

ISLE OF CAPRI CASINOS INC
Form 10-Q
December 04, 2012

**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 October 28, 2012

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 x No o

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 x No o

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 o

Accelerated filer x

Non-accelerated filer o

Smaller reporting company o

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

As of December 3, 2012, the Company had a total of 39,488,993 shares of Common Stock outstanding (which excludes 2,577,155 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)

	October 28, 2012 (unaudited)	April 29, 2012
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 75,479	\$ 94,461
Marketable securities	24,277	24,943
Accounts receivable, net	8,007	6,941
Insurance receivable		7,497
Income taxes receivable	4,723	2,161
Deferred income taxes	615	627
Prepaid expenses and other assets	28,550	18,950
Assets held for sale	45,557	46,703
Total current assets	187,208	202,283
Property and equipment, net	1,009,406	950,014
Other assets:		
Goodwill	330,903	330,903
Other intangible assets, net	61,167	56,586
Deferred financing costs, net	18,246	13,205
Restricted cash and investments	12,916	12,551
Prepaid deposits and other	7,469	9,428
Total assets	\$ 1,627,315	\$ 1,574,970
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 5,406	\$ 5,393
Accounts payable	33,282	23,536
Accrued liabilities:		
Payroll and related	37,043	38,566
Property and other taxes	25,168	19,522
Interest	14,099	9,296
Progressive jackpots and slot club awards	15,136	14,892
Liabilities related to assets held for sale	8,041	4,362
Other	40,777	40,549
Total current liabilities	178,952	156,116
Long-term debt, less current maturities	1,177,065	1,149,038
Deferred income taxes	35,804	36,057
Other accrued liabilities	32,162	33,583
Other long-term liabilities	16,489	16,556
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 October 28, 2012 and 42,066,148 at April 29, 2012	421	421
Class B common stock, \$.01 par value; 3,000,000 shares authorized; none issued		

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

Additional paid-in capital	244,656	247,855
Retained earnings (deficit)	(26,650)	(26,658)
Accumulated other comprehensive (loss) income	(544)	(855)
	217,883	220,763
Treasury stock, 2,577,155 shares at October 28, 2012 and 3,083,867 at April 29, 2012	(31,040)	(37,143)
Total stockholders' equity	186,843	183,620
Total liabilities and stockholders' equity	\$ 1,627,315	\$ 1,574,970

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		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Revenues:				
Casino	\$ 234,648	\$ 239,707	\$ 484,917	\$ 474,934
Rooms	8,328	8,419	16,958	16,891
Food, beverage, pari-mutuel and other	30,437	30,723	63,243	60,350
Insurance recoveries		111		111
Gross revenues	273,413	278,960	565,118	552,286
Less promotional allowances	(50,206)	(47,534)	(106,088)	(93,256)
Net revenues	223,207	231,426	459,030	459,030
Operating expenses:				
Casino	36,802	38,172	75,298	74,143
Gaming taxes	58,619	59,435	120,247	118,952
Rooms	1,781	1,929	3,554	3,848
Food, beverage, pari-mutuel and other	9,217	9,590	19,321	19,543
Marine and facilities	13,888	14,933	27,588	29,059
Marketing and administrative	56,464	58,594	114,420	115,541
Corporate and development	10,777	9,327	19,250	21,593
Preopening expense	2,654	27	3,341	63
Depreciation and amortization	16,850	19,646	33,672	38,822
Total operating expenses	207,052	211,653	416,691	421,564
Operating income	16,155	19,773	42,339	37,466
Interest expense	(21,985)	(21,877)	(42,416)	(43,702)
Interest income	131	192	306	435
Derivative income (expense)	176	260	310	29
Income (loss) from continuing operations before				
income taxes	(5,523)	(1,652)	539	(5,772)
Income tax (provision) benefit	1,182	622	(136)	2,183
Income (loss) from continuing operations	(4,341)	(1,030)	403	(3,589)
Income from discontinued operations, net of income				
taxes	(2,312)	(427)	(395)	(191)
Net income (loss)	\$ (6,653)	\$ (1,457)	\$ 8	\$ (3,780)
Income (loss) per common share-basic and dilutive:				
Income (loss) from continuing operations	\$ (0.11)	\$ (0.03)	\$ 0.01	\$ (0.09)
Income from discontinued operations, net of income taxes	(0.06)	(0.01)	(0.01)	(0.01)
Net income (loss)	\$ (0.17)	\$ (0.04)	\$	\$ (0.10)
Weighted average basic shares	39,336,134	38,753,049	39,177,208	38,515,099
Weighted average diluted shares	39,336,134	38,753,049	39,192,075	38,515,099

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Net income (loss)	\$ (6,653)	\$ (1,457)	\$ 8	\$ (3,780)
Other comprehensive income, net of tax:				
Deferred hedge adjustment, net of income tax provision of \$88 and \$178 for the three and six months ended October 28, 2012, respectively, and \$252 and \$503 for the three and six months ended October 23, 2011, respectively	149	418	297	836
Unrealized gain on interest rate cap contracts, net of income tax provision of \$0 and \$8 for the three and six months ended October 28, 2012, respectively, and \$20 and \$23 for the three and six months ended October 23, 2011, respectively		34	14	39
Other comprehensive income	149	452	311	875
Comprehensive income (loss)	\$ (6,504)	\$ (1,005)	\$ 319	\$ (2,905)

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share amounts)

(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance, April 29, 2012	42,066,148	\$ 421	\$ 247,855	\$ (26,658)	\$ (855)	\$ (37,143)	\$ 183,620
Net income				8			8
Other comprehensive income (loss), net of tax					311		311
Issuance of restricted stock from treasury stock			(6,103)			6,103	
Stock compensation expense			2,904				2,904
Balance, October 28, 2012	42,066,148	\$ 421	\$ 244,656	\$ (26,650)	\$ (544)	\$ (31,040)	\$ 186,843

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	October 28, 2012	October 23, 2011
Operating activities:		
Net income (loss)	\$ 8	\$ (3,780)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	33,672	43,334
Amortization of deferred financing costs	3,369	2,909
Amortization of debt discount	106	102
Deferred income taxes	(427)	(2,505)
Stock compensation expense	2,904	4,439
Valuation allowance	1,500	
Gain on derivative instruments	(310)	(29)
(Gain) loss on disposal of assets	(52)	46
Changes in operating assets and liabilities:		
Sales (purchases) of trading securities	666	(4,933)
Accounts receivable	(1,131)	1,329
Insurance receivable	7,497	(7,924)
Income tax receivable	(2,562)	541
Prepaid expenses and other assets	(7,761)	(1,273)
Accounts payable and accrued liabilities	19,047	1,153
Net cash provided by operating activities	56,526	33,409
Investing activities:		
Purchase of property and equipment	(89,519)	(34,326)
Purchase of intangible asset	(5,000)	
Restricted cash and investments	(512)	107
Net cash used in investing activities	(95,031)	(34,219)
Financing activities:		
Principal payments on debt	(10,067)	(2,780)
Net borrowings (repayments) on line of credit	38,000	(5,000)
Payment of deferred financing costs	(8,410)	(394)
Proceeds from exercise of stock options	13	13
Net cash provided by (used in) financing activities	19,523	(8,161)
Net decrease in cash and cash equivalents	(18,982)	(8,971)
Cash and cash equivalents, beginning of period	94,461	75,178
Cash and cash equivalents, end of the period	\$ 75,479	\$ 66,207

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 and operate fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Natchez and Vicksburg, Mississippi; Kansas City, Boonville and Caruthersville, Missouri; Bettendorf, Davenport, Marquette and Waterloo, Iowa; and Pompano Beach, Florida. Subsequent to the end of the quarter, we opened our new gaming facility in Cape Girardeau, Missouri, on October 30, 2012 and completed the sale of our Biloxi, Mississippi casino on November 29, 2012.

