

ISLE OF CAPRI CASINOS INC  
Form 10-K  
June 21, 2016

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-K**

---

(Mark One)

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

For the fiscal year ended April 24, 2016

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.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**600 Emerson Road, Suite 300, St. Louis, Missouri**  
(Address of principal executive offices)

**41-1659606**  
(I.R.S. Employer  
Identification Number)  
**63141**  
(Zip Code)

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

---

Securities Registered Pursuant to Section 12(b) of the Act:

**Common Stock, \$.01 Par Value Per Share**  
(Title of Class)

**NASDAQ**  
(Name of each exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act:

---

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 (§ 229.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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   
(Do not check if a 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

The aggregate market value of the voting and non-voting stock held by non-affiliates<sup>1</sup> of the Company is \$475,736,976, based on the last reported sale price of 19.22 per share on October 23, 2015 on the NASDAQ Stock Market; multiplied by 24,752,184 shares of Common Stock outstanding and held by non-affiliates of the Company on such date.

As of June 17, 2016, the Company had a total of 41,275,288 shares of Common Stock outstanding (which excludes 790,860 shares held by us in treasury).

Part III incorporates information by reference to the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year.

---

(1) Affiliates for the purpose of this item refer to the directors, named executive officers and/or persons owning 10% or more of the Company's common stock, both of record and beneficially; however, this determination does not constitute an admission of affiliate status for any of the individual stockholders.

---

Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**FORM 10-K**

**INDEX**

	<b>PAGE</b>
<i><u>PART I</u></i>	<u>2</u>
<u>ITEM 1. BUSINESS</u>	<u>2</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>11</u>
<u>ITEM 1B. UNRESOLVED STAFF COMMENTS</u>	<u>23</u>
<u>ITEM 2. PROPERTIES</u>	<u>23</u>
<u>ITEM 3. LEGAL PROCEEDINGS</u>	<u>26</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>26</u>
<i><u>PART II</u></i>	<u>27</u>
<u>ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	<u>27</u>
<u>ITEM 6. SELECTED FINANCIAL DATA</u>	<u>28</u>
<u>ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>31</u>
<u>ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>46</u>
<u>ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>47</u>
<u>ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	<u>92</u>
<u>ITEM 9A. CONTROLS AND PROCEDURES</u>	<u>92</u>
<u>ITEM 9B. OTHER INFORMATION</u>	<u>92</u>
<i><u>PART III</u></i>	<u>92</u>
<u>ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	<u>92</u>
<u>ITEM 11. EXECUTIVE COMPENSATION</u>	<u>93</u>
<u>ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>93</u>
<u>ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, DIRECTOR INDEPENDENCE</u>	<u>93</u>
<u>ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	<u>93</u>
<i><u>PART IV</u></i>	<u>94</u>
<u>ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	<u>94</u>
<u>SIGNATURES</u>	<u>95 - 96</u>

Table of Contents

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

*This Annual Report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Annual 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, these expectations may not prove to be correct and are not guarantees of future performance. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in the section entitled "Risk Factors" beginning on page 10 of this report. 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 Annual Report.*

Table of Contents

**PART I**

**ITEM 1. BUSINESS**

**Overview**

We are a developer, owner and operator of branded gaming facilities and related dining, lodging and entertainment facilities in regional markets in the United States. We currently own or operate 14 gaming and entertainment facilities in Colorado, Florida, Iowa, Louisiana, Mississippi, Missouri and Pennsylvania. Collectively, these properties feature over 12,000 slot machines and over 300 table games (including approximately 80 poker tables), approximately 2,200 hotel rooms and more than 40 restaurants. We also operate a harness racing track at our casino in Florida. Our portfolio of properties provides us with a diverse geographic footprint that minimizes geographically concentrated risks caused by weather, regional economic difficulties, gaming tax rates and regulations imposed by local gaming authorities.

We operate under two brands, Isle and Lady Luck. Isle-branded facilities are generally in larger markets with a regional draw and offer expanded amenities, whereas Lady Luck-branded facilities are typically in smaller markets drawing from a more local customer base. Our senior management team has significant gaming experience spanning numerous jurisdictions. We focus on three core principles, (1) exceptional guest experience, (2) targeted allocation of capital, and (3) prudent fiscal management.

1. *Exceptional guest experience* We focus on customer satisfaction and delivering superior guest experiences by providing popular gaming, dining and entertainment experiences designed to exceed customer expectations in a clean, safe, friendly and fun environment. We focus on initiatives to increase length of stay including refreshing several of our casino floors, improving the rewards and benefits of our loyalty program, focusing on guest service and providing high-quality targeted non-gaming amenities at a reasonable value and price point.

These non-gaming amenities have included the development of several proprietary food, beverage and entertainment offerings, including the introduction of Lone Wolf bars and Otis and Henry's restaurants, a buffet concept called Farmer's Pick focused on locally-sourced where possible, fresh food, and live entertainment. Lone Wolf bars and Otis & Henry's restaurants are open in seven of our properties and Farmer's Pick Buffets are open in Pompano, Waterloo, Vicksburg, Boonville and Cape Girardeau.

Both our Isle-branded and Lady Luck-branded properties share a unified marketing message, which changes from time-to-time; it is currently Play More, Be Happy. Our marketing messages are designed to make our customers feel welcome and comfortable at our properties. In fiscal 2015, we completed the introduction of our enhanced customer loyalty program, Fan Club, which is aimed at attracting new customers and increasing visitation from our current customers. We believe we benefited from this program in fiscal 2016 and we are planning to roll out further enhancements during fiscal 2017. Our marketing teams continuously evaluate and modify our marketing and promotional calendars in order to stimulate guest engagement and generate repeat visitation.

We also focus on hiring friendly, capable employees who will provide great customer service. We enable our employees to own the customer experience and provide continuous training to achieve results. In order to measure our progress, we bonus our property management teams and employees based on their achievement of customer service scores that are based on customer feedback generated through regular surveys.

2. *Targeted Allocation of Capital* We believe that continuous targeted reinvestment of capital into our properties and technology enhances our guest experience and fosters customer loyalty. We plan to continue to focus on refreshing all areas of our business that impact our guest experience. This includes refreshing our casino floors to provide the latest games for our customers to play, renovating

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

### Table of Contents

and refreshing our hotel room product, public areas and food and beverage outlets and strengthening our technology infrastructure.

In fiscal 2016, we continued to refresh our casino floors, spending approximately \$19 million on games and casino floor equipment. In fiscal 2016, we also completed the remodel of the hotel rooms in the south tower in Bettendorf and the hotel and most of the remaining non-gaming areas in Boonville. We also added new parking in Caruthersville, renovated the casino floor in Kansas City and renovated a restaurant at Pompano among other projects.

In May 2015, we began construction of a land-based gaming and entertainment facility in Bettendorf, with a current estimated cost of approximately \$60 million to replace our current riverboat casino. The new facility includes all new restaurants, a single consolidated hotel check-in, new entrance and new casino. We expect to open the facility in late June 2016.

In fiscal 2017, we plan to remodel and rebrand our buffets in Black Hawk and Kansas City among other projects.

We also continuously update and enhance our information technology (including our legacy systems) to facilitate efficiencies in our operations, help our employees do their jobs better, enhance our security and improve guest experience. In fiscal 2016, we upgraded the casino management systems at Bettendorf and Lula and upgraded our hotel management systems across our enterprise, which included enhanced online booking engines among other projects. We are currently developing our social gaming platform under the Lady Luck brand that will include a full suite of play for fun games. We expect to launch the site in late summer 2016.

We also believe our long-term success will depend upon increasing the quality, reach and scope of our operating portfolio, including targeted development projects, rebranding projects, and identifying profitable growth and/or expansion and acquisition opportunities.

3. *Prudent fiscal management* We believe that our business benefits from a cost-effective approach to creating valuable customer experiences and a stronger balance sheet.

We continually strive to find ways to make our business processes more efficient and focus on reducing our operating costs while maintaining or improving customer service levels. In fiscal 2014, we undertook a company-wide effort to identify a variety of cost savings measures to improve our operating performance and implemented measures that we believe reduced our costs by over \$12 million annually.

We have also monetized non-core assets, including the sale and closure of certain assets in Natchez in October 2015, the sale of our casino in Davenport in February 2014, the sale of our casino and hotel in Biloxi in November 2012 and the sale of one of our two riverboat casinos in Lake Charles in February 2012. Generally, we used proceeds from these sales to reduce our debt and/or reinvest into our existing business.

Over the past five years, we reduced debt by approximately \$270 million, or 23%, which includes \$70 million paid off in fiscal 2016, through the disciplined application of our free cash flow, asset sales and a series of financing transactions. We plan to maintain this discipline through continued efforts to further reduce our cost structure, applying discipline in the evaluation and execution of future capital projects and actively managing our capital structure to lower our cost of capital.

Table of Contents**Casino Properties**

The following is an overview of our casino properties as of April 24, 2016:

<b>Property</b>	<b>Date Acquired or Opened</b>	<b>Slot Machines</b>	<b>Table Games</b>	<b>Hotel Rooms</b>	<b>Parking Spaces</b>
<i>Colorado</i>					
Isle Casino Hotel Black Hawk	December 1998	1,074	34	238	1,100
Lady Luck Casino Black Hawk	April 2003	454	15	164	1,200
<i>Florida</i>					
Pompano Park	July 1995/April 2007	1,446	42		3,800
<i>Iowa</i>					
Bettendorf	March 2000	963	17	509	2,057
Marquette	March 2000	534	8		475
Waterloo	June 2007	941	26	195	1,500
<i>Louisiana</i>					
Lake Charles	July 1995	1,157	49	493	2,539
<i>Mississippi</i>					
Lula	March 2000	871	20	451	1,611
Vicksburg	June 2010	616	7		977
<i>Missouri</i>					
Boonville	December 2001	914	20	140	1,100
Cape Girardeau	October 2012	923	26		1,049
Caruthersville	June 2007	557	9		1,151
Kansas City	June 2000	979	18		1,426
<i>Pennsylvania</i>					
Nemacolin	July 2013	597	29		766
		12,026	320	2,190	20,751

**Colorado***Isle Casino Hotel-Black Hawk*

Isle Casino Hotel-Black Hawk commenced operations in December 1998, is located on an approximately 10-acre site and is one of the first gaming facilities reached by customers arriving from Denver via Highway 119, the main thoroughfare connecting Denver to Black Hawk. The property includes a land-based casino with 1,074 slot machines, 25 standard table games, a nine table poker room, a 238-room hotel and 1,100 parking spaces in an attached parking garage. Isle Casino Hotel-Black Hawk also offers customers three restaurants, including a 128-seat Farradays restaurant, a 270-seat Calypso's buffet and a 42-seat Tradewinds Marketplace. The property also has approximately 5,000 square feet of flex space that can be used for meetings and special events.

*Lady Luck Casino-Black Hawk*

Lady Luck Casino-Black Hawk, which we acquired in April 2003 and rebranded in June 2009, is located across the intersection of Main Street and Mill Street from the Isle Casino Hotel-Black Hawk. The property consists of a land-based casino with 454 slot machines, 10 standard table games, five poker tables, a 164-room hotel that opened in December 2005 and 1,200 parking spaces in our parking structure connecting Isle Casino Hotel-Black Hawk and Lady Luck Casino-Black Hawk. The property also offers guests dining in a 93-seat Otis & Henry's restaurant as well as a grab-and-go fast serve food cart that is located in the main level of the facility. The property also has approximately 2,250 square

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

### Table of Contents

feet of flex space that can be used for meetings and special events. Our Black Hawk sites are connected via sky bridges.

When casinos having multiple gaming licenses in the same building are combined, the Black Hawk/Central City market consists of 23 gaming facilities (seven of which have more than 500 slot machines), which in aggregate, generated gaming revenues of approximately \$674 million in the twelve months ended April 2016. Our Black Hawk properties generated casino revenues for fiscal 2016 of approximately \$136 million. Black Hawk is the closest gaming market to the Denver, Colorado metropolitan area, which has a population of approximately 3.1 million and is located approximately 40 miles east of Black Hawk and serves as the primary feeder market for Black Hawk.

### **Florida**

#### *Pompano*

In 1995, we acquired Pompano Park, a harness racing track located in Pompano Beach, Florida and opened the casino in April 2007. Pompano Park is located off of Interstate 95 and the Florida Turnpike on a 223-acre owned site, near Fort Lauderdale, midway between Miami and West Palm Beach. Pompano Park is the only racetrack licensed to conduct harness racing in Florida.

Our Pompano facility includes 1,446 slot machines, a 42-table poker room, a 120-seat Farraddays restaurant, a 110-seat Bragozzos Italian restaurant, a 280-seat Farmer's Pick buffet, a newly renovated 120-seat Myron's Deli, a 12-seat express grab-and-go food outlet, a feature bar, a sports bar, an outdoor trackside food truck and bar and 3,800 parking spaces.

Approximately 2.8 million people reside within a 25-mile radius of our Pompano facility, which competes with seven other pari-mutuels and three Native American gaming facilities in the market. The Pompano facility generated approximately \$179 million in casino revenues for fiscal 2016. While casino revenues are not available for all market competitors, we estimate that we operate approximately 10% of the slot machines in the market.

### *Iowa*

#### *Bettendorf*

Our Bettendorf property was acquired in March 2000 and is located off of Interstate 74, an interstate highway serving the Quad Cities metropolitan area, which consists of Bettendorf and Davenport, Iowa and Moline and Rock Island, Illinois. The property currently consists of a dockside casino offering 963 slot machines and 17 table games. The property includes two hotel towers (the North Tower and South Tower) with 509 hotel rooms, of which the 259 rooms in the South Tower were renovated in fiscal 2016. In addition, the property contains 40,000 square feet of flexible convention/banquet space, a 142-seat Farraddays' restaurant, a 262-seat Calypso's buffet, a 26-seat Tradewinds Marketplace and 2,057 parking spaces. We have agreements with the City of Bettendorf, Iowa under which we manage and provide financial and operating support for the QC Waterfront Convention Center that is adjacent to our hotel. The QC Waterfront Convention Center opened in January 2009.

We expect to open our new land-based casino on June 24, 2016, on the current Bettendorf property between our two hotel towers. Our estimated investment in this project is approximately \$60 million. The new 35,000 square foot facility will include approximately 1,000 slot machines and 20 table games, a consolidated single hotel check-in, a grand new entrance and valet drop off. The property will replace its current food offerings with a Farmer's Pick Buffet, a Keller's American Grill Restaurant and a Keller's Express. Other new amenities include the Lone Wolf Bar located directly on the gaming floor, as well as a new fitness center and VIP lounge.



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

### Table of Contents

The Quad Cities metropolitan area currently has three gaming operations, including our gaming facility in Bettendorf and the Rhythm City facility in Davenport, which we sold during February 2014. The three casinos in the Quad Cities generated total gaming revenues of approximately \$189 million for the twelve months ended April 2016. Our Bettendorf property generated casino revenues for fiscal 2016 of approximately \$69 million. Bettendorf also competes with other gaming operations in Illinois and Iowa and a competitor will be moving the Rhythm City casino to a new land-based location in June 2016. Approximately 905,000 people reside within 60 miles of our Bettendorf property.

#### *Marquette*

Our Marquette, Iowa property, which we acquired in March 2000, is approximately 60 miles north of Dubuque, Iowa. The property consists of a dockside casino offering 534 slot machines and 8 table games, a marina and 475 parking spaces. The facility operates as a Lady Luck casino and includes a 132-seat buffet restaurant, a 22-seat Otis and Henry's Express food outlet and a 155-seat Lone Wolf restaurant and bar.

Our Marquette property is the only gaming facility in the Marquette, Iowa market and generated casino revenues of approximately \$27 million in fiscal 2016. We believe most of our Marquette customers are from northeast Iowa and Wisconsin, which includes approximately 490,000 people within 60 miles of our property. We compete for those customers with other gaming facilities in Dubuque, Iowa and Native American casinos in southwestern Wisconsin.

#### *Waterloo*

Our Waterloo, Iowa property opened in June 2007 and is located adjacent to Highway 218 and US 20. The property consists of a single-level casino offering 941 slot machines, 22 table games and four poker tables. The property also offers a wide variety of non-gaming amenities, including a 96-seat Otis & Henry's restaurant, a 218-seat Farmer's Pick buffet, 65-seat Lone Wolf restaurant and bar, 5,000 square feet of meeting space, 1,500 parking spaces and a 195-room hotel, which includes 27 suites.

Our Waterloo property is the only gaming facility in the Waterloo, Iowa market and approximately 685,000 people live within 60 miles of the property. We compete with other casinos in eastern Iowa. We generated casino revenues of approximately \$89 million in fiscal 2016.

#### *Louisiana*

##### *Lake Charles*

Our Lake Charles property commenced operations in July 1995 and is located on a 19-acre site along Interstate 10, the main thoroughfare connecting Houston, Texas to Lake Charles, Louisiana. In February 2012, we consolidated our gaming operations onto one gaming vessel offering 1,157 slot machines, 36 table games, including 13 poker tables, two hotels offering 493 rooms, a 96,000 square foot land-based pavilion and entertainment center, and 2,539 parking spaces, including approximately 1,160 spaces in an attached parking garage. The pavilion and entertainment center offer customers a wide variety of non-gaming amenities, including a 100-seat Otis & Henry's restaurant and a 240-seat Farmers' Pick buffet. During fiscal 2016, we remodeled and rebranded the fast casual restaurant to a Lone Wolf Express, which features American favorites and a selection of Asian items. In addition, we updated and rebranded the bar to a Lone Wolf, which features free live entertainment and can accommodate 171 guests. The pavilion also has a 14,750 square foot entertainment center comprised of a 1,142-seat special events center designed for concerts, banquets and other events, meeting facilities and administrative offices.

The Lake Charles market consists of three dockside gaming facilities, the newest of which opened in December 2014, a Native American casino and a pari-mutuel facility/racino. In addition, a Native

Table of Contents

American electronic bingo hall recently opened approximately 100 miles north of Houston. The market includes approximately 8,800 slot machines and approximately 280 table games. For the twelve months ended April 2016, the three gaming facilities and one racino, in the aggregate, generated gaming revenues of approximately \$895 million. Revenues for the Native American property are not published. Casino revenues for our Lake Charles property for fiscal 2016 were approximately \$131 million. Lake Charles is the closest gaming market to the Houston metropolitan area, which has a population of approximately 6.2 million and is located approximately 140 miles west of Lake Charles. We believe that our Lake Charles property attracts customers primarily from southeast Texas, including Houston, Beaumont, Galveston, Orange and Port Arthur and from local area residents. Approximately 500,000 and 1.7 million people reside within 50 and 100 miles, respectively, of the Lake Charles property.

***Mississippi***

*Lula*

Our Lula property, which we acquired in March 2000, is located off of Highway 49, the only road crossing the Mississippi River between Mississippi and Arkansas for more than 50 miles in either direction. The property consists of two dockside casinos containing 871 slot machines and 20 table games, two on-site hotels with a total of 451 rooms, a land-based pavilion and entertainment center, 1,611 parking spaces and a 28-space RV Park. The pavilion and entertainment center offer a wide variety of non-gaming amenities, including a 130-seat Otis & Henry's restaurant, a 240-seat Calypso's buffet and a 57-seat Otis & Henry's Express.

Our Lula property is the only gaming facility in Coahoma County, Mississippi and generated casino revenues of approximately \$57 million in fiscal 2016. Lula draws a significant amount of business from the Little Rock, Arkansas metropolitan area, which has a population of approximately 725,000 and is located approximately 120 miles west of the property. Coahoma County is also located approximately 60 miles southwest of Memphis, Tennessee, which is primarily served by eight casinos in Tunica County, Mississippi. Lula also competes with Native American casinos in Oklahoma and racinos in West Memphis, Arkansas and Hot Springs, Arkansas. Approximately 65,000 and 1.0 million people reside within 25 and 60 miles, respectively, of our Lula property.

*Vicksburg*

Our Vicksburg property, which we acquired in June 2010, is located off Interstate 20 and Highway 61 in western Mississippi, approximately 50 miles west of Jackson, Mississippi. The property consists of a dockside casino offering 616 slot machines and seven table games. During fiscal 2013, the property was rebranded to a Lady Luck, which involved significant changes in appearance and renovation of all restaurants. The property offers a 200-seat Farmer's Pick buffet, a 48-seat Otis & Henry's, a 64-seat Lone Wolf bar and an 18-seat Otis & Henry's Express. The property has 977 parking spaces.

The Vicksburg market consists of five dockside casinos which generated total gaming revenues of approximately \$233 million for the twelve months ended April 2016. Our Vicksburg property generated casino revenues of approximately \$39 million in fiscal 2016. Approximately 700,000 people reside within 60 miles of the property.

***Missouri***

*Boonville*

Our Boonville property, which opened in December 2001, is located three miles off Interstate 70, approximately halfway between Kansas City and St. Louis. The property consists of a single level dockside casino offering 914 slot machines, 20 table games, a 140-room hotel, a 32,400 square foot

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

### Table of Contents

pavilion and entertainment center and 1,100 parking spaces. The pavilion and entertainment center offer customers a wide variety of non-gaming amenities, including a 202-seat Farmer's Pick Buffet, a 94-seat Farradays' restaurant, a 26-seat Tradewinds Marketplace, an 850-seat ballroom and a 200 seat event center.

Our Boonville property is the only gaming facility in central Missouri and generated casino revenues of approximately \$82 million in fiscal 2016. We believe that our Boonville casino attracts customers primarily from the approximately 615,000 people who reside within 60 miles of the property which includes the Columbia and Jefferson City areas.

#### *Cape Girardeau*

Our Cape Girardeau property, which opened in October 2012, is located three and a half miles from Interstate 55 in Southeast Missouri, approximately 120 miles south of St. Louis, Missouri. The dockside casino offers 923 slot machines, 22 table games and 4 poker tables. The pavilion and entertainment center offer a wide variety of non-gaming amenities, which includes a 110-seat Lone Wolf bar and lounge, a 230-seat Farmer's Pick buffet, a 122-seat Farradays' restaurant, a 12-seat Lone Wolf Express and a 59-seat Keller's restaurant and bar that overlooks the Mississippi river. The property also operates a 7,725 square foot event center with seating for up to 600 patrons and has 1,049 parking spaces.

