

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

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

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 Nemaocolin, 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:

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

	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.

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

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

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

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:

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

	April 27, 2014		Total
	Level 1	Level 2	
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.

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

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

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

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.

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

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			