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 29, 2012 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 2013 is a 52-week year which commenced on April 30, 2012 and fiscal 2012 was a 53-week year, which commenced on April 25, 2011, with the fourth quarter having 14 weeks.

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.

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

We evaluated all subsequent events through the date of the issuance of the consolidated financial statements. Other than the sale of our Biloxi casino operations (See Note 3) and the Credit Facility Amendment (See Note 5), no material subsequent events have occurred that required recognition in the condensed consolidated financial statements.

3. Discontinued Operations

During fiscal 2012, we entered into a definitive agreement to sell our Biloxi, Mississippi casino operations for \$45,000 subject to certain working capital adjustments and regulatory approvals. During the three months ended October 28, 2012, we recorded a \$1,500 valuation allowance reflecting a credit against the purchase price to satisfy our obligation to repair the property after Hurricane Isaac, as required by the purchase agreement. The

balance sheet items related to Biloxi have been classified as held for sale and the results of operations are presented as discontinued operations. This transaction was completed on November 29, 2012.

The results of our discontinued operations are summarized as follows:

	Discontinued Operatons			
	Three Months Ended		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Net revenues	\$ 14,043	\$ 16,045	\$ 31,611	\$ 34,248
Pretax loss from discontinued operations	(2,312)	(695)	(395)	(1,168)
Income tax benefit from discontinued operations		268		977
Loss from discontinued operations	(2,312)	(427)	(395)	(191)

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

	October 28, 2012
Current assets:	
Accounts receivable, net	\$ 479
Prepaid expenses and other assets	1,578
Total current assets	2,057
Property and equipment, net	43,500
Total assets	45,557
Current liabilities	
Accounts payable	1,553
Other accrued liabilities	6,488
Total current liabilities	8,041
Net assets	\$ 37,516

4. Flooding

Flooding along the Mississippi River caused five of our properties to close for portions of the three and six months ended October 23, 2011. A summary of the closure dates and subsequent reopening is as follows:

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

	Closing Date	Reopening Date	Number Days Closed
Davenport, Iowa	April 15, 2011	May 1, 2011	15(A)
Caruthersville, Missouri	May 1, 2011	May 13, 2011	12
Lula, Mississippi	May 3, 2011	June 3, 2011	31
		September 2, 2011	91(B)
Natchez, Mississippi	May 7, 2011	June 17, 2011	41
Vicksburg, Mississippi	May 11, 2011	May 27, 2011	16

(A) Six days of closure in the first quarter of fiscal 2012 and nine days of closure in the fourth quarter of fiscal 2011.

(B) The second casino barge reopened on September 2, 2011 after flood damage was remediated.

During fiscal 2012, we settled all of our claims with our insurance carriers and collected the insurance receivable recorded at April 29, 2012 during the six months ended October 28, 2012.

5. Long-Term Debt

Long-term debt consists of the following:

	October 28, 2012	April 29, 2012
Senior Secured Credit Facility:		
Revolving line of credit, expires March 25, 2016, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 38,000	\$
Variable rate term loans, mature March 25, 2017, principal and interest payments due quarterly at either LIBOR and/or prime plus a margin	492,500	495,000
7.75% Senior Notes, interest payable semi-annually March 15 and September 15, net of discount	298,132	298,026
8.875% Senior Subordinated Notes, interest payable semi-annually June 15 and December 15	350,000	
7% Senior Subordinated Notes, interest payable semi-annually March 1 and September 1		357,275
Other	3,839	4,130
	1,182,471	1,154,431
Less current maturities	5,406	5,393
Long-term debt	\$ 1,177,065	\$ 1,149,038

Credit Facility - Our Senior Secured Credit Facility, as amended (*Credit Facility*), consists of a \$300,000 revolving line of credit and a \$500,000 term loan. The *Credit Facility* is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant subsidiaries.

Our net line of credit availability at October 28, 2012, as limited by our maximum senior secured leverage covenant, was approximately \$199,000, after consideration of \$27,000 in outstanding surety bonds and letters of credit. We pay a commitment fee related to the unused portion of the *Credit Facility* of up to 0.625% which is included in interest expense in the accompanying consolidated statements of operations.

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

The weighted average effective interest rate of the Credit Facility for the six months ended October 28, 2012 was 5.11%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a senior secured leverage ratio, a total leverage ratio and

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

minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with all covenants as of October 28, 2012.

In November 2012, we amended certain provisions of the Credit Facility to: 1) give us more flexibility to incur additional indebtedness, in certain circumstances, 2) increase our flexibility to incur asset sales, 3) modify our maximum allowed leverage covenant and 4) allow for the annualization of EBITDA during the first year of operations on new build projects.

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 net proceeds from the issuance were used to repay term loans under our Credit Facility. The 7.75% Senior Notes are guaranteed, on a joint and several basis, by substantially all of our significant subsidiaries and certain other subsidiaries as described in Note 13. All of the guarantor subsidiaries are wholly owned by us. 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 Senior Notes.

The indenture governing the 7.75% Senior Notes limits, 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 indenture also limits our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

8.875% Senior Subordinated Notes On August 7, 2012, we completed the issuance and sale of \$350,000 of 8.875% Senior Subordinated Notes due 2020 (the New Subordinated Notes) in a private offering. We received net proceeds of \$343,000 for this issuance after deducting underwriting fees. The New Subordinated Notes are guaranteed, on a joint and several basis, by each our subsidiaries that guarantee our Credit Facility. These New Subordinated Notes are general unsecured obligations, rank junior to all of our senior indebtedness and 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 New Subordinated Notes. As required by the terms of a registration rights agreement related to the New Subordinated Notes, we filed a registration statement for an exchange offer of these New Subordinated Notes with the Securities and Exchange Commission on September 25, 2012, which was declared effective on October 3, 2012.

We repurchased and retired all of our \$357,275, 7% Senior Subordinated Notes with proceeds from the issuance of the New Subordinated Notes and cash on hand.

Following completion of the issuance of the New Subordinated Notes and the retirement of the 7% Subordinated Notes due 2014, the maturities of our Credit Facility are extended to March 25, 2016 and March 25, 2017 for the revolving line of credit and term loans, respectively, based upon the Credit Facility.