Our Cape Girardeau property is the only gaming facility in the Cape Girardeau, Missouri market and generated casino revenues of approximately \$64 million in fiscal 2016. Our operations primarily compete with other gaming operations in Southwest Illinois and Southeast Missouri. Approximately 640,000 people reside within 60 miles of our property, which includes Carbondale and Marion, Illinois, Paducah, Kentucky and Sikeston, Missouri.

#### *Caruthersville*

Our Caruthersville property was acquired in June 2007 and is a riverboat casino located along the Mississippi River in Southeast Missouri. The dockside casino offers 557 slot machines and nine table games. The property offers a 40,000 square foot pavilion, which includes a 147-seat Lone Wolf bar and lounge and a 232-seat Otis & Henry's restaurant. The property has 1,151 parking spaces.

Our Caruthersville facility generated casino revenues of approximately \$37 million in fiscal year 2016. Approximately 610,000 people reside within 60 miles of the property. Our casino in Cape Girardeau is located approximately 85 miles north of our Caruthersville casino.

#### *Kansas City*

Our Kansas City property, which we acquired in June 2000, is the closest gaming facility to downtown Kansas City and consists of a dockside casino offering 979 slot machines and 18 table games, a 172-seat Calypso's buffet, a 162-seat Lone Wolf restaurant and bar, a 44-seat Tradewinds Marketplace and 1,426 parking spaces.

The Kansas City market consists of four dockside gaming facilities, a land-based facility which opened in February 2012 and a Native American casino. Operating statistics for the Native American casino are not published. The four dockside gaming facilities and the land-based facility generated gaming revenues of approximately \$748 million for the twelve months ended April 2016. Our Kansas City property generated casino revenues of approximately \$77 million during fiscal 2016. We believe that our Kansas City casino attracts customers primarily from the Kansas City metropolitan area, which has approximately 2.0 million residents.

Table of Contents

**Pennsylvania**

*Nemacolin*

Lady Luck Nemacolin opened July 1, 2013. The property is located on the 2,000 acre Nemacolin Woodlands Resort in Western Pennsylvania. The casino property includes 597 slot machines, 29 table games, a 133-seat Otis & Henry's restaurant, a 83-seat Lone Wolf restaurant, bar and lounge and 766 parking spots. The Nemacolin Woodlands Resort includes over 300 rooms, suites, townhouses and luxury homes for the property guests, as well as numerous activities for the outdoor enthusiast.

Our Nemacolin property is the only casino in Fayette County, Pennsylvania and generated \$41 million of gaming revenues during fiscal year 2016. We believe that our casino attracts customers staying at the Nemacolin Woodlands Resort as well as from the 2.5 million people who reside within 60 miles of the property. The closest competing casino to Nemacolin is approximately 60 miles away. The Nemacolin facility competes primarily with a casino and a racino in the Pittsburgh, Pennsylvania area and a casino in Rocky Gap, Maryland.

**Marketing**

We continue to focus on profitable revenue growth through our strategic initiatives: optimizing customer reinvestment, innovating revenue channels and improving our customers' experience. Our targeted promotions, direct mail and fun entertainment options reflect our strong dedication to lifecycle management. We strive to deliver the right message to each of our customers at the right time and through the right channel.

Our marketing programs and initiatives are focused on the following areas:

*Channel Optimization:* In the highly-competitive markets in which we operate, it is critical for us to stay in-tune with our customers and offer relevant and competitive services and programs in the right channel. Our marketing strategies will continue to be refined as technology, media preferences and communication channels evolve.

*Database Marketing and Analytics:* We have compiled an extensive database of customer information over time. This information is being used in new ways, including predictive modeling, which allows us to maximize customer profitability and improve targeting within our programming.

*Regional Marketing Management Model:* The conversion to a regional management model in marketing operations in fiscal 2015 has improved our sharing of best practices and time-to-market. This approach allows us to maximize the effect of our most talented employees, yielding best practices on profitability, marketing and operations.

*Fan Club®:* Fan Club, our customer loyalty program, provides customers the opportunity to earn same-day benefits based on their level of play. The five-tier program provides customers with unique rewards based on individual tier. In fiscal 2015, we moved the last four properties using legacy loyalty programs to Fan Club so that each property in the enterprise now offers Fan Club benefits to its guests. As with all marketing strategies, we will continually reevaluate the benefits of Fan Club and make adjustments to improve the experience for our guests and the efficient of our marketing.

*Retail Development:* We continue our commitment to retail customers via enhanced food & beverage quality, engaging entertainment and fun promotions. Our current communication strategy is fully-integrated, using digital, social and traditional media to reach customers in a variety of ways. By diversifying our communication channels, we ensure that retail guests remain engaged with us regardless of their individual media consumption preferences. Our focus on new and more

Table of Contents

effective mass communication strategies will improve the return on investment of our buys and yield a better understanding of how our media strategy drives revenues.

*Brand:* Our brands are a reflection of our culture, our customers and who we are. Our service culture and commitment to providing an exceptional, casual, come as you are experience, is manifested in every aspect of our marketing and property experience.

**Employees**

As of April 24, 2016, we employed approximately 6,600 full and part-time people. We have a collective bargaining agreement with UNITE HERE covering approximately 470 employees at our Pompano property which was renewed in June 2015 and expires on May 31, 2018. We believe that our relationship with our employees is satisfactory.

**Governmental Regulations**

The gaming and racing industries are highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our facilities is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally relate to the responsibility, financial stability and character of the owners, managers and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1 to this Annual Report on Form 10-K.

Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, food service, smoking, environmental matters, employees and employment practices, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

**Available Information**

Our web site is [www.isleofcapricasinos.com](http://www.isleofcapricasinos.com). Our electronic filings with the U.S. Securities and Exchange Commission (including all annual reports on Form 10-K, quarter reports on Form 10-Q, and current reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our web site as soon as reasonably practicable after we electronically file them with or furnish them to the U.S. Securities and Exchange Commission. The information found on our website is not part of this or any other report we file with, or furnish to, the U.S. Securities and Exchange Commission.

Table of Contents

**ITEM 1A. RISK FACTORS**

An investment in our securities is subject to risks inherent to our business. We have described below what we currently believe to be the material risks and uncertainties in our business. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference in this Annual Report on Form 10-K.

This Annual Report on Form 10-K is qualified in its entirety by these risk factors. We also face other risks and uncertainties beyond what is described below. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of securities, including our common stock, could decline significantly. You could lose all or part of your investment.

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

The gaming industry is intensely competitive and we face a high degree of competition in the markets in which we operate. We have numerous competitors, including land-based casinos, dockside casinos, riverboat casinos, casinos located on racing tracks, pari-mutuel operations or Native American-owned lands and video lottery and poker machines not located in casinos. We also compete with other forms of legalized gaming and entertainment such as online computer gambling, bingo, pull tab games, card parlors, sports books, fantasy sports websites, "cruise-to-nowhere" operations, pari-mutuel or telephonic betting on horse racing and dog racing, state-sponsored lotteries, jai-alai, and, in the future, may compete with gaming at other venues. In addition, we compete more generally with other forms of entertainment for the discretionary spending of our customers. We also face the risk that existing competitors will expand their operations and the risk that Native American gaming will continue to grow. For example, an existing competitor of our Bettendorf, Iowa property in Davenport opened its land-based gaming facility on June 16, 2016 replacing its previous riverboat casino. Some of our competitors may have better name recognition, marketing and financial resources than we do; competitors with more financial resources may therefore be able to improve the quality of, or expand, their gaming facilities in a way that we may be unable to match.

In addition, we also face the risk of further legalization and/or expansion of gaming. Certain states have recently legalized and other states are currently considering legalizing gaming. Our existing casinos attract a significant number of their customers from Houston, Texas; South Florida; Little Rock, Arkansas; and Denver, Colorado. Our continued success depends upon drawing customers from each of these geographic markets. In the past, legislation to legalize or expand gaming has been introduced that would impact some of these markets. For example, the Arkansas attorney general recently certified a proposed ballot initiative to amend the Arkansas Constitution to permit up to four gaming establishments. If the ballot initiative is successful, it could adversely affect our Lula property. Additionally, from time to time the State of Florida has entered into or amended gaming compacts with Native American Casinos or enacted, amended or discussed possible changes in gaming laws which could have positive or negative impacts on our Pompano operations. Recently the First District court of Appeals for the State of Florida ruled that a pari-mutuel operator in Gadsden County was entitled to a slot license from the Florida division of pari-mutuel wagering based on the court's interpretation of legislation passed in 2010. The court's ruling was challenged; however, if the ruling is upheld, it may apply to other counties in Florida and could lead to further expansion of gaming that could adversely affect our Pompano operation.

Table of Contents

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

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

***We are subject to extensive regulation from gaming and other regulatory authorities that could adversely affect us.***

*Licensing requirements.* As owners and operators of gaming and pari-mutuel wagering facilities, we are subject to extensive state and local regulation. State and local authorities require us and our subsidiaries to demonstrate suitability to obtain and retain various licenses and require that we have registrations, permits and approvals to conduct gaming operations. The regulatory authorities in the jurisdictions in which we operate have very broad discretion with regard to their regulation of gaming operators, and may for a broad variety of reasons and in accordance with applicable laws, rules and regulations, limit, condition, suspend, fail to renew or revoke a license to conduct gaming operations or prevent us from owning the securities of any of our gaming subsidiaries, or prevent other persons from owning an interest in us or doing business with us. We may also be deemed responsible for the acts and conduct of our employees. Substantial fines or forfeiture of assets for violations of gaming laws or regulations may be levied against us, our subsidiaries and the persons involved, and some regulatory authorities have the ability to require us to suspend our operations. The suspension or revocation of any of our licenses or our operations or the levy on us or our subsidiaries of a substantial fine would have a material adverse effect on our business.

To date, we have demonstrated suitability to obtain and have obtained all governmental licenses, registrations, permits and approvals necessary for us to operate our existing gaming facilities. Nevertheless, we may not be able to retain these licenses, registrations, permits and approvals, or be able to obtain any new ones in order to expand our business, or on a timely basis. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses and have the suitability of certain of our directors, officers and employees approved. We may not be able to obtain such renewals or approvals.

In addition, regulatory authorities in certain jurisdictions must approve, in advance, any restrictions on transfers of, agreements not to encumber or pledges of equity securities issued by a corporation that is registered as an intermediary company with such state, or that holds a gaming license. If these restrictions are not approved in advance, they will be invalid.

*Compliance with other laws.* We are also subject to a variety of other federal, state and local laws, rules, regulations and ordinances that apply to non-gaming businesses, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. Under various federal, state and local laws and regulations, an owner or operator of real property may be held liable for the costs of removal or remediation of certain hazardous or toxic substances or wastes located on its property, regardless of whether or not the present owner or operator knows of, or is responsible for, the presence of such substances or wastes. We have not identified any issues associated with our properties that could reasonably be expected to have a material adverse effect on us or the results of our operations. However, several of our properties are located in industrial areas or were used for industrial purposes for many years. As a consequence, it is possible that historical or neighboring activities have affected one or more of our properties and that, as a result, environmental issues could

Table of Contents

arise in the future, the precise nature of which we cannot now predict. The coverage and attendant compliance costs associated with these laws, regulations and ordinances may result in future additional costs.

Regulations adopted by the Financial Crimes Enforcement Network of the U.S. Treasury Department require us to report currency transactions in excess of \$10,000 occurring within a gaming day, including identification of the patron by name and social security number. U.S. Treasury Department regulations also require us to report certain suspicious activity, including any transaction that exceeds \$5,000 if we know, suspect or have reason to believe that the transaction involves funds from illegal activity or is designed to evade federal regulations or reporting requirements. Substantial penalties can be imposed against us if we fail to comply with these regulations. The Financial Crime Enforcement Network of the U.S. Treasury has recently increased its focus on gaming companies.

We are required to report certain customer's gambling winning via form W-2G's to comply with current Internal Revenue Service regulations. Should these regulations change, we would expect to incur additional costs to comply with the revised reporting requirements.

In May 2016, the U.S. Department of Labor released updated rules on overtime for salaried employees. Effective December 1, 2016, certain exempt salaried employees making below \$47,476 annually may qualify for overtime. We expect to incur additional costs to comply with the revised rules.

Several of our riverboats must comply with U.S. Coast Guard requirements as to boat design, on-board facilities, equipment, personnel and safety and must hold U.S. Coast Guard Certificates of Documentation and Inspection. The U.S. Coast Guard requirements also set limits on the operation of the riverboats and mandate licensing of certain personnel involved with the operation of the riverboats. Loss of a riverboat's Certificate of Documentation and Inspection could preclude its use as a riverboat casino. The U.S. Coast Guard shifted inspection duties related to permanently moored casino vessels to the individual states. Louisiana, Mississippi and Missouri have elected to utilize the services of the American Bureau of Shipping to undertake the inspections. Iowa has elected to handle the inspections through the Iowa Department of Natural Resources. The states continue the same inspection criteria as the U.S. Coast Guard in regard to annual and five year inspections. Depending on the outcome of these inspections a vessel could become subject to dry-docking for inspection of its hull, which could result in a temporary loss of service.

We are required to have third parties periodically inspect and certify all of our casino barges for stability and single compartment flooding integrity. Our casino barges and other facilities must also meet local fire safety standards. We would incur additional costs if any of our gaming facilities were not in compliance with one or more of these regulations.

*Potential changes in legislation and regulation of our operations.* From time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations in the jurisdictions in which we operate. In addition, from time to time, certain anti-gaming groups have challenged constitutional amendments or legislation that would limit our ability to continue to operate in those jurisdictions in which these constitutional amendments or legislation have been adopted.

*Taxation and fees.* State and local authorities raise a significant amount of revenue through taxes and fees on gaming activities. We believe that the prospect of significant revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant taxes and fees in addition to normal federal, state, local and provincial income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. Any



Table of Contents

material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our future financial results.

***Our operations in certain jurisdictions depend on agreements with third parties.***

Our operations in several jurisdictions depend on agreements with third parties. If we are unable to renew these agreements on satisfactory terms as they expire, our business may be disrupted and, in the event of disruptions in multiple jurisdictions, could have a material adverse effect on our financial condition and results of operations. For example, Iowa law requires that each gambling venue in Iowa must have a licensed "Qualified Sponsoring Organization," or QSO, which is a tax-exempt non-profit organization. The QSO must donate the profits it receives from casino operations to educational, civic, public, charitable, patriotic or religious uses. Each of our three Iowa properties has an agreement with a local QSO. We have the right to renew our agreements for Bettendorf and Waterloo when they expire in 2025 and 2018, respectively. In October 2015, we amended our agreement for Marquette which extended the expiration to June 2044.

We have a management agreement with Nemaquin Woodlands Resort, the owner of the gaming license issued by the Pennsylvania Gaming Control Board allowing operation of a casino at the resort. Under the terms of this agreement, we constructed and currently operate a casino at the resort. Our management agreement is subject to a buy-out provision on or after December 31, 2021, as well as other terms and conditions which could result in termination of the management agreement. The base term of the agreement is ten years, with four, five-year renewal options. Additionally, each party to the management agreement has certain termination rights. If the management agreement is terminated, we will no longer have the right to manage our casino at Nemaquin Woodlands Resort.

***Our business may be adversely affected by legislation prohibiting tobacco smoking.***

Legislation in various forms to ban indoor tobacco smoking has been enacted or introduced in many states and local jurisdictions, including several of the jurisdictions in which we operate. If additional restrictions on smoking are enacted in our jurisdictions, we could experience a significant decrease in gaming revenue and particularly, if such restrictions are not applicable to all competitive facilities in that gaming market, our business could be materially adversely affected.

***Our substantial indebtedness could adversely affect our financial health and restrict our operations.***

We have a significant amount of indebtedness. As of April 24, 2016, we had approximately \$923 million of total debt outstanding.

Our significant indebtedness could have important consequences to our financial condition, such as:

limiting our ability to use operating cash flow or obtain additional financing to fund working capital, capital expenditures, expansion and other important areas of our business because we must dedicate a significant portion of our cash flow to make principal and interest payments on our indebtedness;

causing an event of default if we fail to satisfy the financial and restrictive covenants contained in the indentures and agreements governing our senior secured credit facility, our 5.875% senior notes, our 8.875% senior subordinated notes and our other indebtedness, which could result in all of our debt becoming immediately due and payable, could permit our secured lenders to foreclose on the assets securing our secured debt and have other adverse consequences, any of which, if not cured or waived, could have a material adverse effect on us;

Table of Contents

if the indebtedness under our 5.875% senior notes, our 8.875% senior subordinated notes, our senior secured credit facility, or our other indebtedness were to be accelerated, we may not have sufficient assets to repay such indebtedness in full;

placing us at a competitive disadvantage to our competitors who are not as highly leveraged;

increasing our vulnerability to and limiting our ability to react to changing market conditions, changes in our industry and economic downturns or downturns in our business; and

our agreements governing our indebtedness, among other things, require us to maintain certain specified financial ratios and to meet certain financial tests. Our debt agreements also limit our ability to:

- i. borrow money;
- ii. make capital expenditures;
- iii. use assets as security in other transactions;
- iv. make restricted payments or restricted investments;
- v. incur contingent obligations; and
- vi. sell assets and enter into leases and transactions with affiliates.

A portion of our outstanding debt bears interest at variable rates. If short-term interest rates rise, our interest cost will increase our variable rate indebtedness, which will adversely affect our results of operations and available cash.

Any of the factors listed above could have a material adverse effect on our business, financial condition and results of operations. Our business may not continue to generate sufficient cash flow and future available draws under our senior secured credit facility may not be sufficient to enable us to meet our liquidity needs, including those needed to service our indebtedness.

***Despite our significant indebtedness, we may still be able to incur significantly more debt. This could intensify the risks described above.***

The terms of our senior secured credit facility, and the indentures governing our 5.875% senior notes, our 8.875% senior subordinated notes limit, but do not prohibit, us or our subsidiaries from incurring significant additional indebtedness in the future.

As of April 24, 2016, we have the capacity to incur additional indebtedness, including the ability to incur additional indebtedness under our line of credit, of approximately \$224 million, after taking into account \$8 million in letters of credit currently outstanding. If new debt is added to our current level of indebtedness, the related risks that we now face could intensify.

***Our senior secured credit facility matures on April 19, 2018 and we may not be able to renew or extend it or enter into a new credit facility. In addition, our ability to renew or extend our senior secured credit facility or to enter into a new credit facility may be impaired if market conditions worsen. If we are able to renew or extend our senior secured credit facility, it may be on terms substantially less favorable than the senior secured credit facility.***

Our senior secured credit facility matures on April 19, 2018. Our ability to renew or extend our existing senior secured credit facility or to enter into a new credit facility to replace the existing senior secured credit facility could be impaired if market conditions worsen. In the current environment, lenders may seek more restrictive lending provisions and higher interest rates that may reduce our borrowing capacity and increase

our costs. Failure to obtain sufficient financing or financing on acceptable terms would constrain our ability to operate our business and to continue our development

Table of Contents

and expansion projects. Any of these circumstances could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to successfully expand to new locations or recover our investment in capital projects or new properties which would adversely affect our operations and available resources.***

We regularly evaluate opportunities for growth through development of gaming operations in existing or new markets, through acquiring or managing other gaming entertainment facilities or through redeveloping our existing facilities. The expansion of our operations, whether through acquisitions, development, management contracts or internal growth, could divert management's attention and could also cause us to incur substantial costs, including legal, professional and consulting fees. To the extent that we elect to pursue any new gaming acquisition, management or development opportunity, our ability to benefit from our investment will depend on many factors, including:

our ability to successfully identify attractive acquisition and development opportunities;

our ability to successfully operate any developed, managed or acquired properties;

our ability to generate returns, if any, may take significantly longer than we expect;

our ability to attract and retain competent management and employees for the new locations;

our ability to secure required federal, state and local licenses, permits and approvals, which in some jurisdictions are limited in number and subject to intense competition; and

the availability of adequate financing on acceptable terms.

Many of these factors are beyond our control. Additionally, from time to time there are significant disruptions in the global capital markets that may adversely impact the ability of borrowers like us to access capital. Accordingly, we could be dependent on free cash flow from operations and remaining borrowing capacity under our senior secured credit facility to implement our near-term expansion plans and fund our planned capital expenditures. Moreover, lower-than-expected results from the opening of a new property may negatively affect our operating results and financial condition and may make it more difficult to raise capital. As a result of these and other considerations, we may not be able to successfully expand to additional locations or recover our investments in any new gaming development, management opportunities or acquired facilities.

***We may experience construction delays or cost overruns during our expansion or development projects that could adversely affect our operations.***

From time to time, we may commence construction projects on new properties or at our current properties. For example, construction of a new \$60 million land-based casino at our Bettendorf, Iowa property is nearly complete, with an expected opening date of June 24, 2016. We also evaluate other expansion opportunities as they become available and we may in the future engage in additional construction projects. The anticipated costs and construction periods for our construction projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with our architects. Construction projects entail significant risks, which can substantially increase costs or delay completion of a project. Such risks include shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, weather interference and unanticipated cost increases. Most of these factors are beyond our control. In addition, difficulties or delays in obtaining any of the requisite licenses, permits or authorizations from regulatory authorities can increase the cost or delay the completion of an expansion or development. Significant budget overruns or delays with respect to expansion and development projects could adversely affect our results of operations.

Table of Contents

***Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security systems and all of our slot machines are controlled by computers and reliant on electrical power to operate.***

The absence of sufficient electrical power, open data lines, or a failure of the technology services needed to run our systems may cause us to be unable to run all or parts of gaming operations. Any unscheduled interruption in our technology services or interruption in the supply of electrical power is likely to result in an immediate, and possibly substantial, loss of revenues due to a shutdown of our gaming operations. Our systems are also vulnerable to damage or interruption from rolling blackouts, earthquakes, floods, fires, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events.

