, in the future, may compete with gaming at other venues. In addition, we compete more generally with other forms of entertainment for the discretionary spending of our customers. We also face the risk that existing competitors will expand their operations and the risk that Native American gaming will continue to grow. For example, an existing competitor in Davenport, Iowa, has announced plans to move its riverboat casino to a new land-based gaming facility that will compete with our Bettendorf, Iowa property. Some of our competitors may have better name recognition, marketing and financial resources than we do; competitors with more financial resources may therefore be able to improve the quality of, or expand, their gaming facilities in a way that we may be unable to match.

In addition, we also face the risk of further legalization and/or expansion of gaming. Certain states have recently legalized, and other states are currently considering legalizing gaming. Our existing casinos attract a significant number of their customers from Houston, Texas; South Florida; Little Rock, Arkansas; and Denver, Colorado. Our continued success depends upon drawing customers from each of these geographic markets. In the past, legislation to legalize or expand gaming has been introduced that would impact some of these markets. In July 2014, the Secretary of State of Colorado declared that proponents of an initiative to expand gaming to horse tracks in Colorado had obtained sufficient signatures to place the initiative on the ballot in November 2014. If passed, the initiative would expand gaming at Arapahoe Park horse racetrack and no more than one horse racetrack in each of Pueblo and Mesa counties where racing and wagering have taken place for at least five consecutive years. On November 4, 2014, the initiative failed. Had the initiative passed, our business would have been adversely affected, particularly our Black Hawk, Colorado property.

We expect similar proposals to legalize or expand gaming will be made in the future in various states, and it is uncertain whether such proposals will be successful. Further, because the economic recession has reduced the revenues of state governments from traditional tax sources, voters

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and state legislatures may be more sympathetic to proposals authorizing or expanding gaming in those jurisdictions.

In addition, there is no limit on the number of gaming licenses that may be granted in several of the jurisdictions in which we operate. As a result, new gaming licenses could be awarded in these jurisdictions, which could allow new gaming operators to enter our markets that could have an adverse effect on our operating results.

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: February 27, 2015

/s/ Eric L. Hausler
Eric L. Hausler
Chief Financial Officer
(Principal Financial Officer and Authorized Officer)
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EXHIBIT NUMBER	DESCRIPTION
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 for the quarter ended January 25, 2015, filed on February 27, 2015, 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.