As a result of the above transactions, we incurred expenses related to the write-off of deferred financing costs, issuance costs and other related fees of approximately \$2,500, including \$1,000 in non-cash charges, during the second quarter of fiscal 2013.

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

In November 2012, pursuant to the exchange offer declared effective on October 3, 2012, we exchanged all of the unregistered New Subordinated Notes for new New Subordinated Notes registered under the Securities Act of 1933, as amended.

6. Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	\$ (4,341)	\$ (1,030)	\$ 403	\$ (3,589)
Loss from discontinued operations	(2,312)	(427)	(395)	(191)
Net income (loss)	\$ (6,653)	\$ (1,457)	\$ 8	\$ (3,780)
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares				
	39,336,134	38,753,049	39,177,208	38,515,099
Effect of dilutive securities				
Employee stock options			14,867	
Denominator for diluted earnings (loss) per share - adjusted weighted average shares and assumed conversions				
	39,336,134	38,753,049	39,192,075	38,515,099
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.11)	\$ (0.03)	\$ 0.01	\$ (0.09)
Loss from discontinued operations	(0.06)	(0.01)	(0.01)	(0.01)
Net income (loss)	\$ (0.17)	\$ (0.04)	\$	\$ (0.10)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.11)	\$ (0.03)	\$ 0.01	\$ (0.09)
Loss from discontinued operations	(0.06)	(0.01)	(0.01)	(0.01)
Net income (loss)	\$ (0.17)	\$ (0.04)	\$	\$ (0.10)

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Stock options representing 1,009,160 shares, which are anti-dilutive, were excluded from the calculation of common shares for diluted income per share for both the three and six months ended October 28, 2012. Due to the loss from continuing operations for the three months ended October 28, 2012, stock options representing 30,236 shares, which are potentially dilutive, were excluded from the calculation of common shares for the diluted loss per share for that period. Due to the loss from continuing operations for the three and six months ended October 23, 2011, stock options representing 22,045 and 38,074 shares, which are potentially dilutive, and 1,169,710 and 1,069,710 shares, which are anti-dilutive, were excluded from the calculation of common shares for diluted loss per share for that period.

7. Stock Based Compensation

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

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

Restricted Stock Units During the six months ended October 28, 2012, 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 1,585,713 shares. Any RSUs earned will vest 50% three years from the grant date and 50% four years from the grant date. The fair value of these RSUs is determined utilizing a lattice pricing model which

considers a range of assumptions including volatility and risk-free interest rates. The aggregate compensation cost related to these RSUs is \$4,669 to be recognized over the vesting periods. As of October 28, 2012, our unrecognized compensation cost for these RSUs is \$4,326.

Restricted Stock During the six months ended October 28, 2012, we issued 330,634 shares of restricted stock with a weighted average grant-date fair value of \$6.03 to employees and 176,078 shares of restricted stock with a weighted-average grant date fair value of \$6.53 to directors. Restricted stock awarded to employees under annual long-term incentive grants primarily vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Our estimate of forfeitures for restricted stock for employees is 5%. No forfeiture rate is estimated for directors. As of October 28, 2012, our unrecognized compensation cost for unvested restricted stock is \$3,251 with a remaining weighted average vesting period of 1.4 years.

Stock Options - We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. We currently estimate our aggregate forfeiture rates at 11%. As of October 28, 2012, our unrecognized compensation cost for unvested stock options was \$128 with a weighted average vesting period of 0.7 years.

8. Interest Rate Derivatives

We have entered into various interest rate derivative agreements in order to manage market risk on variable rate term loans outstanding. We have an interest rate swap agreement with an aggregate notional value of \$50,000 with a maturity date in September 2013. As of October 28, 2012, all of our interest rate cap contracts have matured.

The fair values of derivatives included in our consolidated balance sheet are as follows:

Type of Derivative Instrument	Balance Sheet Location	October 28, 2012	April 29, 2012
Interest rate swap contracts	Accrued interest	\$ 1,708	\$
Interest rate swap contracts	Other long-term liabilities		2,493

The interest rate cap agreements met the criteria for hedge accounting for cash flow hedges. As a result, there was no impact on our consolidated statement of operations from changes in fair value of the interest rate cap agreements. The loss recorded in other comprehensive income (loss) for our interest rate cap agreements is recorded net of deferred income tax benefits of an immaterial amount and \$8 as of October 28, 2012 and April 29, 2012, respectively. The change in unrealized loss on our derivatives qualifying for hedge accounting was an immaterial amount for the three and six months ended October 28, 2012. The change in unrealized loss on our derivatives qualifying for hedge accounting was an immaterial amount and \$26 for the three and six months ended October 23, 2011, respectively.

Our interest rate swaps no longer meet the criteria for hedge effectiveness, and therefore changes in the fair value of the swaps subsequent to the date of ineffectiveness in February 2010, are recorded in derivative income in the consolidated statement of operations. The cumulative loss recorded in other comprehensive income (loss) through the date of ineffectiveness is being amortized into derivative expense over the remaining term of the individual interest rate swap agreements or when the underlying transaction is no longer expected to occur. As of October 28, 2012, the weighted average fixed LIBOR interest rate of our interest rate swap agreement was 3.995%.

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

The loss recorded in other comprehensive income (loss) of our interest rate swap agreements is recorded net of deferred income tax benefits of \$327 and \$506, as of October 28, 2012 and April 29, 2012, respectively.

Derivative income related to the change in fair value of interest rate swap contracts is as follows:

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

	Three Months Ended		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Derivative income	\$ 413	\$ 929	\$ 785	\$ 1,367

Derivative income realized associated with the amortization of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of ineffectiveness is as follows:

	Three Months Ended		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Accumulated OCI amortization	\$ 149	\$ 418	\$ 297	\$ 836
Change in deferred taxes	88	252	178	503
Derivative income	237	670	475	1,339

The amount of accumulated other comprehensive income (loss) related to interest rate swap contracts and interest rate cap contracts maturing within the next twelve months was \$544, net of tax of \$327, as of October 28, 2012.

9. Fair Value

The fair value of our interest swap and cap contracts are recorded using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended October 28, 2012:

Interest Rate Hedges	Three Months Ended		Six Months Ended	
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011
Beginning Balance	\$ (2,121)	\$ (4,592)	\$ (2,493)	\$ (5,004)
Realized gains/(losses)	413	929	785	1,367
Unrealized gains/(losses)				(26)
Ending Balance	\$ (1,708)	\$ (3,663)	\$ (1,708)	\$ (3,663)

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

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

	October 28, 2012		April 29, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 75,479	\$ 75,479	\$ 94,461	\$ 94,461
Marketable securities	24,277	24,277	24,943	24,943
Restricted cash	12,916	12,916	12,551	12,551
Notes receivable	96	96	1,293	1,293
Financial liabilities:				
Revolving line of credit	\$ 38,000	\$ 35,340	\$	\$
Variable rate term loans	492,500	498,656	495,000	498,713
7.75% Senior notes	298,132	320,492	298,026	308,829
7% Senior subordinated notes	N/A	N/A	357,275	358,168
8.875% Senior subordinated notes	350,000	374,063	N/A	N/A
Other long-term debt	3,839	3,839	4,130	4,130
Other long-term obligations	16,489	16,489	16,556	16,556

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

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

Marketable securities are based upon Level 1 inputs obtained from quoted prices available in active markets and represent the amounts we would expect to receive if we sold these marketable securities.