***Some of our casinos are located on leased property. If we default on one or more leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected casino.***

We lease certain parcels of land on which several of our properties are located. As a ground lessee, we have the right to use the leased land; however, we do not hold fee ownership in the underlying land. Accordingly, with respect to the leased land, we will have no interest in the land or improvements thereon at the expiration of the ground leases. Moreover, since we do not completely control the land underlying the property, a landowner could take certain actions to disrupt our rights in the land leased under the long-term leases which are beyond our control. If the entity owning any leased land chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. If we were to default on any one or more of these leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected land and any improvements on the land, including the hotels and casinos. This would have a significant adverse effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities and may result in the default under our amended and restated credit facility.

***If our key personnel leave us, our business could be adversely affected.***

Our continued success will depend, among other things, on the efforts and skills of a few key executive officers and the experience of our property managers. Our ability to retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies and our growth prospects. The loss of the services of any of these key individuals could have a material adverse effect on our business, financial condition and results of operations. We do not maintain "key man" life insurance for any of our employees.

***We are effectively controlled by members of the Goldstein family and their decisions may differ from those that may be made by other stockholders.***

Robert S. Goldstein, our Chairman of the Board, and Jeffrey D. Goldstein and Richard A. Goldstein, two of our directors, and various family trusts associated with members of the Goldstein family and entities associated with certain members of the Goldstein family, (collectively the "Goldstein Parties") directly and indirectly collectively own and control approximately 36.5% of our common stock as of April 24, 2016.

The Goldstein Parties have substantial control over the election of our board of directors and the outcome of the vote on substantially all other matters, including amendment of our amended and restated certificate of incorporation, amendment of our by-laws and significant corporate transactions, such as the approval of a merger or other transactions involving a sale of the Company. Such substantial control may have the effect of discouraging transactions involving an actual or potential

Table of Contents

change of control, which in turn could have a material adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the market price for their shares of common stock. The interests of the Goldstein Parties may differ from those of our other stockholders.

***Our amended and restated certificate of incorporation contains provisions that could delay and discourage takeover attempts that stockholders may consider favorable.***

Certain provisions of our amended and restated certificate of incorporation may make it more difficult or prevent a third party from acquiring control of us, including:

we may not, until the Supermajority Expiration Time (as defined below) without the affirmative vote of the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the Company's voting power, voting as a single class, authorize, adopt or approve certain extraordinary corporate transactions; and

the classification of our board of directors and staggered three-year terms of service for each class of directors.

"Supermajority Expiration Time" means the first to occur of (i) the Goldstein Group ceasing to hold common stock of the Company representing at least 22.5% of our outstanding common stock, not including any shares of Class B common stock or shares of common stock issued upon conversion of any preferred stock and (ii) April 8, 2021. The "Goldstein Group" means Robert S. Goldstein, our Chairman, and Jeffrey D. Goldstein and Richard A. Goldstein, two of our directors, spouses, children and grandchildren of certain members of the Goldstein family and entities associated with certain members of the Goldstein family.

These provisions may make mergers, acquisitions, tender offers, the removal of management and certain other transactions more difficult or more costly and could discourage or limit stockholder participation in such types of transactions, whether or not such transactions are favored by the stockholders. The provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock. Further, the existence of these anti-takeover measures may cause potential bidders to look elsewhere, rather than initiating acquisition discussions with us. Any of these factors could reduce the price of our common stock.

***We are subject to extensive governmental regulations that impose restrictions on the ownership and transfer of our securities.***

No person may become the beneficial owner of five percent or more of any class or series of our capital stock unless such person agrees in writing to provide certain information to, and consent to a background investigation by, any applicable gaming authority. Our certificate of incorporation requires that, if in the judgment of our board of directors, a beneficial owner of our capital stock may result in the disapproval, modification, or non-renewal of any contract under which we have authority to manage any gaming operations or the loss or non-reinstatement of any license from any governmental agency to conduct any portion of our business, we may redeem such person's securities.

If we deem it necessary or advisable to redeem such securities, we will serve notice on the holder who holds securities subject to redemption and will call for the redemption of the securities of such holder at a redemption price equal to that required to be paid by the applicable gaming authority, or if such gaming authority does not require a certain price per share to be paid, a sum deemed reasonable by us, which in our discretion may be the original purchase price, the then current trading price of the securities or another price we determine. The redemption price may be paid in cash, by promissory note, or both, as required by the applicable gaming authority and, if not so required, as we elect. Unless the gaming authority requires otherwise, the redemption price will in no event exceed (i) the closing sale price of the securities on the national securities exchange on which such shares are then listed or (ii) if the shares are not then listed, then the mean between the representative bid and the ask price as quoted by any other generally recognized reporting system.

Table of Contents

From and after the date of redemption, such securities will no longer be deemed to be outstanding and all rights of the person who was determined to be unsuitable, other than the right to receive the redemption price, will cease. Such person must surrender the certificates for any securities to be redeemed in accordance with the requirements of the redemption notice.

Ownership and transfer of our securities could be subjected at any time to additional or more restrictive regulations, including regulation in applicable jurisdictions where there are no current restrictions on the ownership and transfer of our securities or in new jurisdictions where we may conduct our operations in the future. A detailed description of such regulations, including the requirements under gaming laws of the jurisdictions in which we operate, can be found in the Exhibit 99.1 to this Form 10-K and is incorporated herein by reference.

***We have a history of fluctuations in our operating income (losses) from continuing operations, and we may incur additional operating losses from continuing operations in the future. Our operating results could fluctuate significantly on a periodic basis.***

Although we had income from continuing operations of \$48.3 million in fiscal 2016 and \$7.3 million in fiscal 2015, respectively, we sustained a (loss) from continuing operations of \$(116.8) million in fiscal 2014. Companies with fluctuations in income (loss) from continuing operations often find it more challenging to raise capital to finance improvements in their businesses and to undertake other activities that return value to their stockholders. In addition, companies with operating results that fluctuate significantly on a quarterly or annual basis may experience increased volatility in their stock prices in addition to difficulties in raising capital. There may be fluctuations in our income (losses) from continuing operations in the future, and should that occur, we may suffer adverse consequences to our business as a result, which could decrease the value of our common stock.

***We may incur impairments to goodwill, indefinite-lived intangible assets, or long-lived assets, which could negatively affect our operating results.***

As of April 24, 2016, we had \$162.2 million of goodwill and other intangible assets. We perform annual impairment testing for goodwill and indefinite-lived intangible assets as of the first day of the fourth fiscal quarter of each year, or on an interim basis if indicators of impairment exist. For properties with goodwill and/or other intangible assets with indefinite lives, these tests could require the comparison of the implied fair value of each reporting unit to carrying value.

We must make various assumptions and estimates in performing our impairment testing. The implied fair value includes estimates of future cash flows that are based on reasonable and supportable assumptions which represent our best estimates of the cash flows expected to result from the use of the assets including their eventual disposition and by a market approach based upon valuation multiples for similar companies. Changes in estimates, increases in our cost of capital, reductions in transaction multiples, operating and capital expenditure assumptions or application of alternative assumptions and definitions, could produce significantly different results.

We also evaluate long-lived assets for impairment if indicators of impairment exist. In assessing the recoverability of the carrying value of such property, equipment and other long-lived assets, we make assumptions regarding future cash flows and residual values.

Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, social and economic climates, recent operating information and budgets, and current operating plans of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, internal operating decisions, or other events affecting various forms of travel and access to our properties.

Table of Contents

***Inclement weather and other conditions could seriously disrupt our business and have a material, adverse effect on our financial condition and results of operations.***

The operations of our facilities are subject to disruptions or reduced patronage as a result of severe weather conditions, natural disasters and other casualties. Because many of our gaming operations are located on or adjacent to bodies of water, these facilities are subject to risks in addition to those associated with other casinos, including loss of service due to casualty, forces of nature, mechanical failure, extended or extraordinary maintenance, flood, hurricane or other severe weather conditions and other disasters. For example, flooding along the Mississippi River resulted in five of our properties being closed for differing periods of time in fiscal 2012 and the harsh weather in the winter of fiscal 2014 affected regional gaming revenues. In addition, severe weather such as high winds and blizzards occasionally limits access to our land-based facilities in Colorado. The proceeds from any future insurance claim may not be sufficient to compensate us if one or more of our casinos experience a closure.

***We have three properties that each generated more than 10% of our net revenues.***

In fiscal 2016, our casinos in Pompano, Florida, Lake Charles, Louisiana and our Isle property in Black Hawk, Colorado, each generated more than 10% of our net revenues. Our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of these facilities. The operations at these facilities and any of our other facilities could be adversely affected by numerous factors, including those described in these "Risk Factors" as well as more specifically those described below:

risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors to a facility, a downturn in the overall economy in the market, a decrease in consumer spending on gaming activities in the market or an increase in competition within and outside the state in which each property is located (for example, the effect on our Lake Charles property due to the new competitor which opened December 2014 and the effect on our Black Hawk properties due to a substantially renovated and expanded casino across the street);

changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) applicable to a facility;

impeded access to a facility due to weather, road construction or closures of primary access routes;

work stoppages, organizing drives and other labor problems as well as issues arising in connection with agreements with horsemen and pari-mutuel clerks; and

the occurrence of natural disasters or other adverse regional weather trends.

***Reductions in discretionary consumer spending could have a material adverse effect on our business.***

Our business has been and may continue to be adversely affected by economic fluctuations experienced in the United States, as we are highly dependent on discretionary spending by our patrons. Reductions in discretionary consumer spending or changes in consumer preferences brought about by factors such as increased unemployment, significant increases in energy prices, perceived or actual deterioration in general economic conditions, housing market instability, instability in the financial markets, perceived or actual decline in disposable consumer income and wealth, and changes in consumer confidence in the economy could reduce customer demand for the leisure activities we offer and may adversely affect our revenues and operating cash flow. We are unable to predict the frequency, length or severity of economic circumstances.



Table of Contents

***The market price of our common stock may fluctuate significantly.***

The market price of our common stock has historically been volatile and may continue to fluctuate substantially due to a number of factors, including actual or anticipated changes in our results of operations, the announcement of significant transactions or other agreements by our competitors, conditions or trends in the industry or other entertainment industries with which we compete, general economic conditions including those affecting our customers' discretionary spending, changes in the cost of gasoline, changes in the gaming markets in which we operate and changes in the trading value of our common stock. The stock market in general, as well as stocks in the gaming sector have been subject to significant volatility and extreme price fluctuations that have sometimes been unrelated or disproportionate to individual companies' operating performances. Broad market or industry factors may harm the market price of our common stock, regardless of our operating performance.

***Work stoppages, organizing drives and other labor problems could negatively impact our future profits.***

Some of our employees at our Pompano, Florida location are currently represented by a labor union. Labor unions are making a concerted effort to recruit more employees in the gaming industry. In addition, organized labor may benefit from new legislation or legal interpretations by the current presidential administration. We may experience additional or more successful union organizing activity in the future.

Additionally, lengthy strikes or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and result of operations.

***We are or may become involved in legal proceedings which, if adversely adjudicated or settled, could impact our financial condition.***

From time to time, we are defendants in various lawsuits and gaming regulatory proceedings relating to matters incidental to our business. As with all litigation, the outcome of these matters is uncertain and, in general, litigation can be expensive and time consuming. We may not be successful in the defense or prosecution of our current or future legal proceedings, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

***Our insurance coverage may not be adequate to cover all possible losses that our properties could suffer. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.***

We may suffer damage to our property caused by a casualty loss (such as fire, natural disasters, acts of war or terrorism), that could severely disrupt our business or subject us to claims by third parties who are injured or harmed. Although we maintain insurance customary in our industry, (including property, casualty, terrorism and business interruption insurance) that insurance may not be adequate or available to cover all the risks to which our business and assets may be subject. The lack of sufficient insurance for these types of acts could expose us to heavy losses if any damages occur, directly or indirectly, that could have a significant adverse impact on our operations.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, it is possible that regional political tensions, homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits), additional exclusions from coverage or higher deductibles. Among other potential future adverse changes, in the future we may elect to not, or may not be able to, obtain any coverage for losses due to acts of terrorism.

Table of Contents

***Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security.***

We collect information relating to our guests and employees for various business purposes, including marketing and promotional purposes. The collection and use of personal data are governed by privacy laws and regulations enacted in the United States. We rely on information technology and other systems to maintain and transmit this personal and financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information. Our information and processes are subject to the ever-changing threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate these risks may not be successful, and any resulting compromise or loss of data or systems could adversely impact, operations or regulatory compliance and could result in remedial expenses, fines, litigation, and loss of reputation, potentially impacting our financial results.

In addition, third party service providers and other business partners process and maintain proprietary business information and data related to our guests, suppliers and other business partners. Our information technology and other systems that maintain and transmit this information, or those of service providers or business partners, may also be compromised by a malicious third party penetration of our network security or that of a third party service provider or business partner, or impacted by intentional or unintentional actions or inactions by our employees or those of a third party service provider or business partner. As a result, our business information, guest, supplier, and other business partner data may be lost, disclosed, accessed or taken without their consent.

Any such loss, disclosure or misappropriation of, or access to, guests' or business partners' information or other breach of our information security can result in legal claims or legal proceedings, including regulatory investigations and actions, may have a serious impact on our reputation and may adversely affect our businesses, operating results and financial condition. Furthermore, the loss, disclosure or misappropriation of our business information may adversely affect our reputation, businesses, operating results and financial condition.

***We have recently announced social gaming initiatives, which is a new line of business for us and a rapidly evolving and highly competitive market. We may not be able to compete effectively in this marketplace and our new initiatives may not be successful.***

We have recently announced social gaming initiatives and expect to invest in and market social gaming and other mobile gaming platforms to our customers in casinos and beyond. Our products will compete in a rapidly evolving and highly competitive market against an increasing number of competitors, including Caesars Interactive, Churchill Downs, Penn National Gaming and Zynga. Given the open nature of the development and distribution of games for electronic devices, our business will also compete with developers and distributors who are able to create and launch games and other content for these devices using relatively limited resources and with relatively limited start-up time or expertise. We have limited experience operating in this rapidly evolving marketplace and may not be able to compete effectively.

In addition, our ability to be successful with our social gaming platform is dependent on numerous factors beyond our control that affect the social and mobile gaming industry and the online gaming industry in the United States, including the occurrence and manner of legalization of online real money gaming in the United States beyond Nevada, Delaware and New Jersey; changes in consumer demographics and public tastes and preferences; changing laws and regulations affecting social and mobile games; the reaction of regulatory bodies to social gaming initiatives by holders of gaming licenses; the availability and popularity of other forms of entertainment; any challenges to the intellectual property rights underlying our games; and outages and disruptions of our online services that may harm our business.

Table of Contents

Our social gaming initiatives will result in increased operating expense and increased time and attention from our management. Our social games will be complementary to our current operations and offer additional avenues of access and interaction for our customers. We do not expect our initial social gaming applications to be available for real money gaming, and we do not expect our social gaming initiatives to generate significant revenues in the near future.

*The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us.*

There are a limited number of slot machine manufacturers servicing the gaming industry and a large majority of our revenues are derived from slot machines at our casinos. It is important, for competitive reasons, we offer the most popular and up-to-date slot machine games, with the latest technology to our customers.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participating lease arrangements. Generally, a participating lease is substantially more expensive over the long-term than the cost to purchase a new slot machine.

For competitive reasons, we may be forced to purchase new slot machines, slot machine systems, or enter into participating lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participating lease costs, it could adversely affect our profitability.

We materially rely on a variety of hardware and software products to maximize revenue and efficiency in our operations. Technology in the gaming industry is developing rapidly, and we may need to invest substantial amounts to acquire the most current gaming and hotel technology and equipment in order to remain competitive in the markets in which we operate. Ensuring the successful implementation and maintenance of any new technology acquired is an additional risk.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

*Isle-Black Hawk*

We own approximately 10 acres of land in Black Hawk, Colorado for use in connection with our Black Hawk operations. The property leases an additional parcel of land adjoining the Isle-Black Hawk to where the Lady Luck Hotel and parking are located. This lease is for an initial term of five years ending May 2019 with options to renew for 15 additional terms of five years each with the final option period concluding May 31, 2094. Annual rent is currently \$2.57 million through May 31, 2019. The rental rate thereafter shall be adjusted annually to correspond to any rise or fall in the Consumer Price Index ("CPI") at one-year intervals.

*Lady Luck-Black Hawk*

We own or lease approximately seven acres of land in Black Hawk, Colorado for use in connection with the Lady Luck-Black Hawk. The property leases an additional parcel of land near the Lady Luck-Black Hawk for parking as described above.

*Pompano*

We own approximately 223 acres at Pompano.

Table of Contents

*Lake Charles*

We own approximately 2.7 acres and lease approximately 16.2 acres of land in Calcasieu Parish, Louisiana for use in connection with our Lake Charles operations. This lease automatically renewed in March 2015 for five years and we have the option to renew it for 13 additional terms of five years each, subject to increases based on the CPI with a minimum of 10% and construction of hotel facilities on the property. We own two hotels in Lake Charles with a total of 493 rooms. Annual rent payments under the Lake Charles lease are approximately \$2.2 million.

*Bettendorf*

We own approximately 24.6 acres of land in Bettendorf, Iowa used in connection with the operations of our Bettendorf property. We also operate under a long-term lease with the City of Bettendorf, the QC Waterfront Convention Center that is adjacent to our northernmost hotel tower. We also lease approximately eight acres of land on a month-to-month basis from an entity owned by members of the Goldstein family, including Robert S. Goldstein, our Chairman of the Board and Jeffrey D. Goldstein and Richard A. Goldstein, directors of our company, which we utilize for parking. The initial term of the lease expires 60 days after written notice is given to either party and rent under the lease is currently \$60,000 annually.

*Marquette*

We lease the dock site in Marquette, Iowa that is used in connection with our Marquette operations. In November 2015, we amended the lease and extended the expiration date to June 2044. Through June 10, 2019, annual rent under the lease is approximately \$180,000, plus \$1.00 per passenger, plus 2.5% of gaming revenues (less state wagering taxes) in excess of \$20.0 million but less than \$40.0 million; 5% of gaming revenues (less state wagering taxes) in excess of \$40.0 million but less than \$60.0 million; and 7.5% of gaming revenues (less state wagering taxes) in excess of \$60.0 million. Subsequent to June 10, 2019, annual rent under the lease is 1.52% of gaming revenues, less state wagering taxes. We have an easement related to an overhead pedestrian bridge and driveway that is an annual payment of approximately \$6,300. We also own approximately 25 acres of land for the pavilion, satellite offices, warehouse, lots by the marina and other property.

*Waterloo*

We own approximately 54 acres of land in Waterloo, Iowa used in connection with the operation of our Waterloo property. We also lease 17,517 square feet of warehouse space. Subsequent to year end, the lease was renewed until June 2018. Rent under this lease is currently \$5,021 per month.

*Lula*

We lease approximately 1,000 acres of land in Coahoma County, Mississippi and utilize approximately 50 acres in connection with the operations in Lula, Mississippi. Unless terminated by us at an earlier date, the lease expires in 2033. Rent under the lease is currently 5.5% of gross gaming revenue as reported to the Mississippi Gaming Commission, plus \$100,000 annually. We also own approximately 100 acres in Coahoma County, which may be utilized for future development.

*Vicksburg*

We own approximately 60 acres in Vicksburg, Mississippi which are used in connection with the operations of our Vicksburg property.

Table of Contents

*Boonville*

We lease our 27 acre casino site in Boonville pursuant to a lease agreement with the City of Boonville. Under the terms of the agreement, we lease the site for a period of ninety-nine years. In lieu of rent, we are assessed additional amounts by the City of Boonville based on a 3.5% tax on gaming revenue, up to \$1.0 million, which we recognize as additional gaming taxes.

*Cape Girardeau*

We own approximately 22 acres in Cape Girardeau, Missouri which are used in connection with the operations of our Cape Girardeau property.

*Caruthersville*

We own approximately 37 acres, including our riverboat casino and 1,151 parking spaces in Caruthersville, Missouri.

*Kansas City*

We lease approximately 28 acres of land from the Kansas City Port Authority in connection with the operation of our Kansas City property. The term of the original lease was ten years and was renewed in October 2006 and October 2011 for additional five-year terms. The lease includes six additional five-year renewal options. The minimum lease payments correspond to any rise or fall in the CPI, initially after the ten-year term of the lease or October 18, 2006 and thereafter, at each five year renewal date. Rent under the lease currently is the greater of \$2.9 million (minimum rent) per year, or 3.25% of gross revenues, less complimentary.

*Nemacolin*

We operate under a long-term lease with the Nemacolin Woodlands Resort for 30 acres of land and building in which we operate our casino. The lease is for an initial term of 10 years which commenced with the opening of the casino, on July 1, 2013. The lease includes options to renew for four additional terms of five years each, with the final option period concluding June 2043. Lease payments associated with this space are \$150,000 annually, plus 2.0% of gross gaming revenues in excess of \$30 million.

*Other*

We own all of the riverboats and barges utilized at our facilities. We also own or lease all of our gaming and non-gaming equipment.

We lease our principal corporate office in Creve Coeur, Missouri.

We own additional property and have various property leases and options to either lease or purchase property that are not directly related to our existing operations and that may be utilized in the future in connection with expansion projects at our existing facilities or development of new projects.

All of our operating properties, except for our Nemacolin property and a portion of the excess land at our Pompano property, and most of our other owned and leased property interests collateralize our obligations under our senior secured credit facility.

Table of Contents

**ITEM 3. LEGAL PROCEEDINGS**

In October 2012, we opened our new casino in Cape Girardeau, Missouri. A subcontractor filed a mechanics' lien against our property resulting from a dispute between the subcontractor and our general contractor for the construction project. We demanded that the general contractor cause the lien to be bonded against or satisfied; however, the general contractor refused to do so and asserted that a portion of the subcontractor's claim resulted from additional work directly requested by us. In October 2013, the subcontractor filed suit against our wholly-owned subsidiary IOC-Cape Girardeau, LLC, the general contractor and two other defendants alleging various contract and equitable claims and were seeking damages of approximately \$3.8 million. In August 2014, we filed a cross claim against the general contractor alleging breach of contract and various indemnity claims. In January 2016, all parties reached a settlement fully resolving all claims related to this matter and we paid and capitalized additional construction costs of \$1.4 million.