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

10. Accumulated Other Comprehensive Income (Loss)

A detail of accumulated other comprehensive income (loss) is as follows:

	October 28, 2012	April 29, 2012
Interest rate cap contracts	\$	\$ (14)
Interest rate swap contracts	(544)	(841)

\$ (544) \$ (855)

The amount of change in the gain (loss) recognized in accumulated other comprehensive income (loss) related to derivative instruments is as follows:

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

Type of Derivative Instrument	Three Months Ended		Six Months Ended					
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011				
Interest rate cap contract	\$	\$	34	\$	14	\$	39	
Interest rate swap contracts		149	418		297		836	
	\$	149	\$	452	\$	311	\$	875

11. Income Taxes

Our effective income tax rates from continuing operations for the three and six months ended October 28, 2012 were 21.4% and 25.1%, respectively, of pretax income. Our effective income tax rates from continuing operations for the three and six months ended October 23, 2011 were 37.7% and 37.8%, respectively, of pretax income. Our income tax provision (benefit) from continuing operations and our effective rate are based on statutory rates applied to our income adjusted for permanent differences and to account for changes in valuation allowances. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items, including fluctuations in valuation allowances, used in the calculation of our income tax benefit.

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

	Three Months Ended		Six Months Ended					
	October 28, 2012	October 23, 2011	October 28, 2012	October 23, 2011				
Federal taxes	\$	(1,933)	\$	(578)	\$	189	\$	(2,020)
State taxes		(218)		(129)		29		(418)
Permanent differences		405		303		661		533
Tax credits		(355)		(370)		(710)		(596)
Other		(94)		152		20		318
Valuation allowance		1,013				(53)		
Income tax (benefit) provision from continuing operations	\$	(1,182)	\$	(622)	\$	136	\$	(2,183)

12. Supplemental Disclosures

Cash Flow For the six months ended October 28, 2012 and October 23, 2011, we made net cash payments for interest of \$38,059 and \$42,225, respectively. Additionally, we made income tax payments of \$2,892 and \$371 during the six months ended October 28, 2012 and October 23, 2011, respectively.

For the six months ended October 28, 2012 and October 23, 2011, the change in accrued purchases of property and equipment in accounts payable increased by \$3,074 and \$890, respectively.

For the six months ended October 28, 2012 and October 23, 2011, we capitalized interest of \$2,105 and \$296, respectively, primarily related to construction of our casino in Cape Girardeau, Missouri.

13. 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 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 7.75% Senior Notes and 8.875% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; CCSC/Blackhawk, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC Black Hawk County, Inc.; IOC Davenport, Inc.; IOC Holdings, L.L.C.; IOC Services, LLC.; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino Vicksburg Partnership, L.P.; IOC Cape Girardeau, LLC; Isle of Capri Bettendorf Marina Corporation; Isle of Capri Bettendorf, L.C; Isle of Capri Black Hawk Capital Corp.; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; P.P.I, Inc.; Riverboat Corporation of Mississippi; Riverboat Services, Inc.; and St. Charles Gaming Company, Inc.

Consolidating condensed balance sheets as of October 28, 2012 and April 29, 2012 are as follows (in thousands):

Balance Sheet	As of October 28, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Current assets	\$ 36,374	\$ 126,104	\$ 29,509	\$ (4,779)	\$ 187,208
Intercompany receivables	708,620	(210,889)	(51,706)	(446,025)	
Investments in subsidiaries	662,323	(29,794)		(632,529)	
Property and equipment, net	8,868	968,259	32,279		1,009,406
Other assets	(243)	382,092	22,574	26,278	430,701
Total assets	\$ 1,415,942	\$ 1,235,772	\$ 32,656	\$ (1,057,055)	\$ 1,627,315
Current liabilities	\$ 49,605	\$ 101,199	\$ 32,927	\$ (4,779)	\$ 178,952
Intercompany payables		446,025		(446,025)	
Long-term debt, less current maturities	1,173,632	3,035	398		1,177,065
Other accrued liabilities	5,862	37,338	14,977	26,278	84,455
Stockholders equity	186,843	648,175	(15,646)	(632,529)	186,843
Total liabilities and stockholders equity	\$ 1,415,942	\$ 1,235,772	\$ 32,656	\$ (1,057,055)	\$ 1,627,315

Balance Sheet	As of April 29, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Current assets	\$ 52,532	\$ 120,711	\$ 29,324	\$ (284)	\$ 202,283
Intercompany receivables	673,849	(176,882)	(50,942)	(446,025)	
Investments in subsidiaries	644,424	(29,795)		(614,629)	
Property and equipment, net	9,194	908,586	32,234		950,014
Other assets	(5,524)	384,469	17,209	26,519	422,673
Total assets	\$ 1,374,475	\$ 1,207,089	\$ 27,825	\$ (1,034,419)	\$ 1,574,970
Current liabilities	\$ 37,509	\$ 89,213	\$ 29,690	\$ (296)	\$ 156,116
Intercompany payables		446,025		(446,025)	
Long-term debt, less current maturities	1,145,301	3,264	473		1,149,038

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

Other accrued liabilities	8,045	37,175	14,445	26,531	86,196
Stockholders' equity	183,620	631,412	(16,783)	(614,629)	183,620
Total liabilities and stockholders' equity \$	1,374,475	\$ 1,207,089	\$ 27,825	\$ (1,034,419)	\$ 1,574,970

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

Consolidating condensed statements of operations for the three and six months ended October 28, 2012 and October 23, 2011 are as follows (in thousands):

Statement of Operations	For the Three Months Ended October 28, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$	\$ 234,648	\$	\$	\$ 234,648
Rooms, food, beverage, pari-mutuel and other	165	38,594	2,260	(2,254)	38,765
Gross revenues	165	273,242	2,260	(2,254)	273,413
Less promotional allowances		(50,206)			(50,206)
Net revenues	165	223,036	2,260	(2,254)	223,207
Operating expenses:					
Casino		36,802			36,802
Gaming taxes		58,619			58,619
Rooms, food, beverage, pari-mutuel and other	12,265	84,004	766	(2,254)	94,781
Management fee expense (revenue)	(7,671)	7,671			
Depreciation and amortization	516	16,229	105		16,850
Total operating expenses	5,110	203,325	871	(2,254)	207,052
Operating income (loss)	(4,945)	19,711	1,389		16,155
Interest expense, net	(13,128)	(8,488)	(238)		(21,854)
Derivative income	176				176
Equity in income (loss) of subsidiaries	8,169			(8,169)	
Income (loss) from continuing operations before income taxes	(9,728)	11,223	1,151	(8,169)	(5,523)
Income tax (provision) benefit	5,387	(3,791)	(414)		1,182
Income (loss) from continuing operations	(4,341)	7,432	737	(8,169)	(4,341)
Income (loss) of discontinued operations	(2,312)	(2,609)		2,609	(2,312)
Net income (loss)	\$ (6,653)	\$ 4,823	\$ 737	\$ (5,560)	\$ (6,653)