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 4. MINE SAFETY DISCLOSURES**

None.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

(a)

i.

*Market Information.* Our common stock is traded on the NASDAQ Global Select Market under the symbol "ISLE". The following table presents the high and low closing sales prices for our common stock as reported by the NASDAQ Global Select Market for the fiscal periods indicated.

	<b>High</b>	<b>Low</b>
First Quarter (through June 16, 2016)	\$ 17.32	\$ 14.54
Fiscal Year Ending April 24, 2016		
Fourth Quarter	\$ 15.16	\$ 10.92
Third Quarter	20.99	12.27
Second Quarter	19.97	16.20
First Quarter	20.65	14.01
Fiscal Year Ending April 26, 2015		
Fourth Quarter	\$ 14.97	\$ 10.04
Third Quarter	10.64	6.80
Second Quarter	8.60	6.42
First Quarter	10.24	6.39

ii.

*Holders of Common Stock.* As of June 17, 2016, there were approximately 1,252 holders of record of our common stock.

iii.

*Dividends.* We have never declared or paid any dividends with respect to our common stock and the current policy of our board of directors is to retain earnings to provide for the growth of our company. In addition, our senior secured credit facility and the indentures governing our 5.875% senior notes and our 8.875% senior subordinated notes limit our ability to pay dividends. See "Item 8 Financial Statements and Supplementary Data-Isle of Capri Casinos, Inc. Notes to Consolidated Financial Statements Note 7." Consequently, no cash dividends are expected to be paid on our common stock in the near future. Further, there can be no assurance that our current and proposed operations would generate the funds needed to declare a cash dividend or that we would have legally available funds to pay dividends. In addition, we may fund part of our operations in the future from indebtedness, the terms of which may further prohibit or restrict the payment of cash dividends. If a holder of common stock is disqualified by the regulatory authorities from owning such shares, such holder will not be permitted to receive any dividends with respect to such stock. See "Item 1 Business-Governmental Regulations."

(b)

*Issuance of Unregistered Securities*

None.

(c)

*Purchases of our Common Stock*

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 common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases were made during the fiscal year ended April 24, 2016.





Table of Contents

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

Among Isle of Capri Casinos, Inc., the NASDAQ Composite Index  
and the Dow Jones US Gambling Index

---

\*

\$100 invested on 4/24/11 in stock or 4/30/11 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

Copyright© 2016 Dow Jones & Co. All rights reserved.

**ITEM 6. SELECTED FINANCIAL DATA.**

The following table presents our selected consolidated financial data for the five most recent fiscal years, which is derived from our audited consolidated financial statements and the notes to those statements. Because the data in this table does not provide all of the data contained in our consolidated financial statements, including the related notes, you should read "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial

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

Table of Contents

statements, including the related notes, contained elsewhere in this document and other data we have filed with the U.S. Securities and Exchange Commission.

	Fiscal Year Ended(1)				
	April 24, 2016	April 26, 2015	April 27, 2014	April 28, 2013	April 29, 2012
(dollars in millions, except per share data)					
<b>Statement of Operations</b>					
Revenues:					
Casino	\$ 1,028.0	\$ 1,032.2	\$ 981.1	\$ 938.8	\$ 927.1
Rooms	29.5	30.4	31.3	30.3	31.0
Food, beverage, pari-mutuel and other	132.4	137.2	132.4	125.1	119.6
Insurance recoveries					7.4
Gross revenues	1,189.9	1,199.8	1,144.8	1,094.2	1,085.1
Less promotional allowances	(211.3)	(222.8)	(210.4)	(196.2)	(180.7)
Net revenues	978.6	977.0	934.4	898.0	904.4
Operating expenses:					
Casino	152.7	156.5	152.9	144.5	142.2
Gaming taxes	261.9	263.3	249.6	235.4	231.4
Rooms	6.8	6.6	6.8	6.4	6.8
Food, beverage, pari-mutuel and other	48.5	48.9	46.2	43.5	42.2
Marine and facilities	54.1	56.0	55.3	51.9	53.1
Marketing and administrative	220.1	223.9	224.0	215.7	215.2
Corporate and development	29.0	29.1	28.5	33.9	40.3
Valuation charges		9.0	151.6	34.1	30.6
Litigation accrual reversals			(9.3)		
Preopening	0.2		3.9	5.8	0.6
Depreciation and amortization	82.1	77.8	79.6	69.7	72.3
Total operating expenses	855.4	871.1	989.1	840.9	834.7
Operating income (loss)	123.2	105.9	(54.7)	57.1	69.7
Interest expense	(68.0)	(84.1)	(81.3)	(89.4)	(87.9)
Interest income	0.3	0.4	0.3	0.5	0.8
Loss on early extinguishment of debt	(3.0)	(13.8)			
Derivative income			0.4	0.7	0.4
Income (loss) from continuing operations before income taxes	52.5	8.4	(135.3)	(31.1)	(17.0)
Income tax (provision) benefit	(4.2)	(1.1)	18.5	(6.7)	(15.1)
Income (loss) from continuing operations	48.3	7.3	(116.8)	(37.8)	(32.1)
Loss from discontinued operations, net of income taxes	(2.1)	(2.1)	(10.9)	(9.8)	(97.6)
Net income (loss) attributable to common stockholders	\$ 46.2	\$ 5.2	\$ (127.7)	\$ (47.6)	\$ (129.7)

Table of Contents

	Fiscal Year Ended(1)				
	April 24, 2016	April 26, 2015	April 27, 2014	April 28, 2013	April 29, 2012
	(dollars in millions, except per share data)				
<b>Statement of Operations Data (continued):</b>					
Income (loss) per common share attributable to common stockholders					
Basic					
Income (loss) from continuing operations	\$ 1.19	\$ 0.18	\$ (2.94)	\$ (0.96)	\$ (0.83)
Loss from discontinued operations	(0.05)	(0.05)	(0.27)	(0.25)	(2.52)
Net Income (loss)	\$ 1.14	\$ 0.13	\$ (3.21)	\$ (1.21)	\$ (3.35)
Diluted					
Income (loss) from continuing operations	\$ 1.17	\$ 0.18	\$ (2.94)	\$ (0.96)	\$ (0.83)
Loss from discontinued operations	(0.05)	(0.05)	(0.27)	(0.25)	(2.52)
Net Income (loss)	\$ 1.12	\$ 0.13	\$ (3.21)	\$ (1.21)	\$ (3.35)
<b>Other Data:</b>					
Net cash provided by (used in):					
Operating activities	\$ 135.9	\$ 125.6	\$ 86.8	\$ 116.0	\$ 118.1
Investing activities	(59.2)	(41.3)	6.1	(123.4)	(60.0)
Financing activities	(81.0)	(87.7)	(91.5)	(18.6)	(38.7)
Capital expenditures	(70.3)	(41.7)	(38.1)	(153.2)	(75.3)
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 62.1	\$ 66.4	\$ 69.8	\$ 68.5	\$ 94.5
Total assets	1,205.1	1,227.8	1,290.1	1,553.6	1,575.0
Long-term debt, including current portion	922.7	992.9	1,066.3	1,156.9	1,154.4
Stockholders' equity	75.6	23.5	19.4	142.4	183.6
<b>Operating Data(2):</b>					
Number of slot machines	12,026	12,166	12,295	11,873	11,134
Number of table games	320	320	327	293	275
Number of hotel rooms	2,190	2,195	2,229	2,229	2,229
Number of parking spaces	20,751	20,968	20,894	20,118	19,787

(1) Our fiscal year ended April 29, 2012 includes 53 weeks while other fiscal years presented include 52 weeks. The results of our previously owned Natchez, Mississippi, Davenport, Iowa and Biloxi, Mississippi casinos are presented as discontinued operations. We opened new casino operations in Nemaacolin, Pennsylvania in July 2013 and Cape Girardeau, Missouri in October 2012.

(2) Operating data excludes data for properties presented as discontinued operations for all periods presented.

Table of Contents

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion together with the financial statements, including the related notes and the other financial information, contained in this Annual Report on Form 10-K.*

**Executive Overview**

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

*Operating Results* 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 net revenues have increased by 0.2% and 4.6% for fiscal years 2016 over 2015, and 2015 over 2014, respectively, reflecting improved economic conditions and changes in our operations. 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 and giving consideration to the following:

*Items Impacting Income (Loss) from Continuing Operations* Significant items impacting our income (loss) from continuing operations during the fiscal years ended April 24, 2016, April 26, 2015 and April 27, 2014 are as follows:

*Long-term Debt Transactions* During April 2015, proceeds from an additional \$150 million issuance of our 5.875% Senior Notes and borrowing under our Credit Facility were used to purchase \$237.8 million of our 7.75% Senior Notes pursuant to a tender offer. In May 2015, we redeemed the remaining \$62 million of our 7.75% Senior Notes. As a result of these transactions, we incurred a loss on early extinguishment of debt of \$3.0 million and \$13.8 million in fiscal 2016 and 2015, respectively.

*Colorado Referendum Costs* During fiscal 2015, the Company incurred costs of \$4.1 million in support of efforts to defeat the proposed November 2014 referendum that would have expanded gaming to racetracks in certain Colorado counties.

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

*Corporate Restructurings* During fiscal 2015, we eliminated executive positions in the corporate office to maximize efficiency and streamline reporting lines, resulting in severance expense of \$2.3 million.

*Impairment and Other Valuation Charges* As a result of less than expected operating performance and projected future operating results, it was determined that the value of our long-lived assets were impaired. In fiscal 2015 and fiscal 2014, we recorded impairment charges of \$9.0 million and \$26.4 million related to our Nemaquin property's long-lived assets. The fiscal 2014 impairment charge consisted of \$12.2 million recorded to write-off our Nemaquin operating licenses and \$14.2 million to reduce the carrying value of our fixed assets to their estimated fair value.

Table of Contents

As a result of market conditions and our annual impairment tests of goodwill and indefinite lived intangible assets, we recorded goodwill impairment charges of \$125.2 million in fiscal 2014. These impairment charges were a result of economic conditions, deteriorating operating performance and the impact of new and forthcoming competition in certain of our markets.

*Legal Recoveries* In 2014, we received favorable rulings in two legal matters in which we had previously recorded reserves. As a result, during fiscal 2014, we reversed previously recorded accruals totaling \$16.9 million, of which \$9.3 million was recorded as a reduction to operating expenses and \$7.6 million was recorded as a reduction to interest expense.

*Disruptions* We began renovation of one of our hotel towers at our Bettendorf property in February 2015, which was completed in July 2015. This resulted in the loss of approximately 4,800 and 6,800 room nights in fiscal 2016 and fiscal 2015, respectively. In addition, we commenced and completed the renovation of our hotel in Boonville in fiscal 2016 resulting in the loss of approximately 5,500 room nights. Our property in Lake Charles was negatively impacted by the closure of I-10 between Texas and Louisiana for four days in March 2016 due to flooding.

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

*New Casinos* We opened our new casino at the Namacolin Woodlands Resort on July 1, 2013. We incurred preopening expenses of \$4.0 million in fiscal 2014, related to the property prior to its opening.

*Income Tax (Provision) Benefit* Our income tax (provision) benefit from continuing operations was impacted by changes in the deferred tax liability attributable to the amortization of indefinite-lived intangibles and expenses for state jurisdictions where taxable income is generated. Our income tax (provision) benefit from continuing operations was (\$4.2) million for fiscal 2016, (\$1.1) million for fiscal 2015 and \$18.5 million for fiscal 2014. Included in our fiscal 2015 provision was the benefit from reversing a Florida state income tax valuation allowance of \$2.3 million. Included in our fiscal 2014 benefit was \$12.0 million from reversing a valuation allowance as a result of our Davenport property sale as well as the reversal of a previously unrecognized tax benefit of \$7.7 million as a result of a favorable ruling in a tax court matter.

*Items Impacting Current and Future Operations* During the fiscal years ended April 24, 2016, April 26, 2015, and April 27, 2014, we have commenced construction or completed transactions as follows:

*Construction Disruption and Preopening*

*Bettendorf Land-Based Construction* In May 2015, we began construction of a land-based facility in Bettendorf, Iowa, to replace our current riverboat casino. While the actual construction has not impacted the current casino operations, we experienced periodic disruption in accessibility to the property, which had an impact on operating results in fiscal 2016 and will impact results during the week between when we close the riverboat casino and open the land-based operations on June 24, 2016. We incurred preopening expenses of \$0.2 million in fiscal 2016 related to Bettendorf and will incur additional preopening expenses in fiscal 2017.

Table of Contents

*Discontinued Operations*

*Closure of Natchez Casino* On October 19, 2015, we closed our casino property in Natchez, Mississippi and completed the previously announced sale of the hotel and certain related non-gaming assets to Casino Holding Investment Partners, LLC for net cash proceeds of \$11.4 million. As a result, we recorded a net gain of \$2.0 million in discontinued operations in fiscal 2016. The net gain consisted of a gain on the sale of the hotel and related non-gaming assets of \$6.4 million, offset by a non-cash pretax charge of \$4.4 million related to the write-off of the Natchez gaming vessel and certain other assets. As such, the operations of our Natchez property have been classified as discontinued for all periods presented.

*Sale of Davenport Casino* On December 4, 2013, we entered into a definitive asset purchase agreement to sell substantially all of the assets and for the assumption of certain liabilities related to our casino located in Davenport, Iowa. We completed the sale on February 3, 2014 for net cash proceeds of \$48.7 million. As such, the operations of our Davenport property have been classified as discontinued for all periods presented.

**Results of Operations**

Our results of continuing operations for the fiscal years ended April 24, 2016, April 26, 2015 and April 27, 2014 reflect the consolidated operations of all of our subsidiaries. Our Natchez and Davenport entities are presented as discontinued operations.

Table of Contents**ISLE OF CAPRI CASINOS, INC.**

(in thousands)	Net Revenues Fiscal Year Ended			Operating Income (Loss) Fiscal Year Ended		
	April 24, 2016	April 26, 2015	April 27, 2014	April 24, 2016	April 26, 2015	April 27, 2014
Colorado						
Black Hawk	\$ 129,565	\$ 127,722	\$ 121,313	\$ 27,825	\$ 20,614	\$ 20,067
Florida						
Pompano	176,334	175,588	164,777	30,353	31,122	25,116
Iowa						
Bettendorf	71,764	72,981	73,695	7,337	13,271	12,127
Marquette	25,557	25,793	25,014	4,116	4,060	3,472
Waterloo	88,741	87,762	85,361	22,977	23,901	21,074
Iowa Total	186,062	186,536	184,070	34,430	41,232	36,673
Louisiana						
Lakes Charles	121,299	128,413	129,899	5,965	8,650	8,888
Mississippi						
Lula	51,012	53,042	50,488	6,732	6,630	2,714
Vicksburg	31,206	29,876	29,947	4,470	2,719	1,718
Mississippi Total	82,218	82,918	80,435	11,202	9,349	4,432
Missouri						
Boonville	78,287	76,934	74,531	24,591	23,778	22,583
Cape Girardeau	61,153	59,628	54,833	3,323	215	(2,359)
Caruthersville	34,277	31,369	29,879	6,922	4,346	2,232
Kansas City	73,001	73,070	70,385	14,151	13,664	13,022
Missouri Total	246,718	241,001	229,628	48,987	42,003	35,478
Pennsylvania						
Nemacolin(1)	36,319	34,755	23,575	(4,880)	(7,079)	(13,640)
Valuation charges(2)					(9,000)	(151,591)
Corporate and other	77	112	712	(30,735)	(30,971)	(20,124)
From continuing operations	\$ 978,592	\$ 977,045	\$ 934,409	\$ 123,147	\$ 105,920	\$ (54,701)

Note: This table excludes our Natchez and Davenport operations which have been classified as discontinued operations.

- (1) Reflects results since opening on July 1, 2013.
- (2) We recorded long-lived asset impairment charges of \$9.0 million during fiscal 2015 and goodwill impairment charges of \$125.2 million and long-lived asset impairment charges of \$26.4 million during fiscal 2014.

Table of Contents**Fiscal 2016 Compared to Fiscal 2015**

Revenues and operating expenses for the fiscal years 2016 and 2015 are as follows:

(in thousands)	Fiscal Year Ended		Variance	Percentage Variance
	April 24, 2016	April 26, 2015		
<b>Revenues:</b>				
Casino	\$ 1,028,047	\$ 1,032,241	\$ (4,194)	0.4%
Rooms	29,457	30,427	(970)	3.2%
Food, beverage, pari-mutuel and other	132,436	137,215	(4,779)	3.5%
<b>Gross revenues</b>	<b>1,189,940</b>	<b>1,199,883</b>	<b>(9,943)</b>	<b>0.8%</b>
Less promotional allowances	(211,348)	(222,838)	11,490	5.2%
<b>Net revenues</b>	<b>978,592</b>	<b>977,045</b>	<b>1,547</b>	<b>0.2%</b>
<b>Operating expenses:</b>				
Casino	152,713	156,547	(3,834)	2.4%
Gaming taxes	261,916	263,362	(1,446)	0.5%
Rooms	6,820	6,576	244	3.7%
Food, beverage, pari-mutuel and other	48,481	48,903	(422)	0.9%
Marine and facilities	54,111	55,994	(1,883)	3.4%
Marketing and administrative	220,079	223,857	(3,778)	1.7%
Corporate and development	29,066	29,088	(22)	0.1%
Valuation charges		9,000	(9,000)	N/M
Preopening	153		153	N/M
Depreciation and amortization	82,105	77,798	4,307	5.5%
<b>Total operating expenses</b>	<b>\$ 855,444</b>	<b>\$ 871,125</b>	<b>(15,681)</b>	<b>1.8%</b>

*Casino* Casino revenues decreased \$4.2 million, or 0.4%, in fiscal 2016 compared to fiscal 2015. Our casino revenues were impacted by a strategic reduction in promotional allowances which commenced in mid-fiscal 2016. In addition, casino revenue decreased \$7.0 million, or 5.1%, at our Lake Charles property which was impacted by a full year of new competition in the market.

The majority of our casino revenues are derived from slot machines (representing approximately 90.0% of our casino revenues in each fiscal 2016 and 2015) and, to a lesser extent, table games, which is highly dependent upon the volume and spending limits of customers at our properties.

Key performance indicators related to casino revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have been relatively consistent over the past several years. The introduction of newer slot machines and changes in the denominational mix of our slot product may result in an increase in our slot hold percentage over time. We may also adjust our slot hold percentages to remain competitive within our markets.

Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs, for unredeemed gaming chips, and for accruals related to the anticipated payout of progressive jackpots. As we are focused on regional gaming markets, our table hold percentages are fairly stable as the majority of these markets do not regularly experience high-end play which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.



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

### Table of Contents

Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 15% to 25% of table game drop.

Casino operating expenses decreased \$3.8 million, or 2.4%, for fiscal 2016 compared to fiscal 2015. Our decreased casino operating expenses are reflective of our overall decrease in casino revenues and our continued efforts to manage our overall costs.

*Gaming Taxes* State and local gaming taxes decreased \$1.4 million, or 0.5%, for fiscal 2016 compared to fiscal 2015 commensurate with a 0.4% decrease in casino revenues with consideration to various state gaming tax rates across our casino properties.

*Rooms* Rooms revenue decreased \$1.0 million, or 3.2%, in fiscal 2016 compared to fiscal 2015, primarily a result of construction disruption at our Bettendorf and Boonville properties during hotel renovations completed in fiscal 2016.

Rooms expense increased \$0.2 million, or 3.7%, in fiscal 2016 compared to fiscal 2015, primarily at our Black Hawk property due to the competitive labor market.

*Food, Beverage, Pari-Mutuel and Other* Food, beverage, pari-mutuel and other revenues decreased \$4.8 million, or 3.5%, in fiscal 2016 compared to fiscal 2015, primarily the result of a strategic reduction in food complimentarys in fiscal 2016. Pari-mutuel revenue at our Pompano property increased \$0.8 million in fiscal 2016 compared to fiscal 2015.

Food, Beverage, Pari-Mutuel and Other operating expenses decreased \$0.4 million, or 0.9%, in fiscal 2016 compared to fiscal 2015, which is reflective of our overall decrease in food, beverage, pari-mutuel and other revenues.

*Promotional Allowances* Promotional allowances decreased \$11.5 million, or 5.2%, in fiscal 2016 compared to fiscal 2015, reflecting a strategic reduction in our promotional allowances in fiscal 2016.

*Marine and Facilities* Marine and facilities expenses decreased \$1.9 million, or 3.4%, for fiscal 2016 compared to fiscal 2015, primarily on a reduction in utilities and repairs and maintenance expenses driven by increased capital spending.

*Marketing and Administrative* Marketing and administrative expenses decreased \$3.8 million, or 1.7%, for fiscal 2016 compared to fiscal 2015. Excluding fiscal 2015 costs incurred to defeat the Colorado referendum of \$4.1 million and a credit related to the property tax settlement in Waterloo of \$1.2 million, marketing and administrative expenses decreased \$0.9 million, or 0.4%, reflecting changes in our marketing programs as well as savings from cost reduction initiatives.

*Corporate and Development* During fiscal 2016, our corporate and development expenses were \$29.1 million compared to \$29.1 million for fiscal 2015. Fiscal 2016 includes \$0.9 million of expense related to the former CEO's exit agreement. Fiscal 2015 includes \$2.3 million in severance expenses related to the corporate office restructuring. Stock compensation expense was \$4.6 million in fiscal 2016 and included a \$0.7 million favorable forfeiture adjustment. Stock compensation expense was \$3.1 million in fiscal 2015. Excluding the aforementioned items and stock compensation expense, corporate expenses decreased \$0.1 million.

*Preopening expense* The preopening expense of \$0.2 million in fiscal 2016 represents costs incurred in Bettendorf in preparation for our land-based casino operations expected to open on June 24, 2016.