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

Statement of Operations	For the Three Months Ended October 23, 2011				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$	\$ 239,707	\$	\$	\$ 239,707
Rooms, food, beverage, pari-mutuel and other	140	38,789	2,571	(2,247)	39,253
Gross revenues	140	278,496	2,571	(2,247)	278,960
Less promotional allowances		(47,534)			(47,534)
Net revenues	140	230,962	2,571	(2,247)	231,426
Operating expenses:					
Casino		38,172			38,172
Gaming taxes		59,435			59,435
Rooms, food, beverage, pari-mutuel and other	8,947	85,073	2,627	(2,247)	94,400
Management fee expense (revenue)	(8,161)	8,161			
Depreciation and amortization	569	18,939	138		19,646
Total operating expenses	1,355	209,780	2,765	(2,247)	211,653
Operating income (loss)	(1,215)	21,182	(194)		19,773
Interest expense, net	(6,341)	(15,189)	(155)		(21,685)
Derivative income	260				260
Equity in income (loss) of subsidiaries	3,805			(3,805)	
Income (loss) from continuing operations before income taxes	(3,491)	5,993	(349)	(3,805)	(1,652)
Income tax (provision) benefit	2,461	(1,970)	131		622
Income (loss) from continuing operations	(1,030)	4,023	(218)	(3,805)	(1,030)
Income (loss) of discontinued operations	(427)	(973)		973	(427)
Net income (loss)	\$ (1,457)	\$ 3,050	\$ (218)	\$ (2,832)	\$ (1,457)

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

For the Six Months Ended October 28, 2012

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	\$	\$ 484,917	\$	\$	\$ 484,917
Rooms, food, beverage, pari-mutuel and other	341	79,849	4,711	(4,700)	80,201
Gross revenues	341	564,766	4,711	(4,700)	565,118
Less promotional allowances		(106,088)			(106,088)
Net revenues	341	458,678	4,711	(4,700)	459,030
Operating expenses:					
Casino		75,298			75,298
Gaming taxes		120,247			120,247
Rooms, food, beverage, pari-mutuel and other	21,728	168,230	2,216	(4,700)	187,474
Management fee expense (revenue)	(16,108)	16,108			
Depreciation and amortization	1,005	32,424	243		33,672
Total operating expenses	6,625	412,307	2,459	(4,700)	416,691
Operating income (loss)	(6,284)	46,371	2,252		42,339
Interest expense, net	(24,199)	(17,459)	(452)		(42,110)
Derivative income	310				310
Equity in income (loss) of subsidiaries	19,065			(19,065)	
Income (loss) from continuing operations before income taxes	(11,108)	28,912	1,800	(19,065)	539
Income tax (provision) benefit	11,511	(10,983)	(664)		(136)
Income (loss) from continuing operations	403	17,929	1,136	(19,065)	403
Income (loss) of discontinued operations	(395)	(1,317)		1,317	(395)
Net income (loss)	\$ 8	\$ 16,612	\$ 1,136	\$ (17,748)	\$ 8

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

Statement of Operations	For the Six Months Ended October 23, 2011				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$	\$ 474,934	\$	\$	\$ 474,934
Rooms, food, beverage, pari-mutuel and other	291	76,720	4,991	(4,650)	77,352
Gross revenues	291	551,654	4,991	(4,650)	552,286
Less promotional allowances		(93,256)			(93,256)
Net revenues	291	458,398	4,991	(4,650)	459,030
Operating expenses:					
Casino		74,143			74,143
Gaming taxes		118,952			118,952
Rooms, food, beverage, pari-mutuel and other	21,836	168,054	4,407	(4,650)	189,647
Management fee expense (revenue)	(16,165)	16,165			
Depreciation and amortization	1,002	37,544	276		38,822
Total operating expenses	6,673	414,858	4,683	(4,650)	421,564
Operating income (loss)	(6,382)	43,540	308		37,466
Interest expense, net	(12,828)	(30,152)	(287)		(43,267)
Derivative income	29				29
Equity in income (loss) of subsidiaries	6,486			(6,486)	
Income (loss) from continuing operations before income taxes	(12,695)	13,388	21	(6,486)	(5,772)
Income tax (provision) benefit	9,106	(4,881)	(2,042)		2,183
Income (loss) from continuing operations	(3,589)	8,507	(2,021)	(6,486)	(3,589)
Income (loss) of discontinued operations	(191)	(1,357)		1,357	(191)
Net income (loss)	\$ (3,780)	\$ 7,150	\$ (2,021)	\$ (5,129)	\$ (3,780)

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

Consolidating condensed statements of cash flows for the three months ended October 28, 2012 and October 23, 2011 are as follows (in thousands):

Statement of Cash Flows	Six Months Ended October 28, 2012				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Net cash provided by (used in) operating activities	\$ (16,621)	\$ 65,922	\$ 7,225	\$	\$ 56,526
Net cash provided by (used in) investing activities	(35,228)	(88,431)	(6,142)	34,770	(95,031)
Net cash provided by (used in) financing activities	19,815	33,782	696	(34,770)	19,523
Net increase (decrease) in cash and cash equivalents	(32,034)	11,273	1,779		(18,982)
Cash and cash equivalents at beginning of the period	39,365	50,749	4,347		94,461
Cash and cash equivalents at end of the period	\$ 7,331	\$ 62,022	\$ 6,126	\$	\$ 75,479

Statement of Cash Flows	Six Months Ended October 23, 2011				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Net cash provided by (used in) operating activities	\$ (12,832)	\$ 45,046	\$ 1,195	\$	\$ 33,409
Net cash provided by (used in) investing activities	24,482	(32,762)	(1,030)	(24,909)	(34,219)
Net cash provided by (used in) financing activities	(7,881)	(21,106)	(4,083)	24,909	(8,161)
Net increase (decrease) in cash and cash equivalents	3,769	(8,822)	(3,918)		(8,971)
Cash and cash equivalents at beginning of the period	3,952	62,105	9,121		75,178
Cash and cash equivalents at end of the period	\$ 7,721	\$ 53,283	\$ 5,203	\$	\$ 66,207

14. Commitments and Contingencies

Development Projects We opened our Isle Casino Cape Girardeau on October 30, 2012 with an estimated cost of \$135,000. To date, we have incurred cash-based capital expenditures, including capitalized interest, of approximately \$108,980.

On August 20, 2012, the Pennsylvania Supreme Court affirmed the decision of the Pennsylvania Gaming Control Board to award a Category 3 resort gaming license to the Nemacolin Woodlands Resort (Nemacolin) in Farmington, Pennsylvania. We have an agreement with Nemacolin to complete the build-out of the casino space and provide management services of the casino. We currently estimate the project cost to be approximately \$57,000 to \$60,000 and we expect to open Lady Luck Nemacolin during summer 2013. To date, we have incurred capital expenditures, including capitalized interest, of approximately \$1,400.