*Depreciation and Amortization* Depreciation and amortization expense for fiscal 2016 compared to fiscal 2015 increased \$4.3 million, primarily due to accelerated depreciation of approximately \$4.0 million on certain assets at our Bettendorf property of which will be disposed pending the opening of our new land-based casino.

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

Table of Contents

*Other Income (Expense), Income Taxes and Discontinued Operations*

Interest expense, interest income, loss on early extinguishment of debt, income tax provision and loss from discontinued operations, net of income taxes for the fiscal years 2016 and 2015 are as follows:

(in thousands)	Fiscal Year Ended		Variance	Percentage Variance
	April 24, 2016	April 26, 2015		
Interest expense	\$ (68,025)	\$ (84,131)	\$ 16,106	19.1%
Interest income	311	369	(58)	15.7%
Loss on early extinguishment of debt	(2,966)	(13,757)	10,791	78.4%
Income tax provision	(4,178)	(1,111)	(3,067)	276.1%
Loss from discontinued operations, net of income taxes	(2,085)	(2,113)	28	1.3%

*Interest Expense* Interest expense decreased \$16.1 million, or 19.1%, in fiscal 2016 compared to fiscal 2015. The decrease is primarily a result of a decrease in our overall debt balance and the benefit of refinancing our 7.75% Senior Notes. We capitalized interest expense of \$0.6 million in fiscal 2016, primarily related to our land-based casino construction in Bettendorf, Iowa.

**Fiscal 2015 Compared to Fiscal 2014**

Revenues and operating expenses for the fiscal years 2015 and 2014 are as follows:

(in thousands)	Fiscal Year Ended		Variance	Percentage Variance
	April 26, 2015	April 27, 2014		
<b>Revenues:</b>				
Casino	\$ 1,032,241	\$ 981,099	\$ 51,142	5.2%
Rooms	30,427	31,252	(825)	2.6%
Food, beverage, pari-mutuel and other	137,215	132,411	4,804	3.6%
Gross revenues	1,199,883	1,144,762	55,121	4.8%
Less promotional allowances	(222,838)	(210,353)	(12,485)	5.9%
Net revenues	977,045	934,409	42,636	4.6%
<b>Operating expenses:</b>				
Casino	156,547	152,914	3,633	2.4%
Gaming taxes	263,362	249,638	13,724	5.5%
Rooms	6,576	6,853	(277)	4.0%
Food, beverage, pari-mutuel and other	48,903	46,184	2,719	5.9%
Marine and facilities	55,994	55,318	676	1.2%
Marketing and administrative	223,857	224,011	(154)	0.1%
Corporate and development	29,088	28,455	633	2.2%
Valuation charges	9,000	151,591	(142,591)	N/M
Litigation accrual reversals		(9,330)	9,330	N/M
Preopening		3,898	(3,898)	N/M
Depreciation and amortization	77,798	79,579	(1,781)	2.2%
Total operating expenses	\$ 871,125	\$ 989,111	(117,986)	11.9%

*Casino* Casino revenues increased \$51.1 million, or 5.2%, in fiscal 2015 compared to fiscal 2014. Excluding a year-over-year revenue increase of \$14.8 million at our Nemaquin property which opened in July of fiscal 2014, casino revenues increased across most of our operating properties by

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

### Table of Contents

\$36.3 million or 3.7%. Casino revenues decreased at our Bettendorf property by \$1.7 million primarily due to market conditions.

The majority of our casino revenues are derived from slot machines (representing approximately 90.0% of our casino revenues in each fiscal 2015 and 2014) and, to a lesser extent, table games, which is highly dependent upon the volume and spending limits of customers at our properties.

Key performance indicators related to casino revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have been relatively consistent over the past several years. The introduction of newer slot machines and changes in the denominational mix of our slot product may result in an increase in our slot hold percentage over time. We may also adjust our slot hold percentages to remain competitive within our markets.

Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs, for unredeemed gaming chips, and for accruals related to the anticipated payout of progressive jackpots. As we are focused on regional gaming markets, our table hold percentages are fairly stable as the majority of these markets do not regularly experience high-end play which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.

Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 15% to 25% of table game drop.

Casino operating expenses increased \$3.6 million, or 2.4% for fiscal 2015 compared to fiscal 2014. Our increased casino operating expenses are reflective of our overall increase in casino revenues.

*Gaming Taxes* State and local gaming taxes increased \$13.7 million, or 5.5%, for fiscal 2015 compared to fiscal 2014 commensurate with a 5.2% increase in casino revenues with consideration to various state gaming tax rates across our casino properties.

*Rooms* Rooms revenue decreased \$0.8 million, or 2.6%, in fiscal 2015 compared to fiscal 2014, primarily a result of construction disruption at our Bettendorf property during hotel renovations begun in fiscal 2015.

Rooms expense decreased \$0.3 million, or 4.0%, in fiscal 2015 compared to fiscal 2014, commensurate with the decrease in hotel revenues.

*Food, Beverage, Pari-Mutuel and Other* Food, beverage, pari-mutuel and other revenues increased \$4.8 million, or 3.6%, in fiscal 2015 compared to fiscal 2014. Excluding increased year-over-year food, beverage and other revenues of \$1.0 million at our Nemacolin property, our food, beverage, pari-mutuel and other revenues increased \$3.8 million, or 2.9%.

Food, Beverage, Pari-Mutuel and Other operating expenses increased \$2.7 million, or 5.9%, in fiscal 2015 compared to fiscal 2014. Excluding increased year-over-year, food, beverage and other expenses of \$0.2 million at our Nemacolin property, our food, beverage, pari-mutuel and other expenses increased \$2.5 million, or 5.5%.

*Promotional Allowances* Promotional allowances increased \$12.5 million, or 5.9%, in fiscal 2015 compared to fiscal 2014. Excluding increased year-over-year promotional allowances of \$4.6 million at our Nemacolin property, promotional allowances increased \$7.9 million, or 3.8%.

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

### Table of Contents

*Marine and Facilities* Marine and facilities expenses increased \$0.7 million, or 1.2%, for fiscal 2015 compared to fiscal 2014. Excluding increased year-over-year marine and facilities expenses of \$0.1 million at our Nemaocolin property, marine and facilities expenses increased \$0.6 million.

*Marketing and Administrative* Marketing and administrative expenses decreased \$0.2 million, or 0.1%, for fiscal 2015 compared to fiscal 2014. Excluding increased year-over-year marketing and administrative expenses of \$1.8 million at our Nemaocolin property, the \$4.1 million of costs incurred to defeat the Colorado referendum and the \$1.2 million credit related to the property tax settlement in Waterloo, marketing and administrative expenses decreased \$4.9 million, or 2.2%, reflecting changes in our marketing programs as well as savings from cost reduction initiatives.

*Corporate and Development* During fiscal 2015, our corporate and development expenses were \$29.1 million compared to \$28.5 million for fiscal 2014. Fiscal 2015 includes \$2.3 million in severance expenses. Fiscal 2014 includes a gain of \$1.0 million from the sale of our corporate aircraft.

*Depreciation and Amortization* Depreciation and amortization expense for fiscal 2015 compared to fiscal 2014 decreased \$1.8 million, primarily related certain assets becoming fully depreciated.

#### *Other Income (Expense), Income Taxes and Discontinued Operations*

Interest expense, interest income, loss on early extinguishment of debt, derivative income, income tax benefit (provision) and loss from discontinued operations, net of income taxes for the fiscal years 2015 and 2014 are as follows:

(in thousands)	Fiscal Year Ended		Variance	Percentage Variance
	April 26, 2015	April 27, 2014		
Interest expense	\$ (84,131)	\$ (81,342)	\$ (2,789)	3.4%
Interest income	369	349	20	5.7%
Loss on early extinguishment of debt	(13,757)		(13,757)	NM
Derivative income		398	(398)	100.0%
Income tax (provision) benefit	(1,111)	18,494	(19,605)	NM
Loss from discontinued operations, net of income taxes	(2,113)	(10,883)	8,770	N/M

*Interest Expense* Interest expense increased \$2.8 million, or 3.4%, in fiscal 2015 compared to fiscal 2014. Without the reversal of \$7.6 million of interest expense related to litigation included in fiscal 2014, interest expense would have decreased by \$4.8 million primarily due to lower average outstanding borrowings under our credit facility.

*Loss on early extinguishment of debt* In April 2015, we purchased \$237.8 million of our 7.75% Senior Notes pursuant to a tender offer and recorded a \$13.8 million loss on early extinguishment of debt primarily reflecting the tender fees and the non-cash write-off of related deferred financings costs.

### **Liquidity and Capital Resources**

*Cash Flows from Operating Activities* During fiscal 2016, we generated \$135.9 million in cash flows from operating activities compared to generating \$125.6 million during fiscal 2015. The year-over-year increase in cash flows from operating activities is the result of improved business volumes and working capital changes.

*Cash Flows used in Investing Activities* During fiscal 2016 we used \$59.2 million for investing activities including capital expenditures of \$70.3 million, of which \$19.4 million related to construction of our land-based casino in Bettendorf, offset by proceeds received from sales of assets held for sale of

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

### Table of Contents

\$11.4 million. In fiscal 2015, we used \$41.3 million for investing activities primarily to fund purchases of property and equipment.

*Cash Flows used in Financing Activities* During fiscal 2016, our financing activities utilized \$81.0 million primarily to redeem the remaining 7.75% Senior Notes and pay related costs. Significant transactions during fiscal 2016 are summarized as follows:

On May 14, 2015, we redeemed the remaining \$62.2 million of our 7.75% Senior Notes at a price of 103.875%, including accrued and unpaid interest.

Net borrowings under our Senior Secured Credit Facility ("Credit Facility") decreased by \$7.5 million.

On May 4, 2015, we paid \$9.4 million related to our obligation for certain bonds issued by the City of Bettendorf, Iowa.

We received \$0.9 million in proceeds from the exercise of stock options.

During fiscal 2015, our financing activities utilized \$87.7 million primarily to reduce our long-term debt balance by \$73.4 million. We also incurred \$13.0 million in costs to redeem and issue new long-term debt. Significant debt transactions during fiscal 2015 are summarized as follows:

On April 14, 2015, we issued \$150 million of additional 5.875% Senior Notes due 2021, at a price of 102.0%, of which the proceeds and borrowings under our Credit Facility were utilized to purchase \$237.8 million of our 7.75% Senior Notes pursuant to a tender offer.

Net borrowings under our Credit Facility increased by \$10.3 million.

Our Credit Facility consists of a \$300 million revolving line of credit and expires on April 19, 2018. Our 5.875% Senior Notes are redeemable, in whole or in part, at our option as of March 15, 2016. Our 8.875% Senior Subordinated Notes are redeemable, in whole or in part, at our option as of June 15, 2016. We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our Credit Facility.

*Availability of Cash and Additional Capital* At April 24, 2016, we had cash and cash equivalents of \$62.1 million and marketable securities of \$19.3 million. As of April 24, 2016, we had \$67.5 million in outstanding revolving credit borrowings under our senior secured credit facility and our net line of credit availability was approximately \$224 million, after consideration of \$8.0 million in outstanding letters of credit.

*Capital Expenditures and Development Activities* We will be opening our new land-based casino at our property in Bettendorf on June 24, 2016, which commenced construction in May 2015. We spent \$19.4 million in fiscal 2016 and estimate the total construction cost to be approximately \$60 million. To date, we have spent \$21.6 million on this project. During December 2015, we completed renovation of the hotel at our Boonville, Missouri property. We spent \$5.0 million in fiscal 2016 to refurbish 140 hotel rooms, meeting and convention space and public areas. In July 2015, we completed a \$7.6 million renovation of the south tower hotel in Bettendorf, of which \$4.6 million was spent in fiscal 2016. We plan to continue to fund capital projects with cash generated by our operations and borrowings under our Credit Facility.

Historically, as part of our business development activities, we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the

Table of Contents

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.

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

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

Based upon management's discussion of the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors, we believe the following accounting estimates involve a higher degree of judgment and complexity.

*Goodwill and Other Intangible Assets* At April 24, 2016, we had goodwill and other intangible assets of \$162.2 million, representing 13.4% of total assets. In accordance with ASC Topic 350, Intangibles Goodwill and Other, we perform an annual impairment test for goodwill and indefinite-lived intangible assets as of the first day of the fourth fiscal quarter of each year, or on an interim basis if indicators of impairment exist. We first assess the qualitative factors to determine whether the existence of events or circumstances leads to a determination that is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, among others. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is not required. However, if we conclude otherwise, we are then required to perform the first step of the two-step quantitative impairment test. Impairment is determined by comparing the estimated fair value of a reporting unit with its respective carrying value.

Table of Contents

We must make various assumptions and estimates in performing our impairment testing. The fair value determination includes estimates of future cash flows that are based on reasonable and supportable assumptions which represent our best estimates of the cash flows expected to result from the use of the assets including their eventual disposition and by a market approach based upon valuation multiples for similar companies. Changes in estimates, increases in our cost of capital, reductions in transaction multiples, operating and capital expenditure assumptions or application of alternative assumptions and definitions, could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, social and economic climates, recent operating information and budgets, assumptions regarding the impact of new competitors, and current operating plans of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, internal operating decisions, or other events affecting various forms of travel and access to our properties.

Based upon our fiscal 2016 and fiscal 2015 annual impairment testing, we recorded no goodwill impairment charges as a result of improved operating cash flows and lower discount rates. We noted that our reporting units with goodwill and/or other long-lived intangibles had fair values which exceeded their carrying values by at least 10%, except for our Vicksburg property, which the fair value of the goodwill exceeded carrying value by approximately 9%. In conjunction with our fiscal 2014 annual impairment testing, we recorded goodwill impairment charges of \$125.2 million. These charges consisted of \$60.0 million at our Bettendorf property, \$24.2 million at our Lake Charles property, \$36.0 million at our Lula property and \$5.0 million at our Vicksburg property. Our fiscal 2014 impairment charges were a result of deteriorating operating performance and the impact of new and forthcoming competition. Three of our reporting units with fiscal 2014 impairment charges still have goodwill totaling \$39.5 million. These reporting units could be subject to future impairment charges to the extent their future casino revenues deteriorate, discount rates or transaction multiples change significantly or we do not achieve our cash flow projections.

*Property and Equipment* At April 24, 2016, we had property and equipment, net of accumulated depreciation of \$899.2 million, representing 74.5% of our total assets. We capitalize the cost of property and equipment. Maintenance and repairs that neither materially add to the value of the property or equipment nor appreciably prolong its life are charged to expense as incurred. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are based on the nature of the assets as well as our current operating strategy. Future events such as property expansions, new competition, changes in technology and new regulations could result in a change in the manner in which we are using certain assets requiring a change in the estimated useful lives of such assets.

*Impairment of Long-lived Assets* We evaluate long-lived assets for impairment in accordance with the guidance in the Impairment or Disposal of Long Lived Assets subsection of ASC Topic 360, Property, Plant and Equipment ("ASC Topic 360"). For a long-lived asset to be held and used, we review the asset for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. In assessing the recoverability of the carrying value of such property, equipment and other long-lived assets, we make assumptions regarding future cash flows and residual values. If these estimates or the related assumptions are not achieved or change in the future, we may be required to record an impairment loss for these assets. In evaluating impairment of long-lived assets for newly opened operations, estimates of future cash flows and residual values may require some period of actual results to provide the basis for an opinion of future cash flows and residual values used in the determination of an impairment loss for these assets. For assets held for disposal, we recognize the asset at the lower of carrying value or fair market value, less cost of disposal based upon

Table of Contents

appraisals, discounted cash flows or other methods as appropriate. An impairment loss would be recognized as a non-cash component of operating income.

As a result of operating performance and projected future operating results, it was determined that the value of our long-lived assets at our Nemaconlin property were impaired. During fiscal 2015, we recorded an impairment charge related to our Nemaconlin property's long-lived assets of \$9.0 million to reduce the carrying value of our fixed assets to their estimated fair value. During fiscal 2014, we recorded an impairment charge related to our Nemaconlin property of \$26.4 million, consisting of \$12.2 million recorded to write-off our gaming licenses and \$14.2 million to reduce the carrying value of our fixed assets to their estimated fair value. A change in the way we operate our Nemaconlin property could result in future impairment charges.

*Fan Club Liability* At April 24, 2016 and April 26, 2015, our accrual was \$4.2 million and \$4.8 million, respectively, for the estimated cost of providing benefits under our Fan Club. This liability is included in progressive jackpots and slot club awards in our consolidated balance sheets. We accrue a liability for the estimated cost of providing Fan Club benefits as our customer earns Fan Club points. Estimates and assumptions are made regarding the cost of redeeming Fan Club points for benefits, breakage rates and the mix of goods or services our customers may choose. A guest's point balance under Fan Club will be forfeited if the customer does not earn any points during a period defined by each of our properties, typically up to thirteen months. We use historical redemption data to assist in the determination of our estimated accrual for this liability. Changes in our estimates or changes in customer visitation and redemption patterns could impact the overall accrual and our financial results.

*Self-Insurance Liabilities* We are self-funded up to a maximum amount per claim for our employee-related health care benefits program, workers' compensation and general liabilities. Claims in excess of this maximum are fully insured through a stop-loss insurance policy. We accrue a discounted estimate for workers' compensation and general liabilities based on claims filed and estimates of claims incurred but not reported. We rely on independent consultants to assist in the determination of estimated accruals. While the ultimate cost of claims incurred depends on future developments, such as increases in health care costs, in our opinion, recorded reserves are adequate to cover future claims payments. Based upon our current accrued insurance liabilities, a 1% change in our discount factor would cause a \$0.6 million change in our accrued self-insurance liability.

*Income Tax Assets and Liabilities* We account for income taxes in accordance with the guidance in ASC Topic 740, Income Taxes ("ASC Topic 740"). We are subject to income taxes in the United States and in several states in which we operate. We recognize a current tax asset or liability for the estimated taxes refundable or payable based upon application of the enacted tax rates to taxable income in the current year. Additionally, we are required to recognize a deferred tax liability or asset for the estimated future tax effects attributable to temporary differences. Temporary differences occur when differences arise between: (a) the amount of taxable income and pretax financial income for a year and (b) the tax basis of assets or liabilities and their reported amounts in financial statements. Deferred tax assets recognized must be reduced by a valuation allowance for any tax benefits that, in our judgment and based upon available evidence, may not be realizable. At April 24, 2016, we have reduced our deferred tax assets by a valuation allowance of \$57.2 million. Continued cumulative book income may result in a reversal of our remaining federal and certain state valuation allowances.

We assess our tax positions using a two-step process. A tax position is recognized if it meets a "more likely than not" threshold, and is measured at the largest amount of benefit that has a greater than 50% likelihood of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts, and are classified as current or long-term in the balance sheet accounts accrued liabilities-other or other long-term liabilities, respectively, based on the time until



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

### Table of Contents

expected payment. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

*Stock Based Compensation* We apply the guidance of ASC Topic 718, Compensation - Stock Compensation ("ASC Topic 718") in accounting for stock compensation. Generally, we are required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The estimate of the fair value of the stock options was calculated using the Black-Scholes-Merton option-pricing model. This model requires the use of various assumptions, including the historical volatility of our stock price, the risk free interest rate, estimated expected life of the grants, the estimated dividend yield and estimated rate of forfeitures.

During fiscal 2013, we granted restricted stock units ("RSUs") that contained market performance conditions which determined the amount of shares to vest, if any. The fair value of these RSUs was determined utilizing a lattice pricing model which considers a range of assumptions including volatility and risk-free interest rates. Subsequent RSU awards do not contain market performance conditions.

Stock based compensation expense is included in the expense category corresponding to the employees' regular compensation in the accompanying consolidated statements of operations.

*Contingencies* We are involved in various legal proceedings and have identified certain loss contingencies. We record liabilities related to these contingencies when it is determined that a loss is probable and reasonably estimable in accordance with the guidance of ASC Topic 450, Contingencies ("ASC Topic 450"). These assessments are based on our knowledge and experience as well as the advice of legal counsel regarding current and past events. Any such estimates are also subject to future events, court rulings, negotiations between the parties and other uncertainties. If an actual loss differs from our estimate, or the actual outcome of any of the legal proceedings differs from expectations, future operating results could be impacted.

### **Contractual Obligations and Commercial Commitments**

The following table provides information as of the end of fiscal 2016, about our contractual obligations and commercial commitments. The table presents contractual obligations by due dates and related contractual commitments by expiration dates (in millions).

Contractual Obligations	Total	Payments Due by Period				After 5 Years
		Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years	
Long-Term Debt	\$ 920.2	\$ 0.1	\$ 67.7	\$ 850.2	\$ 2.2	
Estimated interest payments on long-term debt(1)	280.1	62.5	123.3	93.3	1.0	
Operating Leases	165.6	10.3	19.1	13.6	122.6	
Construction Contractual Obligations(2)	36.4	36.4				
Long-Term Obligations and Other(3)	46.3	17.0	21.2	7.9	0.2	
<b>Total Contractual Cash Obligations</b>	<b>\$ 1,448.6</b>	<b>\$ 126.3</b>	<b>\$ 231.3</b>	<b>\$ 965.0</b>	<b>\$ 126.0</b>	

(1) Estimated interest payment on long-term debt are based on principal amounts outstanding at our fiscal year end and forecasted LIBOR rates for our senior secured credit facility.

(2) Construction contractual obligations represent the estimated remaining capital expenditures on the construction of our new land-based operations at our casino in Bettendorf, Iowa.

(3) Long-term obligations and other include future purchase commitments.