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

Legal and Regulatory Proceedings We and our wholly-owned subsidiary, Riverboat Corporation of Mississippi - Vicksburg, are 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, to a third party. In January 2011, the court ruled in favor of Silver Land and in September 2011 the court awarded damages of \$1,979. We filed a notice of appeal in November 2011. While the outcome of this matter is still in doubt and cannot be predicted with any degree of certainty, we have accrued an estimated liability, including interest, of \$2,093. We intend to continue a vigorous and appropriate appeal of this judgment.

We have been named as a defendant in a complaint filed in the Circuit Court for Broward County, Florida. The complaint alleges we sent unsolicited fax advertisements in violation of the Telephone Consumer Protection Act of 1991, as amended by the Junk Fax Prevention Act of 2005 (the TCPA), and seeks to certify a class action. The complaint seeks statutory damages for alleged negligent and willful violations of the TCPA, attorneys' fees, costs and injunction relief. The TCPA provides for statutory damages of \$0.5 for each violation (\$1.5 for willful violations). Discovery is currently underway and we intend to vigorously defend ourselves. This matter is subject to additional discovery and other legal proceedings and while the ultimate outcome is unknown, we have accrued \$1,000 as our current estimate of the most probable outcome of this matter.

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 allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. Greece appealed to the Civil Appeal Court and, in 2003, the Court rejected the appeal. Greece then appealed to the Civil Supreme Court and, in 2007, the Supreme Court ruled that the matter was not properly before the Civil Courts and should be before the Administrative Court.

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece's appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing was held during November 2012. The Supreme Administrative Court requested both parties file briefs within 90 days.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through October 28, 2012, we have accrued an estimated liability including interest of \$13,448. Our accrual is based upon management's estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

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.

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K for the year ended April 29, 2012.

Executive Overview

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

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the year ended April 29, 2012 and by giving consideration to the following:

Items Impacting Income (Loss) from Continuing Operations Significant items impacting our income (loss) from continuing operations during the fiscal quarters ended October 28, 2012, and October 23, 2011 are as follows:

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

Construction Disruption During fiscal 2013 we have been remodeling our main hotel tower at our Lake Charles property and the casino at our Vicksburg property. As a result, certain areas of these properties may not be accessible to our customers during the construction period resulting in a loss of revenues.

Increased Competition From time to time, new or expanded facilities by our competitors impact our results. For example, competition from a new casino in Kansas opened during February 2012 negatively

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

impacted our Kansas City casino and expansion by a competitor in February 2012 has negatively impacted our Pompano casino. Expansions by Arkansas based competitors have negatively impacted our Lula property.

Flooding Due to flooding along the Mississippi River, five of our properties were closed for portions of the six months ended October 23, 2011. A summary of the closure dates and subsequent reopening is as follows:

	Closing Date	Reopening Date	Number Days Closed
Davenport, Iowa	April 15, 2011	May 1, 2011	15(A)
Caruthersville, Missouri	May 1, 2011	May 13, 2011	12
Lula, Mississippi	May 3, 2011	June 3, 2011	31
		September 2, 2011	91(B)
Natchez, Mississippi	May 7, 2011	June 17, 2011	41
Vicksburg, Mississippi	May 11, 2011	May 27, 2011	16

(A) Six days of closure in the first quarter of fiscal 2012 and nine days of closure in the fourth quarter of fiscal 2011.

(B) The second casino barge reopened on September 2, 2011 after flood damage was remediated.

Income Tax Provision(Benefit) During the fourth quarter of fiscal 2012 we recorded a valuation allowance reducing our deferred tax assets, as a result of evaluating the expected net realizable value of our deferred tax assets, including our net operating loss carry forwards. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items, including fluctuations in valuation allowances, used in the calculation of our income tax benefit.

Discontinued Operations

Sale of Biloxi During March 2012, we entered into a definitive agreement to sell our subsidiary, which owns and operates our casino and hotel operations in Biloxi for \$45 million subject to regulatory approval and other customary closing conditions. During the three months ended October 28, 2012, we recorded a \$1.5 million valuation allowance reflecting a credit against the purchase price to satisfy our obligation to repair the property after Hurricane Isaac, as required by the purchase agreement. This transaction was completed on November 29, 2012.

Revenues and Operating Expenses

Revenues and operating expenses for the three and six months ended October 28, 2012 and October 23, 2011 are as follows:

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

(in thousands)	Three Months Ended		Variance	Percentage Variance
	October 28, 2012	October 23, 2011		
Revenues:				
Casino	\$ 234,648	\$ 239,707	\$ (5,059)	-2.1%
Rooms	8,328	8,419	(91)	-1.1%
Food, beverage, pari-mutuel and other	30,437	30,723	(286)	-0.9%
Insurance recoveries		111	(111)	-100.0%
Gross revenues	273,413	278,960	(5,547)	-2.0%
Less promotional allowances	(50,206)	(47,534)	(2,672)	5.6%
Net revenues	223,207	231,426	(8,219)	-3.6%
Operating expenses:				
Casino	36,802	38,172	(1,370)	-3.6%
Gaming taxes	58,619	59,435	(816)	-1.4%
Rooms	1,781	1,929	(148)	-7.7%
Food, beverage, pari-mutuel and other	9,217	9,590	(373)	-3.9%
Marine and facilities	13,888	14,933	(1,045)	-7.0%
Marketing and administrative	56,464	58,594	(2,130)	-3.6%
Corporate and development	10,777	9,327	1,450	15.5%
Preopening expense	2,654	27	2,627	N/M
Depreciation and amortization	16,850	19,646	(2,796)	-14.2%
Total operating expenses	\$ 207,052	\$ 211,653	\$ (4,601)	-2.2%

(in thousands)	Six Months Ended		Variance	Percentage Variance
	October 28, 2012	October 23, 2011		
Revenues:				
Casino	\$ 484,917	\$ 474,934	\$ 9,983	2.1%
Rooms	16,958	16,891	67	0.4%
Food, beverage, pari-mutuel and other	63,243	60,350	2,893	4.8%
Insurance recoveries		111	(111)	-100.0%
Gross revenues	565,118	552,286	12,832	2.3%
Less promotional allowances	(106,088)	(93,256)	(12,832)	13.8%
Net revenues	459,030	459,030		0.0%
Operating expenses:				
Casino	75,298	74,143	1,155	1.6%
Gaming taxes	120,247	118,952	1,295	1.1%
Rooms	3,554	3,848	(294)	-7.6%
Food, beverage, pari-mutuel and other	19,321	19,543	(222)	-1.1%
Marine and facilities	27,588	29,059	(1,471)	-5.1%
Marketing and administrative	114,420	115,541	(1,121)	-1.0%
Corporate and development	19,250	21,593	(2,343)	-10.9%
Preopening expense	3,341	63	3,278	N/M
Depreciation and amortization	33,672	38,822	(5,150)	-13.3%
Total operating expenses	\$ 416,691	\$ 421,564	\$ (4,873)	-1.2%

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

Casino Casino revenues decreased \$5.1 million, or 2.1%, for the three months ended October 28, 2012, as compared to the same period in fiscal 2012. Casino revenues were impacted by construction disruption at our Lake Charles and Vicksburg properties, which had decreases of \$1.5 million and \$1.6 million, respectively, as compared to the same period in fiscal 2012. Our Lula and Kansas City properties had decreased casino revenues of \$1.4 million and \$1.3 million, respectively, as a result of increased competition. In addition casino revenues increased \$1.1 million at our Pompano property and \$1.0 million at our Waterloo property.