Table of Contents

**Recently Issued Accounting Standards**

In March 2016, the Financial Accounting Standards Board ("FASB") issued Update No. 2016-09, "Compensation Stock Compensation," which simplifies the accounting for share-based compensation, including the income tax consequences. This Update amends treatment of excess tax benefits and deficiencies as a component of income tax expense rather than equity, the presentation of excess tax benefits as an operating activity on the statement of cash flows and allows an entity to make an accounting policy election to account for forfeitures. The amendments are effective for reporting periods beginning after December 15, 2016, with early adoption permitted. We are evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

In February 2016, the FASB issued Update No. 2016-02, "Leases." Under this guidance, lessees will be required to recognize operating and finance leases with lease terms greater than 12 months as liabilities and corresponding right-of-use assets on the balance sheet. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, on a modified retrospective basis and early adoption is permitted. We are evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

In November 2015, the FASB issued Update No. 2015-17, "Balance Sheet Classification of Deferred Taxes." This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The standard is effective for annual periods beginning after December 31, 2016 and for interim periods within those annual periods with early adoption permitted for any interim or annual financial statements not yet issued. The amendment may be applied either prospectively or retrospectively. The Company has elected to early adopt this update to simplify the presentation of deferred taxes on the consolidated financial statements and disclosures for the annual period ending April 24, 2016. The Company is applying this amendment on a prospective basis and prior periods were not retrospectively adjusted.

In August 2015, the FASB issued Update No. 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which further clarifies the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. This update allows for debt issuance costs related to line-of-credit arrangements to be presented as an asset and subsequent amortization of the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit. The standard is effective for financial statements issued for fiscal years beginning after December 31, 2015, for interim periods within those fiscal years and early adoption is permitted. Management plans to adopt this standard beginning in the first quarter of fiscal 2017.

In April 2015, the FASB issued Update No. 2015-03, "Interest-Imputation of Interest." This update requires debt issuance costs to be presented as a direct deduction from the carrying amount of the related debt liability. The standard is effective for annual periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The standard requires application of the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Adoption of this update will reduce total assets and total liabilities in our consolidated balance sheet and will not have any impact on our statement of operations or retained earnings. Management plans to adopt this standard beginning in the first quarter of fiscal 2017.

In May 2014, the FASB issued Update No. 2014-09, "Revenue from Contracts with Customers," which converges the FASB's and the International Accounting Standards Board's current standards on revenue recognition. The standard provides companies with a single model to use in accounting for revenue arising from contracts with customers and supersedes current revenue guidance. The proposed

Table of Contents

effective date for the standard was for annual and interim periods beginning after December 15, 2016. In April 2105, FASB proposed a deferral of the effective date for one year. Early adoption is not permitted. The standard permits companies to either apply the adoption to all periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. We are currently evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

**ITEM 7A. 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, foreign currency exchange rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with our senior secured credit facility.

The following table provides information at April 24, 2016 about our financial instruments that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates.

**Interest Rate Sensitivity  
Principal (Notional) Amount by Expected Maturity**

Fiscal year (dollars in millions)	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value 4/24/2016
<b>Liabilities</b>								
Long-term debt, including current portion								
Fixed rate	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 850.1	\$ 2.2	\$ 852.7	\$ 889.8
Average interest rate	7.11%	7.11%	7.11%	7.11%	6.23%	7.38%		
Variable rate	\$	\$ 67.5	\$	\$	\$	\$	\$ 67.5	\$ 66.2
Average interest rate(1)	2.78%	2.95%						

(1)

Represents the annual average LIBOR from the forward yield curve at April 24, 2016 plus the weighted average margin above LIBOR on all consolidated variable rate debt.

As of April 24, 2016, our Credit Facility consisted of a revolving line of credit with variable rate interest based on LIBOR. Based on current debt levels, a one percent change in our interest rate increases annual interest expense by \$0.7 million.

Table of Contents

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following consolidated financial statements are included in this report:

<u>Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting</u>	<u>48</u>
<u>Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements</u>	<u>49</u>
<u>Consolidated Balance Sheets April 24, 2016 and April 26, 2015</u>	<u>50</u>
Fiscal Years Ended April 24, 2016, April 26, 2015 and April 27, 2014	
<u>Consolidated Statements of Operations</u>	<u>51</u>
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	<u>52</u>
<u>Consolidated Statements of Stockholders' Equity</u>	<u>53</u>
<u>Consolidated Statements of Cash Flows</u>	<u>54</u>
<u>Notes to Consolidated Financial Statements</u>	<u>55</u>
<u>Schedule II Valuation and Qualifying Accounts Fiscal Years Ended April 24, 2016, April 26, 2015 and April 27, 2014</u>	<u>91</u>

Table of Contents

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Isle of Capri Casinos, Inc.

We have audited Isle of Capri Casinos, Inc.'s internal control over financial reporting as of April 24, 2016, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Isle of Capri Casinos, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Isle of Capri Casinos, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 24, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Isle of Capri Casinos, Inc. as of April 24, 2016 and April 26, 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the fiscal years ended April 24, 2016, April 26, 2015 and April 27, 2014, and our report dated June 21, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

St. Louis, Missouri  
June 21, 2016

Table of Contents

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Isle of Capri Casinos, Inc.

We have audited the accompanying consolidated balance sheets of Isle of Capri Casinos, Inc. (the Company) as of April 24, 2016 and April 26, 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the fiscal years ended April 24, 2016, April 26, 2015 and April 27, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Isle of Capri Casinos, Inc. at April 24, 2016 and April 26, 2015, and the consolidated results of its operations and its cash flows for the years ended April 24, 2016, April 26, 2015 and April 27, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Isle of Capri Casinos, Inc.'s internal control over financial reporting as of April 24, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(2013 framework)" and our report dated June 21, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

St. Louis, Missouri  
June 21, 2016

Table of Contents**ISLE OF CAPRI CASINOS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	April 24, 2016	April 26, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 62,126	\$ 66,437
Marketable securities	19,338	19,517
Accounts receivable, net of allowance for doubtful accounts of \$1,389 and \$1,595, respectively	13,252	11,171
Inventory	6,305	6,509
Deferred income taxes		4,626
Prepaid expenses and other assets	11,874	11,274
Assets held for sale		138
<b>Total current assets</b>	<b>112,895</b>	<b>119,672</b>
Property and equipment, net	899,167	902,226
Other assets:		
Goodwill	108,970	108,970
Other intangible assets, net	53,236	54,073
Deferred financing costs, net	14,702	19,075
Restricted cash and investments	9,819	9,193
Prepaid deposits and other	5,216	4,743
Deferred income taxes	1,144	
Long-term assets held for sale		9,810
<b>Total assets</b>	<b>\$ 1,205,149</b>	<b>\$ 1,227,762</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 80	\$ 170
Accounts payable	29,723	19,690
Accrued liabilities:		
Payroll and related	36,915	43,371
Property and other taxes	19,428	20,456
Income tax payable	123	125
Interest	14,678	15,350
Progressive jackpots and slot club awards	15,564	16,123
Other	21,036	18,326
<b>Total current liabilities</b>	<b>137,547</b>	<b>133,611</b>
Long-term debt, less current maturities	922,613	992,712
Deferred income taxes	37,902	37,334
Other accrued liabilities	17,557	18,432
Other long-term liabilities	13,912	22,211
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 April 24, 2016 and April 26, 2015	421	421
Class B common stock, \$.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	244,472	241,899

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

Retained earnings (deficit)	(152,868)	(199,072)
	92,025	43,248
Treasury stock, 1,300,955 shares at April 24, 2016 and 1,568,875 shares at April 26, 2015	(16,407)	(19,786)
Total stockholders' equity	75,618	23,462
Total liabilities and stockholders' equity	\$ 1,205,149	\$ 1,227,762

See accompanying notes to consolidated financial statements.



Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

	Fiscal Year Ended		
	April 24, 2016	April 26, 2015	April 27, 2014
<b>Revenues:</b>			
Casino	\$ 1,028,047	\$ 1,032,241	\$ 981,099
Rooms	29,457	30,427	31,252
Food, beverage, pari-mutuel and other	132,436	137,215	132,411
<b>Gross revenues</b>	<b>1,189,940</b>	<b>1,199,883</b>	<b>1,144,762</b>
Less promotional allowances	(211,348)	(222,838)	(210,353)
<b>Net revenues</b>	<b>978,592</b>	<b>977,045</b>	<b>934,409</b>
<b>Operating expenses:</b>			
Casino	152,713	156,547	152,914
Gaming taxes	261,916	263,362	249,638
Rooms	6,820	6,576	6,853
Food, beverage, pari-mutuel and other	48,481	48,903	46,184
Marine and facilities	54,111	55,994	55,318
Marketing and administrative	220,079	223,857	224,011
Corporate and development	29,067	29,088	28,455
Valuation charges		9,000	151,591
Litigation accrual reversals			(9,330)
Preopening expense	153		3,898
Depreciation and amortization	82,105	77,798	79,579
<b>Total operating expenses</b>	<b>855,445</b>	<b>871,125</b>	<b>989,111</b>
<b>Operating income (loss)</b>	<b>123,147</b>	<b>105,920</b>	<b>(54,702)</b>
Interest expense	(68,025)	(84,131)	(81,342)
Interest income	311	369	349
Loss on early extinguishment of debt	(2,966)	(13,757)	
Derivative income			398
<b>Income (loss) from continuing operations before income taxes</b>	<b>52,467</b>	<b>8,401</b>	<b>(135,297)</b>
Income tax (provision) benefit	(4,178)	(1,111)	18,494
<b>Income (loss) from continuing operations</b>	<b>48,289</b>	<b>7,290</b>	<b>(116,803)</b>
Loss from discontinued operations, including loss on sale, net of income tax provision of \$0, \$0 and \$(1,226) for the fiscal years ended 2016, 2015 and 2014, respectively	(2,085)	(2,113)	(10,883)
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 46,204</b>	<b>\$ 5,177</b>	<b>\$ (127,686)</b>
<b>Earnings (loss) per common share attributable to common stockholders basic:</b>			
Income (loss) from continuing operations	\$ 1.19	\$ 0.18	\$ (2.94)
Loss from discontinued operations including gain on sale, net of income taxes	(0.05)	(0.05)	(0.27)
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 1.14</b>	<b>\$ 0.13</b>	<b>\$ (3.21)</b>

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

Earnings (loss) per common share attributable to common stockholders diluted			
Income (loss) from continuing operations	\$	1.17	\$ 0.18 \$ (2.94)
Loss from discontinued operations including gain on sale, net of income taxes		(0.05)	(0.05) (0.27)
Net income (loss) attributable common stockholders	\$	1.12	\$ 0.13 \$ (3.21)
Weighted average basic shares		40,690,929	39,955,735 39,731,766
Weighted average diluted shares		41,323,473	40,320,267 39,731,766

See accompanying notes to consolidated financial statements.

Table of Contents**ISLE OF CAPRI CASINOS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands)**

	<b>Fiscal Year Ended</b>		
	<b>April 24, 2016</b>	<b>April 26, 2015</b>	<b>April 27, 2014</b>
Net income (loss)	\$ 46,204	\$ 5,177	\$ (127,686)
Other comprehensive income, net of tax:			
Deferred hedge adjustment, net of income tax provision of \$149 for 2014			247
Other comprehensive income			247
Comprehensive income (loss)	\$ 46,204	\$ 5,177	\$ (127,439)

See accompanying notes to the consolidated financial statements.

Table of Contents**ISLE OF CAPRI CASINOS, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****(In thousands, except share amounts)**

	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 28, 2013	42,066,148	421	246,214	(74,227)	(247)	(29,751)	142,410
Net loss				(127,686)			(127,686)
Other comprehensive income, net of tax					247		247
Issuance of restricted stock, net of forfeitures			(2,808)			2,808	
Stock compensation expense			4,413				4,413
Balance, April 27, 2014	42,066,148	421	247,819	(201,913)		(26,943)	19,384
Net income				5,177			5,177
Other comprehensive income, net of tax							
Exercise of stock options			(47)			121	74
Issuance of restricted stock, net of forfeitures			(2,392)			2,392	
Issuance of stock under compensation plans			(6,894)	(2,336)		4,644	(4,586)
Stock compensation expense			3,413				3,413
Balance, April 26, 2015	42,066,148	421	241,899	(199,072)		(19,786)	23,462
Net income				46,204			46,204
Other comprehensive income, net of tax							
Exercise of stock options			(821)			1,690	869
Issuance of restricted stock, net of forfeitures			(1,689)			1,689	
Stock compensation expense			5,083				5,083
Balance, April 24, 2016	42,066,148	\$ 421	\$ 244,472	\$ (152,868)	\$	\$ (16,407)	\$ 75,618

See accompanying notes to consolidated financial statements.

Table of Contents**ISLE OF CAPRI CASINOS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	<b>Fiscal Year Ended</b>		
	<b>April 24, 2016</b>	<b>April 26, 2015</b>	<b>April 27, 2014</b>
<b>Operating activities:</b>			
Net income (loss)	\$ 46,204	\$ 5,177	\$ (127,686)
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>			
Depreciation and amortization	82,451	78,875	82,245
Amortization and write-off of deferred financing costs	4,237	4,700	4,464
Amortization of debt (premium) discount, net	(446)	344	242
Loss on early extinguishment of debt	2,966	13,757	
Litigation accrual reversals			(16,953)
Valuation charges	4,424	9,000	162,100
Deferred income taxes	4,050	943	(9,913)
Stock compensation expense	5,083	3,413	4,413
Gain on sale of discontinued operations	(6,424)		
Gain on derivative instruments			(398)
Loss (gain) on disposal of assets	143	102	(535)
<b>Changes in operating assets and liabilities:</b>			
Marketable securities	179	7,772	(1,769)
Accounts receivable	(1,539)	1,444	(1,537)
Income taxes payable/receivable	(2)	198	4,716
Prepaid expenses and other assets	(529)	1,041	4,120
Accounts payable and accrued liabilities	(4,885)	(1,198)	(16,760)
<b>Net cash provided by operating activities</b>	<b>135,912</b>	<b>125,568</b>	<b>86,749</b>
<b>Investing activities:</b>			
Purchase of property and equipment	(70,262)	(41,686)	(38,149)
Proceeds from asset sales	11,496	73	49,881
Payments towards gaming license			(7,500)
Restricted cash and investments	(425)	340	1,879
<b>Net cash (used in) provided by investing activities</b>	<b>(59,191)</b>	<b>(41,273)</b>	<b>6,111</b>
<b>Financing activities:</b>			
Proceeds from long-term debt borrowings		153,000	
Net (repayments) borrowings on line of credit	(7,500)	10,300	(90,200)
Principal repayments on long-term debt	(62,399)	(238,061)	(626)
Premiums payments on retirement of long-term debt	(2,409)	(10,465)	
Payment of deferred financing costs	(209)	(2,536)	(673)
Payment of other long-term obligation	(9,384)		
Proceeds from exercise of stock options	869	74	
<b>Net cash used in financing activities</b>	<b>(81,032)</b>	<b>(87,688)</b>	<b>(91,499)</b>
<b>Net decrease (increase) in cash and cash equivalents</b>	<b>(4,311)</b>	<b>(3,393)</b>	<b>1,361</b>
Cash and cash equivalents at beginning of year	66,437	69,830	68,469

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

Cash and cash equivalents at end of year	\$	62,126	\$	66,437	\$	69,830
--	----	--------	----	--------	----	--------

See accompanying notes to consolidated financial statements.

Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. Organization**

*Organization* 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 fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Pompano Beach, Florida; Bettendorf, Marquette and Waterloo, Iowa; Lake Charles, Louisiana; Lula and Vicksburg, Mississippi; Boonville, Cape Girardeau, Caruthersville and Kansas City, Missouri; and Nemacolin, Pennsylvania.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation* The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated. We view each property as an operating segment and all operating segments have been aggregated into one reporting segment.

Discontinued operations include our Natchez, Mississippi property sold in October 2015 and our Davenport, Iowa property sold in February 2014.

*Fiscal Year-End* Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal years 2016, 2015 and 2014 were 52-week years, which commenced on April 27, 2015, April 28, 2014 and April 29, 2013, respectively.

*Reclassifications* Certain reclassifications of prior year presentations have been made to conform to the fiscal 2016 presentation.

*Use of Estimates* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Cash and Cash Equivalents* We consider all highly liquid investments purchased with an original maturity of three months or less as cash equivalents. Cash also includes the minimum operating cash balances required by state regulatory bodies, which totaled \$23,071 and \$25,099 at April 24, 2016 and April 26, 2015, respectively.

*Marketable Securities* Marketable securities consist primarily of trading securities held by our captive insurance subsidiary. The trading securities are primarily debt and equity securities that are purchased with the intention to resell in the near term. The trading securities are carried at fair value with changes in fair value recognized in current period income in the accompanying statements of operations.

*Inventories* Inventories are stated at the lower of weighted average cost or market value.

*Property and Equipment* Property and equipment are stated at cost or if purchased through a business acquisition, the value determined under purchase accounting. We capitalize the cost of purchased property and equipment and capitalize the cost of improvements to property and equipment

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**2. Summary of Significant Accounting Policies (Continued)**

that increases the value or extends the useful lives of the assets. Costs of normal repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

	Years
Slot machines, software and computers	3 - 5
Furniture, fixtures and equipment	5 - 10
Leasehold improvements	Lesser of life of lease or estimated useful life
Buildings and improvements	7 - 39.5

Certain property currently leased in Bettendorf, Iowa and at our Namacolin, Pennsylvania casino is accounted for in accordance with Accounting Standards Codification ("ASC") Topic 840, Leases ("ASC 840").

We periodically evaluate the carrying value of long-lived assets to be held and used in accordance with ASC Topic 360, Property, Plant and Equipment ("ASC 360") which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In assessing the recoverability of the carrying value of such property, equipment and other long-lived assets, we make assumptions regarding future cash flows and residual values. In estimating expected future cash flows, assets are grouped at the lowest level of identifiable cash flows, which is usually the individual property. If the assets are determined to be impaired, a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair market value of the long-lived assets.

*Capitalized Interest* The interest cost associated with major development and construction projects is capitalized and included in the cost of the project. When no debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of our borrowings. Capitalization of interest ceases when the project is substantially complete or development activity is suspended. Capitalized interest was \$600, \$23 and \$185 for fiscal years 2016, 2015 and 2014, respectively.

*Restricted Cash and Investments* We classify cash and investments which are either statutorily or contractually restricted as to withdrawal or usage as restricted cash short-term, included in prepaid expenses and other assets, or restricted cash and investments long-term based on the duration of the underlying restriction. Restricted cash primarily includes amounts related to state tax bonds and other gaming-related bonds, and amounts held in escrow related to leases. Restricted investments relate to trading securities pledged as collateral by our captive insurance company.

*Goodwill and Other Intangible Assets* Goodwill represents the excess of cost over the net identifiable tangible and intangible assets of acquired businesses and is stated at cost, net of impairments, if any. Other intangible assets include values attributable to acquired gaming licenses, customer lists, and trademarks. ASC Topic 350, Intangibles Goodwill and Other ("ASC 350") requires



Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**2. Summary of Significant Accounting Policies (Continued)**

these assets be reviewed for impairment at least annually or on an interim basis if indicators of impairment exist. We perform our annual impairment test as of the first day of the fourth fiscal quarter. We first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of an indefinite-lived intangible or reporting unit is greater than its carrying amount, then performing further testing is not required. However, if we conclude otherwise, we are required to perform the first step of a two-step quantitative impairment test using; 1) a discounted cash flow analysis based on forecasted future results discounted at the weighted average cost of capital and, 2) by using a market approach based upon public trading and recent transaction valuation multiples for similar companies. Intangible assets with indefinite lives not subject to amortization are reviewed by comparing the fair value of the recorded assets to their carrying amount. We review, at least annually, the continued use of an indefinite useful life. If these intangible assets are determined to have a finite useful life, they are amortized over their estimated remaining useful lives.

*Deferred Financing Costs* The costs of issuing long-term debt are capitalized and amortized using the effective interest method over the term of the related debt.

*Self-Insurance* We are self-funded up to a maximum amount per claim for employee-related health care benefits, workers' compensation and general liabilities. Claims in excess of this maximum are fully insured through stop-loss insurance policies. We accrue for workers' compensation and general liabilities on a discounted basis based on claims filed and estimates of claims incurred but not reported. The estimates have been discounted at 1.0% and 0.9% at April 24, 2016 and April 26, 2015, respectively, or a discount of \$645 and \$618, respectively. We utilize independent consultants to assist management in its determination of estimated insurance liabilities. While the total cost of claims incurred depends on future developments, in managements' opinion, recorded reserves are adequate to cover future claims payments. Workers' compensation and general liability claims expense is included in corporate and development expense in our consolidated statements of operations. Employee related health care benefits expenses are included in the consolidated statement of operations lines that include the respective employee compensation costs. Reserves for workers' compensation and employee related health care are included in accrued liabilities payroll and related in the consolidated balance sheets.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**2. Summary of Significant Accounting Policies (Continued)**

Reserves for general liability claims are included in accrued liabilities other in the consolidated balance sheets. Total self-insurance reserves are as follows:

	Fiscal Year Ended	
	April 24, 2016	April 26, 2015
Beginning balance	\$ 26,253	\$ 27,785
Additions:		
Charged to expenses	31,031	27,841
Employee contributions	9,353	8,550
Payments	(40,830)	(38,101)
Change in discount	(27)	178
Ending Balance	\$ 25,780	\$ 26,253

*Revenue Recognition* In accordance with gaming industry practice, we recognize casino revenues as the net win from gaming activities. Casino revenues are net of accruals for anticipated payouts of progressive slot and table game jackpots. Revenues from rooms, food, beverage, entertainment and the gift shops are recognized at the time the related service or sale is performed or realized.

*Promotional Allowances* The actual retail value of rooms, food and beverage and other services furnished to guests without charge or at a discount is included in gross revenues and then deducted as promotional allowances to arrive at net revenues included in the accompanying consolidated statements of operations at the time such good or services are provided to our guests. The cost of providing such complimentary services from continuing operations are included in casino expense in the accompanying statement of operations.