Casino operating expenses decreased \$1.4 million, or 3.6%, for the three months ended October 28, 2012, as compared to the same period in the prior fiscal year, commensurate with casino revenues.

Casino revenues increased \$10.0 million, or 2.1%, for the six months ended October 28, 2012, as compared to the same period in fiscal 2012. Casino revenues for our properties closed due to flooding in fiscal 2012 increased \$10.3 million, or 10.9%. Casino revenues increased at our Pompano and Waterloo properties of \$2.2 million and \$2.0 million, respectively, offset by decreases in casino revenue at our Lake Charles and Kansas City properties of \$1.9 million and \$2.1 million, respectively.

Casino operating expenses increased \$1.2 million, or 1.6%, for the six months ended October 28, 2012, as compared to the same period in the prior fiscal year. Casino operating expenses for our properties closed due to flooding in fiscal 2012 increased \$1.3 million, or 8.5%, for the six months ended October 28, 2012, as compared to the same period in fiscal 2012.

Gaming Taxes State and local gaming taxes decreased \$0.8 million, or 1.4%, and increased \$1.2 million or 1.1%, for the three and six months ended October 28, 2012, respectively, as compared to the same period in the prior fiscal year consistent with the changes in casino revenues.

Rooms Rooms revenue and expense remained stable for the three and six months ended October 28, 2012, as compared to the same period in the prior fiscal year.

Food, Beverage, Pari-Mutuel and Other Food, beverage, pari-mutuel and other revenues decreased \$0.3 million, or 0.9%, for the three months ended October 28, 2012, as compared to the same period in the prior fiscal year.

Food, beverage, pari-mutuel and other expenses decreased \$0.4 million, or 3.9%, for the three months ended October 28, 2012, as compared to the same period in the prior fiscal year.

Food, beverage, pari-mutuel and other revenues increased \$2.9 million, or 4.8%, for the six months ended October 28, 2012, as compared to the same period in the prior fiscal year. Food, beverage, pari-mutuel and other revenue for our properties closed due to flooding in fiscal 2012 increased \$1.3 million, or 12.9% for the six months ended October 28, 2012, as compared to the same period in fiscal 2012.

Food, beverage, pari-mutuel and other expenses decreased \$0.2 million, or 1.1%, for the six months ended October 28, 2012, as compared to the same period in the prior fiscal year. Food, beverage, pari-mutuel and other expense for our properties closed due to flooding in fiscal 2012

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

increased \$0.2 million, or 7.2% for the six months ended October 28, 2012, as compared to the same period in fiscal 2012.

Promotional Allowances Promotional allowances increased \$2.7 million, or 5.6%, for the three months ended October 28, 2012, as compared to the same period in the prior fiscal year.

Promotional allowances increased \$12.8 million, or 13.8%, for the six months ended October 28, 2012, as compared to the same period in the prior fiscal year. Promotional allowances for our properties closed due to flooding increased \$5.2 million, or 23.6%, for the six months ended October 28, 2012, as compared to the same period in fiscal 2012. During the first quarter of fiscal 2013, we implemented our new customer loyalty program.

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

Fan Club®, at five of our properties. As of October 28, 2012, Fan Club® has been implemented at nine of our properties, with roll-out to remaining properties expected by the end of the fiscal year. Fan Club® allows customers greater choice in how to use their points for cash, free play or food. Implementation of Fan Club® as well as changes to our promotions also resulted in increased promotional costs.

Marine and Facilities Marine and facilities expenses decreased \$1.0 million, or 7.0%, for the three months ended October 28, 2012 as compared to the same period in the prior fiscal year, primarily reflecting cost savings from operating one vessel in Lake Charles.

Marine and facilities expenses decreased \$1.5 million, or 5.1%, for the six months ended October 28, 2012 as compared to the same period in the prior fiscal year. Marine and facilities expense for our properties not closed due to flooding decreased \$2.5 million, or 10.7% for the six months ended October 28, 2012, as compared to the same period in fiscal 2012 primarily reflecting cost savings from operating one vessel in Lake Charles and decreased spending for repairs and maintenance.

Marketing and Administrative Marketing and administrative expenses decreased \$2.1 million, or 3.6%, for the three months ended October 28, 2012 as compared to the same period in the prior fiscal year primarily reflecting year over year reductions in insurance costs.

Marketing and administrative expenses decreased \$1.1 million, or 1.0%, for the six months ended October 28, 2012 as compared to the same period in the prior fiscal year. Marketing and administrative expenses for our properties not closed due to flooding decreased \$4.2 million, or 4.8% for the six months ended October 28, 2012, as compared to the same period in fiscal 2012 reflecting reductions in our insurance and, repairs and maintenance expenses.

Corporate and Development During the three months ended October 28, 2012, our corporate and development expenses were \$10.8 million compared to \$9.3 million for the three months ended October 23, 2011. The increase is primarily the result of debt refinancing costs of \$1.5 million and increased legal expenses of \$1.0 million in the quarter, offset by lower insurance costs and stock compensation expenses. During the six months ended October 28, 2012, our corporate and development expenses decreased \$2.3 million compared to the same period in the prior fiscal year, primarily due to decreased insurance costs of \$1.6 million, decreased stock based compensation expense of \$1.4 million and an unfavorable franchise tax settlement of \$0.5 million in the prior year, offset by debt refinancing expenses in the current year of \$1.5 million and increased legal expense of \$1.0 million.

Depreciation and Amortization Depreciation and amortization expense for the three and six months ended October 28, 2012 decreased \$2.8 million and \$5.2 million, respectively, as compared to the same period in the prior fiscal year, primarily due to certain assets becoming fully depreciated.

Other Income (Expense) and Income Taxes

Interest expense, interest income, derivative income and income tax (provision) benefit for the three months ended October 28, 2012 and October 23, 2011 are as follows:

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

(in thousands)	Three Months Ended		Variance	Percentage Variance
	October 28, 2012	October 23, 2011		
Interest expense	\$ (21,985)	\$ (21,877)	\$ (108)	0.5%
Interest income	131	192	(61)	-31.8%
Derivative income	176	260	(84)	-32.3%
Income tax (provision) benefit	1,182	622	560	90.0%

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

(in thousands)	October 28, 2012	October 23, 2011	Variance	Percentage Variance
Interest expense	\$ (42,416)	\$ (43,702)	\$ 1,286	-2.9%
Interest income	306	435	(129)	-29.7%
Derivative income	310	29	281	969.0%
Income tax (provision) benefit	(136)	2,183	(2,319)	-106.2%

Interest Expense Interest expense remained relatively flat for the three months ended October 28, 2012, as compared to the same period in the prior fiscal year. This change primarily reflects the write-off of deferred financing costs of \$1.0 million, offset by the capitalization of interest associated with the construction of our new Cape Girardeau casino. Interest expense decreased \$1.3 million for the six months ended October 28, 2012, as compared to the same period in the prior fiscal year. This decrease primarily reflects the capitalization of interest associated with the construction of our new Cape Girardeau casino.

Liquidity and Capital Resources

Cash Flows from Operating Activities - During the six months ended October 28, 2012, we generated \$56.5 million in cash flows from operating activities compared to generating \$33.4 million during the six months ended October 23, 2011. The year over year increase in cash flows from operating activities is primarily the result of five of our properties being closed for a portion of fiscal 2012 due to flooding. Additionally, during the six months ended October 28, 2012, we collected insurance receivables of \$7.5 million related to flooding during fiscal 2012.

Cash Flows used in Investing Activities - During the six months ended October 28, 2012, we used \$95.0 million for investing activities compared to using \$34.2 million during the six months ended October 23, 2011. Significant investing activities for the six months ended October 28, 2012 included capital expenditures of \$89.5 million, of which \$60.2 million related to Cape Girardeau. Significant investing activities for the six months ended October 23, 2011 included capital expenditures of \$34.3 million, of which \$12.4 million related to Cape Girardeau and Nemaacolin.

Cash Flows used in Financing Activities During the six months ended October 28, 2012, our net cash flows provided by financing activities were \$19.5 million, including \$38.0 million in borrowings under the revolving line of credit, debt repayments of \$10.1 million and payments for deferred financing costs of \$8.4 million. During the six months ended October 23, 2011, our net cash flows used in financing activities were used primarily to repay our outstanding long-term debt of \$7.8 million.

Availability of Cash and Additional Capital - At October 28, 2012, we had cash and cash equivalents of \$75.5 million and marketable securities of \$24.3 million. As of October 28, 2012, we had \$38.0 million in outstanding borrowings under our revolving credit and \$492.5 million in term loans outstanding under the senior secured credit facility. Our line of credit availability at October 28, 2012 was approximately \$199 million as limited by our senior secured leverage ratio.

On August 7, 2012, we completed the issuance and sale of \$350 million of 8.875% Senior Subordinated Notes due 2020 in a private offering. We received net proceeds of \$343 million for this issuance after deducting underwriting fees. We repurchased and retired our \$357.3 million 7% Senior Subordinated Notes due 2014 with proceeds from the issuance of the New Subordinated Notes and cash on hand.

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

Following completion of the issuance of our New Subordinated Notes and the retirement of the 7% Subordinated Notes due 2014, the maturities of our Credit Facility are extended to March 25, 2016 and March 25, 2017 for the revolving line of credit and term loans, respectively, based on the terms of the Credit Facility.

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

In November 2012, we amended certain provisions of the Credit Facility to: 1) give us more flexibility to incur additional indebtedness, in certain circumstances, 2) increase our flexibility to incur asset sales, 3) modify our maximum allowed leverage covenant and 4) allow for the annualization of EBITDA during the first year of operations on new build projects.

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

We opened our Isle Casino Cape Girardeau casino development on October 30, 2012. We have incurred cash-based capital expenditures of \$109.0 million, including capitalized interest, through October 28, 2012. We expect to incur the majority of the remaining capital expenditures related to this project on or before December 31, 2012, with total project costs estimated at \$135 million.

On August 20, 2012, the Pennsylvania Supreme Court affirmed the decision of the Pennsylvania Gaming Control Board to award a Category 3 resort gaming license to the Nemaquin Woodlands Resort in Farmington, Pennsylvania. We have a development and management agreement with Nemaquin to build and operate a casino. We currently estimate the cost of the project to be approximately \$57 million to \$60 million and expect to open Lady Luck Nemaquin during summer 2013. To date, we have incurred capital expenditures, including capitalized interest, of \$1.4 million.

Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. During the six months ended October 28, 2012, we have incurred capital expenditures at our existing properties of \$20.3 million. For the balance of the current fiscal year, we estimate additional capital expenditures at our existing properties to be approximately \$80 million to \$90 million, including maintenance capital, final costs in Cape Girardeau and construction costs in Nemaquin of approximately \$20 million to \$30 million. Currently in process are several capital projects primarily focused on refreshing our hotel room inventory as well as additional improvements to our Black Hawk and Lake Charles properties, and rebranding our of Vicksburg property to a Lady Luck. Additionally we expect to make several other improvements to our properties including additional Farmers Pick buffets and other food and beverage outlets as well as ongoing maintenance capital. The timing, completion and amount of additional capital projects will be subject to improvement of economic and local market conditions, cash flows from our continuing operations and borrowing availability under our Credit Facility.

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

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured 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 2012 Annual Report on Form 10-K. There were no newly identified significant accounting estimates in the second quarter of fiscal year 2013, nor were there any material changes to the critical accounting policies and estimates set forth in our 2012 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We have an interest rate swap agreement with a notional value of \$50.0 million as of October 28, 2012. The swap agreement effectively converts portions of the Credit Facility variable debt to a fixed-rate basis until the swap agreement terminates, which occurs in September 2013.

During our fiscal quarter ended October 28, 2012, we issued \$350.0 million of 8.875% Subordinated Notes and tendered our \$357.3 million 7% Subordinated Notes. These transactions increased our fixed interest rate on \$350 million of our outstanding debt by 1.875%.

The maturities of our revolving line of credit and our variable rate term loans under our Credit Facility have been extended to March 25, 2016 and March 25, 2017, respectively. Minimum annual principal payments under our variable rate term loans are \$5 million.

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 October 28, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of October 28, 2012, 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 October 28, 2012, 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 14 of our unaudited condensed consolidated financial statements included herein, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

We are not aware of any material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K for the fiscal year ended April 29, 2012.

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 were made during the six months ended October 28, 2012.

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: December 4, 2012

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

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

**EXHIBIT
NUMBER**

DESCRIPTION

- | | |
|------|---|
| 4.1 | Indenture, dated as of August 7, 2012, among the Company, the guarantors named therein and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 9, 2012) |
| 4.2 | Registration Rights Agreement, dated August 7, 2012, among the Company, the guarantors named therein and Credit Suisse Securities (USA) LLC, Wells Fargo Securities, LLC and Deutsche Bank Securities Inc., as representatives of the several initial purchasers named therein (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 9, 2012) |
| 4.3 | First Supplemental Indenture, dated as of August 7, 2012, among the Company, the guarantors named therein and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on August 9, 2012) |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |
| 101 | The following financial statements and notes from the Isle of Capri Casinos, Inc. Quarterly Report on Form 10-Q as of and for the three and six months ended October 28, 2012, filed on December 4, 2012, formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Comprehensive Income; (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text. |