	Fiscal Year Ended		
	April 24, 2016	April 26, 2015	April 27, 2014
Rooms	\$ 8,457	\$ 8,916	\$ 8,504
Food and beverage	63,555	66,745	62,958
Other	493	527	520
Total cost of complimentary services	\$ 72,505	\$ 76,188	\$ 71,982

*Fan Club* Our guests are eligible to participate in our Fan Club, our customer loyalty program, which offers certain sales incentives accounted for under ASC 605-50 "Revenue Recognition Customer Payments and Incentives." We accrue a liability for the estimated cost of providing Fan Club benefits as our guest earns Fan Club points. Such sales incentives are recorded as a reduction of revenues in our promotional allowances in our statements of operations. The points earned under Fan Club may be redeemed for free slot play, cash, or other goods or services depending upon the property.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**2. Summary of Significant Accounting Policies (Continued)**

At April 24, 2016 and April 26, 2015, our accrual was \$4,213 and \$4,787, respectively, for estimated cost of providing benefits under our Fan Club and included in progressive jackpots and slot club awards in our consolidated balance sheets.

	Fiscal Year Ended	
	April 24, 2016	April 26, 2015
Beginning balance	\$ 4,787	\$ 5,197
Earned	19,544	25,886
Redeemed	(18,832)	(22,360)
Expirations	(1,651)	(3,133)
Other	365	(803)
Ending Balance	\$ 4,213	\$ 4,787

*Advertising* Advertising costs are expensed the first time the related advertisement appears. Total advertising costs from continuing operations were \$33,913, \$33,799 and \$34,312 in fiscal years 2016, 2015 and 2014, respectively.

*Operating Leases* We recognize rent expense for each lease on the straight-line basis, aggregating all future minimum rent payments including any predetermined fixed escalations of the minimum rentals. Our liabilities include the aggregate difference between rent expense recorded on the straight-line basis and amounts paid under the leases.

*Development Costs* We pursue development opportunities for new gaming facilities in an ongoing effort to expand our business. In accordance with ASC Topic 720, Other Expenses ("ASC 720"), costs related to projects in the development stage are recorded as a development expense, except for those costs capitalized in accordance with the guidance of ASC 720. Previously capitalized development costs are expensed when the development is deemed less than probable. Total development costs expensed from continuing operations were recorded in the consolidated statements of operations in corporate and development expenses.

*Pre-Opening Costs* We expense pre-opening costs as incurred. Pre-opening costs include payroll, outside services, advertising, insurance, utilities, travel and various other expenses related to new operations prior to opening. Pre-opening costs from continuing operations were \$153 in fiscal year 2016 related to preparing for our new land-based operations in Bettendorf and \$3,898 in fiscal 2014 related to our new casino at the Namacolin Woodlands Resort, which opened in July 2013.

*Income Taxes* We account for income taxes in accordance with ASC Topic 740, Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred income tax liabilities and deferred income tax assets for the difference between the book basis and tax basis of assets and liabilities. We have recorded valuation allowances related to net operating loss carry forwards and certain temporary differences. Recognizable future tax benefits are subject to a valuation allowance, unless such tax benefits are determined to be more likely than not realizable. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**2. Summary of Significant Accounting Policies (Continued)**

*Earnings (Loss) Per Common Share* In accordance with the guidance of ASC 260, Earnings Per Share ("ASC 260"), basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) applicable to common stockholders by the weighted average common shares outstanding during the period. Diluted EPS reflects the additional dilution related to all potentially dilutive securities such as restricted stock units and stock options. Any potentially dilutive securities 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 calculations as they would be anti-dilutive.

*Stock Compensation* Our stock based compensation is accounted for in accordance with ASC Topic 718, Compensation Stock Compensation ("ASC 718"). Stock compensation cost is measured at the grant date, based on the estimated fair value of the award and is recognized as expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

*Allowance for Doubtful Accounts* We reserve for receivables that may not be collected. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves.

*Recently Announced Accounting Standards*

In March 2016, the Financial Accounting Standards Board ("FASB") issued Update No. 2016-09, "Compensation Stock Compensation," which simplifies the accounting for share-based compensation, including the income tax consequences. This Update amends treatment of excess tax benefits and deficiencies as a component of income tax expense rather than equity, the presentation of excess tax benefits as an operating activity on the statement of cash flows and allows an entity to make an accounting policy election to account for forfeitures. The amendments are effective for reporting periods beginning after December 15, 2016, with early adoption permitted. We are evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

In February 2016, the FASB issued Update No. 2016-02, "Leases." Under this guidance, lessees will be required to recognize operating and finance leases with lease terms greater than 12 months as liabilities and corresponding right-of-use assets on the balance sheet. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, on a modified retrospective basis and early adoption is permitted. We are evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

In November 2015, the FASB issued Update No. 2015-17, "Balance Sheet Classification of Deferred Taxes." This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The standard is effective for annual periods beginning after December 31, 2016 and for interim periods within those annual periods with early adoption permitted for any interim or annual financial statements not yet issued. The amendment may be applied either prospectively or retrospectively. The Company has elected to early adopt this update to simplify the presentation of deferred taxes on the consolidated financial statements and disclosures for

Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**2. Summary of Significant Accounting Policies (Continued)**

the annual period ending April 24, 2016. The Company is applying this amendment on a prospective basis and prior periods were not retrospectively adjusted.

In August 2015, the FASB issued Update No. 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which further clarifies the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. This update allows for debt issuance costs related to line-of-credit arrangements to be presented as an asset and subsequent amortization of the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit. The standard is effective for financial statements issued for fiscal years beginning after December 31, 2015, for interim periods within those fiscal years and early adoption is permitted. Management plans to adopt this standard beginning in the first quarter of fiscal 2017.

In April 2015, the FASB issued Update No. 2015-03, "Interest-Imputation of Interest". This update requires debt issuance costs to be presented as a direct deduction from the carrying amount of the related debt liability. The standard is effective for annual periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The standard requires application of the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Adoption of this update will reduce total assets and total liabilities in our consolidated balance sheet and will not have any impact on our statement of operations or retained earnings. Management plans to adopt this standard beginning in the first quarter of fiscal 2017.

In May 2014, the FASB issued Update No. 2014-09, "Revenue from Contracts with Customers," which converges the FASB's and the International Accounting Standards Board's current standards on revenue recognition. The standard provides companies with a single model to use in accounting for revenue arising from contracts with customers and supersedes current revenue guidance. The proposed effective date for the standard was for annual and interim periods beginning after December 15, 2016. In April 2105, FASB proposed a deferral of the effective date for one year. Early adoption is not permitted. The standard permits companies to either apply the adoption to all periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. We are currently evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

**3. Discontinued Operations**

*Natchez, Mississippi* On October 19, 2015, we closed our casino property in Natchez, Mississippi and completed the previously announced sale of the hotel and certain related non-gaming assets to Casino Holding Investment Partners, LLC for net cash proceeds of \$11,448. As a result, we recorded a net gain of \$2,000 in discontinued operations in fiscal 2016. The net gain consisted of a gain on the sale of the hotel and related non-gaming assets of \$6,424, offset by a non-cash pretax charge of \$4,424 related to the write-off of the Natchez gaming vessel and certain other assets. The results of our Natchez casino operations are presented as discontinued operations for all periods presented.

*Davenport, Iowa* On December 4, 2013, we entered into a definitive asset purchase agreement to sell substantially all of the assets and for the assumption of certain liabilities related to our casino

Table of Contents**ISLE OF CAPRI CASINOS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**3. Discontinued Operations (Continued)**

located in Davenport, Iowa, ("Davenport"). We completed the sale on February 3, 2014 for net cash proceeds of \$48,727. Including closing costs, we recorded a loss of \$459 in discontinued operations. The results of our Davenport casino operations are presented as discontinued operations for all periods presented.

We adopted Accounting Standards Update No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08") on April 27, 2015. The disposition of our Natchez reporting unit qualifies for discontinued accounting treatment under ASU 2014-08 and as such, the operations of our Natchez property has been classified as discontinued operations and as assets held for sale for all periods presented.

The Company incurred \$258 and \$1,215 for capital expenditures at our Natchez property during the fiscal year ending April 24, 2016 and April 26, 2015, respectively.

The results of our discontinued operations are summarized as follows:

	<b>Discontinued Operations</b>		
	<b>Fiscal Year Ended</b>		
	<b>April 24, 2016</b>	<b>April 26, 2015</b>	<b>April 27, 2014</b>
Net revenues	\$ 7,992	\$ 19,233	\$ 49,349
Valuation charges	(4,424)		(10,509)
Depreciation expense	(346)	(1,076)	(2,668)
Pretax loss from discontinued operations	(2,085)	(2,113)	(9,657)
Income tax provision from discontinued operations			(1,226)
Loss from discontinued operations	(2,085)	(2,113)	(10,883)

Interest expense of \$6 for the fiscal year 2014 has been allocated to discontinued operations related to third-party debt at our former Davenport property.

**4. Property and Equipment, Net**

Property and equipment, net consists of the following:

	<b>April 24, 2016</b>	<b>April 26, 2015</b>
Property and equipment:		
Land and land improvements	\$ 195,020	\$ 195,367
Leasehold improvements	144,343	144,927
Buildings and improvements	720,167	711,956
Riverboats and floating pavilions	101,660	101,535
Furniture, fixtures and equipment	515,287	507,794
Construction in progress	39,824	12,139
Total property and equipment	1,716,301	1,673,718
Less accumulated depreciation and amortization	(817,134)	(771,492)
Property and equipment, net	\$ 899,167	\$ 902,226

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

We recorded depreciation expense of \$81,267, \$76,961 and \$78,394 for our continuing operations for the fiscal years ended 2016, 2015, and 2014, respectively.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**5. Goodwill and Other Intangible Assets**

We have recorded goodwill, net of impairment, of \$108,970 at April 24, 2016, April 26, 2015 and April 27, 2014, respectively. Goodwill includes accumulated impairment losses of \$213,125.

Other intangible assets consist of the following:

	April 24, 2016			April 26, 2015				
	Historical Cost	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount	Historical Cost	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
<b>Indefinite-lived assets</b>								
Gaming licenses	\$ 44,342	\$	\$	\$ 44,342	\$ 44,342	\$	\$	\$ 44,342
Trademarks	7,149			7,149	7,149			7,149
<b>Intangible assets subject to amortization</b>								
Gaming licenses	12,500	(347)	(12,153)		12,500	(347)	(12,153)	
Customer relationships	6,700	(4,955)		1,745	6,700	(4,118)		2,582
Customer lists	15,393	(15,393)			15,393	(15,393)		
Tradenname	544	(544)			544	(544)		
<b>Total</b>	<b>\$ 86,628</b>	<b>\$ (21,239)</b>	<b>\$ (12,153)</b>	<b>\$ 53,236</b>	<b>\$ 86,628</b>	<b>\$ (20,402)</b>	<b>\$ (12,153)</b>	<b>\$ 54,073</b>

Our indefinite-lived intangible assets consist primarily of gaming licenses and trademarks for which it is reasonably assured that we will continue to renew indefinitely. Our other finite-lived intangible assets consist of customer relationships amortized over 8 years, customer lists amortized over 2 to 4 years, and a trade name amortized over 1.5 years. The weighted average remaining life of our customer relationships is approximately 2.1 years.

We recorded amortization expense of \$838, \$838 and \$1,185, for our intangible assets subject to amortization related to our continuing operations for the fiscal years ended 2016, 2015, and 2014, respectively.

Future amortization expense of our amortizable intangible assets is as follows:

2017	838
2018	838
2019	69
Thereafter	
<b>Total</b>	<b>\$ 1,745</b>



Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**6. Valuation Charges**

We recorded valuation charges as follows:

	Fiscal Year Ended		
	April 24, 2016	April 26, 2015	April 27, 2014
Property and equipment, net impairment charges	\$	\$ 9,000	\$ 14,200
Intangible asset impairment charge			12,153
Goodwill impairment charges:			
Bettendorf			60,000
Lake Charles			24,238
Lula			36,000
Vicksburg			5,000
Total goodwill impairment charges			125,238
Total impairment valuation charges	\$	\$ 9,000	\$ 151,591

*Other Long-Lived Assets* During fiscal 2015, we recorded a \$9,000 impairment charge related to our Nemaocolin property and equipment, net as a result of our impairment testing under ASC 360. The non-recurring fair value of \$15,848 used in our determination of the impairment charge considered level 3 inputs, including market valuation, estimated replacement cost values, estimates for economic obsolescence and estimated risk premiums and was the result of our current and future expected cash flows at the property.

During fiscal 2014, we recorded impairment charges related to property and equipment, net of \$14,200 at our Nemaocolin property and \$12,153 related to intangible assets at our Nemaocolin property as a result of our impairment testing under ASC 360. The non-recurring fair values used in our determination of the impairment charges considered level 2 and 3 inputs, including the cost replacement value of the assets adjusted for an associated risk premium or economic obsolescence, and a market based valuation multiple method. The impairments were the result of our current and future expected cash flows at our properties.

*Goodwill* Our goodwill impairment charges in fiscal 2014 were a result of expected decreases in future cash flows as a result of unfavorable economic conditions and the impact of changes by our competitors. Competitive changes included a proposed land-based casino replacing an existing riverboat casino competing with our Bettendorf property, a new casino competing with our Lake Charles property and expansions by casinos competing with our Lula property.

The non-recurring fair values used in our determination of the goodwill impairment charges considered level 2 and 3 inputs, including discounted cash flows and market based multiple valuation methods.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**6. Valuation Charges (Continued)**

The remaining goodwill balance by property as of April 24, 2016 is as follows:

	April 24, 2016
Bettendorf	\$ 5,713
Black Hawk	30,533
Boonville	2,599
Kansas City	7,182
Lula	6,581
Marquette	29,195
Vicksburg	27,167
Total	\$ 108,970

**7. Long-Term Debt**

Long-term debt consists of the following:

	April 24, 2016	April 26, 2015
<b>Senior Secured Credit Facility:</b>		
Revolving line of credit, expires April 19, 2018, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 67,500	\$ 75,000
5.875% Senior Notes, interest payable semi-annually March 15 and September 15, net	502,541	502,987
7.75% Senior Notes, interest payable semi-annually March 15 and September 15, net		62,012
8.875% Senior Subordinated Notes, interest payable semi-annually June 15 and December 15	350,000	350,000
Other	2,652	2,883
	922,693	992,882
Less current maturities	80	170
Long-term debt	\$ 922,613	\$ 992,712

*Senior Secured Credit Facility, as amended and restated* 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 all of our restricted subsidiaries.

Our net revolving line of credit availability at April 24, 2016, as limited by our outstanding borrowings, was approximately \$224,000, after consideration of \$8,000 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 fiscal years 2016 and 2015 were 2.63% and 3.54%, respectively.



Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Long-Term Debt (Continued)**

The Credit Facility includes a number of affirmative and negative covenants, as well as certain financial covenants including maintenance of a total leverage ratio, senior secured leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with the covenants as of April 24, 2016.

In fiscal 2015, 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.

In fiscal 2014, we amended our Credit Facility to modify our maximum allowed leverage and minimum interest coverage ratio covenants. This was accounted for in accordance with ASC 470-50, Debt Modifications and Extinguishments and we capitalized new deferred financing costs of \$673.

*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 were used to repay term loan borrowings under our Credit Facility. On April 14, 2015, we issued an additional \$150,000 of 5.875% Senior Notes at a price of 102.0%, which have the same terms and are treated as the same class as the outstanding 5.875% Senior Notes (the "April 2015 issuance"). After deducting underwriting fees, the net proceeds of \$151,500 from the April 2015 issuance were used to purchase a portion of the 7.75% Senior Notes validly tendered pursuant to the Tender Offer (as defined below). As a result of the April 2015 issuance, we capitalized deferred financing costs of \$209 in fiscal 2016 and \$2,536 in fiscal 2015, respectively.

The 5.875% 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 16. All of the guarantor subsidiaries are wholly owned by us. 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 as of 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"). On April 7, 2015, we launched a cash tender offer for any and all of our outstanding 7.75% Senior Notes (the "Tender Offer"). The Tender Offer expired on April 13, 2015. We accepted for purchase \$237,832 of the outstanding 7.75% Senior Notes validly tendered pursuant to the Tender Offer and we funded the payments utilizing the net proceeds from the 5.875% Senior Notes April 2015 issuance, additional borrowings under our Credit Facility and cash on hand. The aggregate amount paid of approximately \$250,000, included tender offer consideration of \$1.043 per \$1.000 principal amount tendered, as well as accrued and unpaid interest on the 7.75% Senior Notes. As a result of the completed Tender Offer, we incurred expenses related to the write-off of deferred financing costs and the discount, tender fees and other related costs of \$13,757, recorded as a loss on early extinguishment of debt in the fiscal 2015 consolidated statement of operations.

On April 14, 2015 we issued an irrevocable notice of redemption of the remaining \$62,168 of outstanding 7.75% Senior Notes at a redemption price of 103.875% of the principal amount, plus accrued and unpaid interest at the redemption date in accordance with the terms of the indenture governing the 7.75% Senior Notes. On May 14, 2015, we completed the redemption for approximately \$65,000, utilizing additional borrowings under our Credit Facility and cash on hand. As a result of the

Table of Contents**ISLE OF CAPRI CASINOS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(amounts in thousands, except share and per share amounts)****7. Long-Term Debt (Continued)**

redemption, we recorded a loss of \$2,966 on early extinguishment of debt in the fiscal 2016 consolidated statement of operations.

*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 ("8.875% Senior Subordinated Notes"). We received net proceeds of \$343,000 for this issuance after deducting underwriting fees. As a result of the issuance, we capitalized deferred financing costs of \$8,137.

The 8.875% Senior Subordinated Notes are guaranteed, on a joint and several basis, by substantially all of our significant subsidiaries and certain other subsidiaries as described in Note 16. All of the guarantor subsidiaries are wholly owned by us. 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 as of June 15, 2016, with call premiums as defined in the indenture governing the 8.875% Senior Subordinated Notes.

The indentures governing the 5.875% Senior Notes and the 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.

*Future Principal Payments of Long-term Debt* The aggregate principal payments due on long-term debt as of April 24, 2016 over the next five years and thereafter, are as follows:

Fiscal Years Ending:	
2017	\$ 80
2018	67,587
2019	94
2020	102
2021	850,111
Thereafter	2,178
	920,152
Debt premium	2,541
	\$ 922,693

**8. Other Long-Term Obligations**

*Nemacolin Woodlands Resort* We entered into agreements with Nemacolin Woodland Resort ("Resort") in Pennsylvania to construct and manage a casino, which we opened in July 2013. Under terms of the agreements, the Resort provided land, land improvements and a building for the casino property. The Company was deemed, for accounting purposes only, to be the owner of these assets provided by the Resort during the construction and casino operating periods due to our continuing involvement. Therefore, we are accounting for the transaction using the direct financing method. As of April 24, 2016, in accordance with ASC 840, we have recorded property and equipment, net of

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**8. Other Long-Term Obligations (Continued)**

accumulated depreciation, of \$5,626, and a liability of \$6,100 in other long-term obligations related to the agreement.

The other long-term obligations will be reflected in our consolidated balance sheets until completion of the management agreement, at which time the related fixed assets, net of accumulated depreciation, will be removed from our consolidated financial statements and the net remaining obligation over the net carrying value of the associated fixed asset will be recognized as a gain (loss) on the sale of the facility.

*Quad-Cities Waterfront Convention Center* We entered into agreements with the City of Bettendorf, Iowa under which the City constructed a convention center which opened in January 2009, adjacent to our hotel. We lease, manage, and provide financial and operating support for the convention center. The Company was deemed, for accounting purposes only, to be the owner of the convention center during the construction period. Upon completion of the convention center we were precluded from accounting for the transaction as a sale and leaseback due to our continuing involvement. Therefore, we are accounting for the transaction using the direct financing method. Under the terms of our agreements for the convention center, we have guaranteed certain obligations related to notes issued by the City of Bettendorf, Iowa for the convention center.

On May 4, 2015, we made a payment of approximately \$9,400 related to the notes issued by the City per the terms of our agreement with borrowings from our Credit Facility. With this prepayment, we have fulfilled our financial obligation related to the Convention Center and have no future payments under this long-term obligation. The remaining balance of the long-term obligation will remain on our consolidated balance sheet until completion of the lease agreement, at which time the related fixed assets, net of accumulated depreciation, and the net remaining obligation over the net carrying value of the associated fixed assets will be recognized as a gain on sale of the facility. As of April 24, 2016, we have recorded in other long-term obligations \$7,812 related to our liability under ASC 840 related to the convention center.

**9. Income Taxes**

Income tax (provision) benefit from continuing operations consists of the following:

	Fiscal Year Ended		
	April 24, 2016	April 26, 2015	April 27, 2014
Current:			
Federal	\$	\$	\$
State	(128)	(167)	7,352
	(128)	(167)	7,352
Deferred:			
Federal	(2,623)	(3,219)	10,116
State	(1,427)	2,275	1,026
	(4,050)	(944)	11,142
Income tax (provision) benefit	\$ (4,178)	\$ (1,111)	\$ 18,494

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**9. Income Taxes (Continued)**

A reconciliation of income taxes from continuing operations at the statutory corporate federal tax rate of 35% to the income tax (provision) benefit reported in the accompanying consolidated statements of operations is as follows:

	Fiscal Year Ended		
	April 24, 2016	April 26, 2015	April 27, 2014
Statutory tax (provision) benefit	\$ (18,364)	\$ (2,940)	\$ 47,354
Effects of:			
State taxes, net of federal effect	930	3,542	10,337
Reduction of unrecognized tax benefits			5,010
Other			
Lobbying & Referendum costs	(671)	(2,018)	(607)
Employment tax credits	767	932	1,027
Fines & Penalties	(35)	(17)	(25)
Meals & Entertainment	(55)	(46)	(60)
Various permanent differences	(421)	(14)	(15)
Interest			(446)
Goodwill impairment			(42,083)
Valuation allowance	12,615	(109)	(1,031)
Expiration of stock awards		(611)	
Other	1,056	170	(967)
Income tax (provision) benefit	\$ (4,178)	\$ (1,111)	\$ 18,494

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**9. Income Taxes (Continued)**

Significant components of our domestic net deferred income tax asset (liability) are as follows:

	Fiscal Year Ended	
	April 24, 2016	April 26, 2015
Deferred tax liabilities:		
Property and equipment	\$ (40,709)	\$ (37,421)
Goodwill and intangibles	(22,727)	(21,527)
Gain on early extinguishment of debt	(9,751)	(14,613)
Other	(382)	(347)
Total deferred tax liabilities	(73,569)	(73,908)
Deferred tax assets:		
Net operating losses	40,061	62,672
Employment tax credits	21,973	22,378
Accrued expenses	13,564	8,383
Alternative minimum tax credit	4,103	2,481
Other	14,355	14,503
Total deferred tax assets	94,056	110,417
Valuation allowance on deferred tax assets	(57,245)	(69,217)
Net deferred tax asset	36,811	41,200
Net deferred tax liability	\$ (36,758)	\$ (32,708)

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise from net operating loss and tax credit carryforwards, as well as from temporary basis differences in assets and liabilities between financial reporting and tax.

At April 24, 2016, we have federal net operating loss carryforwards of \$45,432 for income tax purposes, with expiration dates from fiscal 2031 to 2036. Approximately \$10,967 of these net operating losses are attributable to our Colorado subsidiaries and can only be used to offset income earned by these entities. The remaining federal net operating losses are subject to limitations under the internal revenue code and underlying treasury regulations, which may limit the amount ultimately utilized. We also have various state income tax net operating loss carryforwards totaling \$390,804 with expiration dates from fiscal 2018 to 2036. This includes both consolidated and separate company net operating loss carryforwards. Our federal and state net operating loss carryforwards include adjustments of \$15,740 and \$16,733, respectively, for excess tax benefits from stock compensation deductions that have not yet been recognized for financial statement purposes. Equity will be increased if and when these deferred tax assets are realized. We also have federal general business and alternative minimum tax credit carryforwards of \$26,075 for income tax purposes, with expiration dates from fiscal 2022 to 2036. For the current period, all deferred income taxes, including those related to NOL carryforwards, have been classified as noncurrent in the consolidated balance sheet in accordance with FASB Update No. 2015-17. We have applied this amendment on a prospective basis and prior period amounts have not been retrospectively adjusted.





Table of Contents**ISLE OF CAPRI CASINOS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(amounts in thousands, except share and per share amounts)****9. Income Taxes (Continued)**

We periodically evaluate the realizability of our deferred tax assets and perform an analysis in light of all available evidence, both positive and negative, consistent with the provisions of ASC 740. As of April 24, 2016, we remain in a three-year cumulative loss, which is a significant piece of negative evidence. While it is primarily the result of intangible and fixed asset impairments, and not an indication of continuing operations, we are required to give objective historical evidence significantly more weight than subjective evidence, such as forecasts of future income. Based on this evidence, we concluded that a valuation allowance should continue to be booked against our federal and most of our state deferred tax assets as of April 24, 2016.

During fiscal 2015, our Florida operations experienced their third consecutive year of substantive pretax income. After considering all of the positive and negative evidence, we concluded that our deferred income tax assets related to our Florida state operations are more likely than not to be realized. Accordingly, as of April 26, 2015, we released all of our valuation allowance against our net Florida deferred income tax assets, resulting in the \$2,301 benefit in our provision for income taxes.

A reconciliation of the beginning and ending amounts of valuation allowance is as follows:

	Federal	State	Total
Balance, April 27, 2014	\$ 40,885	\$ 26,177	\$ 67,062
(Benefit) Provision	(1,377)	5,833	4,456
Release of Valuation Allowance		(2,301)	(2,301)
Balance, April 26, 2015	\$ 39,508	\$ 29,709	\$ 69,217
(Benefit) Provision	(13,956)	1,984	(11,972)
Balance, April 24, 2016	\$ 25,552	\$ 31,693	\$ 57,245

We allocated the income tax provision and valuation allowance between continuing operations and discontinued operations consistent with the provisions of ASC 740.

During fiscal 2016, a decrease to the valuation allowance of \$11,972 was recorded as an income tax benefit due to current year earnings. The ending valuation allowance balance does not preclude us from utilizing the deferred tax assets in the future, nor does it reflect a change in our long-term outlook. If or when recognized, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets as of April 24, 2016 will be accounted for as a reduction of income tax expense.

We account for unrecognized tax benefits in accordance with ASC 740. A reconciliation of the beginning and ending amounts of unrecognized tax benefits as follows:

	April 24, 2016	April 26, 2015	April 27, 2014
Beginning balance	\$	\$	\$ 4,072
Impact of favorable court ruling			(4,072)
Ending balance	\$	\$	\$

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

On February 13, 2014, the Supreme Court of Mississippi ruled in our favor with regard to positions taken on Mississippi income tax returns for fiscal years ending April 2002 through April 2008.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**9. Income Taxes (Continued)**

As a result, we recognized a benefit of \$4,072 related to principle and \$4,025 related to interest. As of April 24, 2016, we do not have any uncertain tax positions.

We recorded interest expense of \$0, \$0 and \$390 in fiscal 2016, 2015 and 2014, respectively, prior to the favorable ruling. We accrued no penalties during fiscal 2016, 2015 or 2014.

As of April 24, 2016, we were subject to U.S. federal income tax examination for fiscal years 2009 to 2015. We are also subject to state and local income tax examinations for various tax years in jurisdictions where we operate.

**10. Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except share and per share amounts):

	April 24, 2016	Fiscal Year Ended	April 26, 2015	April 27, 2014
<b>Numerator:</b>				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations attributable to common stockholders	\$ 48,289	\$	7,290	\$ (116,803)
Loss from discontinued operations	(2,085)		(2,113)	(10,883)
<b>Net income (loss) attributable to the common stockholders</b>	<b>\$ 46,204</b>	<b>\$</b>	<b>5,177</b>	<b>\$ (127,686)</b>
<b>Denominator:</b>				
Denominator for basic income (loss) per share weighted average shares	40,690,929		39,955,735	39,731,766
Effect of dilutive securities				
Employee stock options	109,244		84,938	
Restricted stock units	523,300		279,594	
<b>Denominator for diluted income (loss) per share adjusted weighted average shares and assumed conversions</b>	<b>41,323,473</b>		<b>40,320,267</b>	<b>39,731,766</b>
<b>Basic income (loss) per share attributable to common stockholders</b>				
Income (loss) from continuing operations	\$ 1.19	\$	0.18	\$ (2.94)
Loss from discontinued operations	(0.05)		(0.05)	(0.27)
<b>Net loss attributable to common stockholders</b>	<b>\$ 1.14</b>	<b>\$</b>	<b>0.13</b>	<b>\$ (3.21)</b>

Diluted income (loss) per share attributable to common stockholders

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

Income (loss) from continuing operations	\$	1.17	\$	0.18	\$	(2.94)
Loss from discontinued operations		(0.05)		(0.05)		(0.27)
Net income (loss) attributable to common stockholders	\$	1.12	\$	0.13	\$	(3.21)

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**10. Earnings Per Share (Continued)**

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 444,365 shares, which were anti-dilutive, were excluded from the calculation of common shares for diluted earnings per share for fiscal 2016.

Stock options representing 205,060 shares, which were anti-dilutive, were excluded from the calculation of common shares for diluted earnings per share for fiscal 2015.

Due to the loss from continuing operations, stock options representing 52,501 shares, which were potentially dilutive and 753,860 stock options, which were anti-dilutive, were excluded from the calculation of common shares for diluted earnings per share for fiscal 2014. Restricted stock units representing 48,362 shares, which were potentially dilutive, and 1,254,413 restricted stock units whose minimum market performance conditions had not been achieved, were also excluded from the calculation of diluted earnings per share for fiscal 2014.

**11. Stock Based Compensation**

Under our amended and restated Long Term Incentive Plan, we have issued restricted stock units, performance-based restricted stock units, restricted stock and stock options.

*Restricted Stock Units* During fiscal 2016, we granted 104,982 restricted stock units ("RSUs") to employees with a fair market value of \$14.89 per unit on the date of grant. The RSUs will vest and be converted to stock ratably over three years commencing on the one-year anniversary of the grant date. The aggregate compensation cost related to these RSUs was \$1,563 to be recognized over the vesting periods. Our aggregate estimate of forfeitures for these RSUs is 25%. Per the terms of the agreement, the awards are issued net of shares necessary to pay minimum withholding taxes. Subsequent to year-end, 21,022 shares were issued for the first tranche vesting on April 27, 2016.

A summary of restricted stock unit activity for fiscal 2016 is presented below:

	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding at April 26, 2015		\$
Granted	104,982	14.89
Vested		
Forfeited and expired		
Outstanding at April 24, 2016	104,982	\$ 14.89

As of April 24, 2016:

Weighted average remaining contractual term	1.5 years
Aggregate intrinsic value:	
Outstanding	\$ 1,572
Nonvested:	
Unrecognized compensation cost	\$ 381
Weighted average remaining vesting period	1.5 years

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**11. Stock Based Compensation (Continued)**

During fiscal 2013, we granted RSUs containing market performance conditions which determined the ultimate amount of RSUs to be awarded. The market condition period ended on April 26, 2015 and a gross award of 1,532,417 shares was achieved. Per the terms of the agreement, the awards are issued net of shares necessary to pay minimum withholding taxes with 50% of the RSUs vesting on April 26, 2015 and the remaining 50% vesting on April 26, 2016. On April 26, 2015, 459,473 net shares were issued for the first vested tranche. Subsequent to year-end, 467,073 net shares were issued for the second vested tranche on April 26, 2016. The fair value of these RSUs was initially 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 was \$4,637 recognized over the vesting periods.

*Performance-based Restricted Stock Units* During fiscal 2016, we granted performance-based restricted stock units ("PRSUs"), with a company performance condition which will determine the number of shares which will ultimately vest, if any, up to 251,964 shares with a fair market value of \$14.89 per unit on the date of grant. Any shares earned will vest at the end of three years from the date of grant. Probability of meeting the performance condition is assessed on a regular basis and compensation cost is adjusted accordingly. As of April 24, 2016, our estimated unrecognized compensation cost remaining on the PRSUs was \$1,338 with an estimated aggregate forfeiture of 37%.

*Restricted Stock* We have issued shares of restricted common stock to employees and directors under our Long Term Incentive Plan. Restricted stock awarded to employees primarily vests one-third on each of the first three anniversaries of the grant date and for directors' vests one-half on the grant date and one-half on the first anniversary of the grant date. Our aggregate estimate of forfeitures for restricted stock for employees is 9%.

A summary of restricted stock activity for fiscal 2016 is presented below:

	Restricted Stock	Weighted Average Grant-Date Fair Value
Outstanding at April 26, 2015	325,074	\$ 7.28
Granted	141,353	19.80
Vested	(238,669)	7.88
Forfeited and expired	(7,433)	12.72
Outstanding at April 24, 2016	220,325	\$ 14.33

As of April 24, 2016:

Weighted average remaining contractual term	0.8 years
Aggregate intrinsic value:	
Outstanding	\$ 3,299
Nonvested:	
Unrecognized compensation cost	\$ 1,093
Weighted average remaining vesting period	0.8 years

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**11. Stock Based Compensation (Continued)**

*Stock Options* We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, exercisable in yearly installments of 20% commencing one year after the date of grant. During fiscal 2016, we issued 378,905 stock options which have a maximum term of seven years and are exercisable in yearly installments of 20% commencing one year after the grant date. The options have a per share grant date fair value of \$5.764 utilizing the Black-Scholes-Merton option pricing model. Our aggregate estimate of forfeitures for stock options is 30%. There were no stock options granted in fiscal 2015 or 2014.

A summary of stock option activity for fiscal 2016 is presented below:

	Options	Weighted Average Exercise Price
Outstanding at April 26, 2015	405,060	\$ 11.18
Granted	378,905	14.86
Exercised	(134,000)	6.48
Forfeited and expired	(39,600)	21.35
<b>Outstanding at April 24, 2016</b>	<b>610,365</b>	<b>\$ 13.84</b>

As of April 24, 2016:

Outstanding exercisable options	610,365	\$ 13.84
Weighted average remaining contractual term	4.7 years	
Aggregate intrinsic value:		
Outstanding exercisable	\$ 1,056	
Outstanding	\$ 1,100	
Nonvested:		
Unrecognized compensation cost	\$ 743	

*Subsequent Event* Subsequent to our fiscal year ended April 24, 2016, we granted restricted stock units and stock options to certain employees under the Long-Term Incentive Plan. We issued 145,516 restricted stock units with a weighted average fair market value of \$15.16 per unit on the date of grant. The restricted stock units will vest and be converted to stock ratably over three years commencing on the one year anniversary of the grant date. We also issued 310,735 stock options which have a maximum term of seven years and are exercisable in yearly installments of 20% commencing one year after the grant date. The options have a per share grant date fair value of \$5.968 utilizing the Black-Scholes-Merton option pricing model. In addition, we granted performance-based restricted stock units ("PRSUs"), with a company performance condition which will determine the number of shares which will ultimately vest, if any, up to 216,699 shares. Any shares earned will vest at the end of three years from the date of grant. Probability of meeting the performance condition will be assessed on a regular basis and compensation cost will be adjusted accordingly.

*Stock Compensation Expense* Total stock compensation expense from continuing operations in the accompanying consolidated statements of operations was \$5,069, \$3,396 and \$4,383 for the fiscal years 2016, 2015, and 2014, respectively. We recognize compensation expense for our stock-based awards on a straight-line basis over the requisite service period for each separately vesting portion of the award.



Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**11. Stock Based Compensation (Continued)***Share Based Plans* Information relating to our share based plans is as follows:

	April 24, 2016	April 26, 2015	April 27, 2014
<b>Restricted Stock Units:</b>			
Fair value of restricted stock units vested during the year	\$	\$ 11,451	\$
<b>Restricted Stock:</b>			
Fair value of restricted stock vested during the year	1,881	3,238	3,660
<b>Stock Options:</b>			
Intrinsic value of stock options exercised	1,436	57	
Proceeds from stock option exercises	869	74	

We have 2,949,054, shares available for future issuance under our equity compensation plan as of April 24, 2016. After consideration of activity subsequent to year-end, we have 2,522,355 shares available for future issuance in the plan. During fiscal 2016, we added 2,000,000 shares to the plan. Upon issuance of restricted shares, vesting of RSUs or exercise of stock options, shares may be issued from available treasury or common shares.

*Tax effect of Stock Based Compensation* Upon the exercise of stock options, vested restricted stock and vested RSUs, the tax benefit (provision) related to stock compensation, subject to certain limitations, is recognized as an addition to or deduction from additional paid-in capital. During fiscal year 2016, there was no impact to additional paid-in capital related to the vesting of restricted stock and exercise of stock options. At April 24, 2016, we have \$6,422 of unrecognized tax benefits associated with stock exercises and restricted stock vesting due to our net operating loss position.

*Stock Repurchase* Our Board of Directors has approved a stock repurchase program, as amended, allowing up to 6,000,000 shares of our common stock to be repurchased. As of April 24, 2016, we have repurchased 4,895,792 shares of common stock, and retired 553,800 shares of common stock under this stock repurchase program. No shares were repurchased in fiscal years 2016, 2015 or 2014.

**12. Supplemental Disclosure of Cash Flow Information**

For the fiscal years 2016, 2015 and 2014, we made cash payments for interest, net of capitalized interest, of \$65,061, \$81,023 and \$85,472, respectively. We made income tax payments, net of refunds, of \$134 in fiscal 2016 and received income tax refunds, net of payments, of \$29 and \$4,354 in fiscal 2015 and 2014, respectively.

For fiscal 2016 and 2015, the change in accrued purchases of property and equipment in accounts payable increased by \$7,923 and \$1,959, respectively, and decreased by \$7,149 in fiscal 2014.

For fiscal 2016 and 2015, we capitalized interest of \$600 and \$23, primarily related to the land-based and hotel renovations at our Bettendorf property. For fiscal 2014, we capitalized interest of \$185 primarily related to construction of our casino at the Nemaquin Woodland Resort in Pennsylvania.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**13. Employee Benefit Plans**

*401(k) Plan* We have a 401(k) plan covering substantially all of our employees who have completed 90 days of service. Expense for our contributions from continuing operations related to the 401(k) plan was \$1,731, \$1,454 and \$1,412 in fiscal years 2016, 2015, and 2014, respectively. Our contribution is based on a percentage of employee contributions and may include an additional discretionary amount.

*2005 Deferred Compensation Plan* Our 2005 Deferred Compensation Plan (the "Plan"), as amended and restated, is an unfunded deferred compensation arrangement for the benefit of key management officers and employees of the Company and its subsidiaries. The terms of the Plan include the ability of the participants to defer, on a pre-tax basis, salary, and bonus payments in excess of the amount permitted under IRS Code Section 401(k). The terms also allow for a discretionary annual matching contribution by the Company. The Plan allows for the aggregation and investment of deferred amounts in notional investment alternatives, including units representing shares of our common stock. The liability related to the Plan as of April 24, 2016 and April 26, 2015 was \$3,564 and \$3,953, respectively, and is included in long-term other accrued liabilities in the consolidated balance sheets. For fiscal 2016 and fiscal 2015, there were no discretionary matching contributions by the Company. For fiscal 2014, expense from continuing operations for the Company's discretionary matching contribution related to the Plan was \$79.

**14. Interest Rate Derivatives**

We previously had interest rate derivative agreements in order to manage market risk on variable rate loans outstanding. We had an interest rate swap agreement with an aggregate notional value of \$50,000 that matured in September 2013. During fiscal 2010, our interest rate swaps no longer met the criteria for hedge effectiveness and changes in the fair value of the swaps since that date were recorded in derivative income in the consolidated statements of operations. The cumulative loss recorded in other comprehensive income (loss), through the date of ineffectiveness, was amortized into derivative expense over the remaining term of the individual interest rate swap agreements.

The loss recorded in accumulated other comprehensive income (loss) of our interest rate swap contracts is recorded net of deferred income tax benefits of \$149 as of April 27, 2014.

Derivative income related to the change in fair value of interest rate swap contracts was \$794 in fiscal 2014.

Derivative expense 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:

	Fiscal Year Ended April 27, 2014
Accumulated OCI amortization	\$ 247
Change in deferred taxes	149
Derivative expense	(396)

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**15. Fair Value**

ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820") establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of hierarchy are described below:

Level 1: Inputs such as quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets and observable inputs such as interest rate and yield curves.

Level 3: Inputs that are not observable in the market and that include management's judgments about assumptions market participants would use.

*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 April 24, 2016 and April 26, 2015:

	April 24, 2016		
	Level 1	Level 2	Total
Assets:			
Marketable securities	\$ 8,950	\$ 10,388	\$ 19,338
Restricted cash and investments	6,362	3,457	9,819

	April 26, 2015		
	Level 1	Level 2	Total
Assets:			
Marketable securities	\$ 6,809	\$ 12,708	\$ 19,517
Restricted cash and investments	5,553	3,640	9,193

*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.

There were no transfers between level 1 and level 2 investments.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**15. Fair Value (Continued)**

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

	April 24, 2016		April 26, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial liabilities:</b>				
Revolving line of credit	\$ 67,500	\$ 66,150	\$ 75,000	\$ 73,875
5.875% Senior notes	502,541	520,000	502,987	515,055
7.75% Senior notes			62,012	64,593
8.875% Senior subordinated notes	350,000	367,206	350,000	383,915
Other long-term debt	2,652	2,652	2,883	2,883
Other long-term obligations	13,912	13,912	22,211	22,211

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

**16. 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 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 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 fiscal 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.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

Consolidating condensed balance sheets as of April 24, 2016 and April 26, 2015 are as follows:

	As of April 24, 2016				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Balance Sheet</b>					
Current assets	\$ 10,575	\$ 76,646	\$ 25,804	\$ (130)	\$ 112,895
Intercompany receivables	424,693			(424,693)	
Investments in subsidiaries	586,569	3,358		(589,927)	
Property and equipment, net	3,650	871,353	24,164		899,167
Other assets	15,130	169,487	26,974	(18,504)	193,087
<b>Total assets</b>	<b>\$ 1,040,617</b>	<b>\$ 1,120,844</b>	<b>\$ 76,942</b>	<b>\$ (1,033,254)</b>	<b>\$ 1,205,149</b>
Current liabilities	\$ 35,862	\$ 77,128	\$ 24,687	\$ (130)	\$ 137,547
Intercompany payables		371,104	53,589	(424,693)	
Long-term debt, less current maturities	922,613				922,613
Other accrued liabilities	6,524	74,267	7,084	(18,504)	69,371
Stockholders' equity	75,618	598,345	(8,418)	(589,927)	75,618
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,040,617</b>	<b>\$ 1,120,844</b>	<b>\$ 76,942</b>	<b>\$ (1,033,254)</b>	<b>\$ 1,205,149</b>

	As of April 26, 2015				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Balance Sheet</b>					
Current assets	\$ 14,582	\$ 79,118	\$ 26,157	\$ (185)	\$ 119,672
Intercompany receivables	433,527			(433,527)	
Investments in subsidiaries	573,258	3,358		(576,616)	
Property and equipment, net	4,844	869,486	27,896		902,226
Other assets	32,217	160,727	22,123	(9,203)	205,864
<b>Total assets</b>	<b>\$ 1,058,428</b>	<b>\$ 1,112,689</b>	<b>\$ 76,176</b>	<b>\$ (1,019,531)</b>	<b>\$ 1,227,762</b>

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

Current liabilities	\$	36,304	\$	71,723	\$	25,769	\$	(185)	\$	133,611
Intercompany payables				425,267		8,260		(433,527)		
Long-term debt, less current maturities		992,650				62				992,712
Other accrued liabilities		6,012		73,982		7,186		(9,203)		77,977
Stockholders' equity		23,462		541,717		34,899		(576,616)		23,462
Total liabilities and stockholders' equity	\$	1,058,428	\$	1,112,689	\$	76,176	\$	(1,019,531)	\$	1,227,762

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

Consolidating condensed statements of operations for the fiscal years ended April 24, 2016, April 26, 2015 and April 27, 2014 are as follows:

	For the Fiscal Year Ended April 24, 2016				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Operations</b>					
Revenues:					
Casino	\$	\$ 986,968	\$ 41,079	\$	\$ 1,028,047
Rooms, food, beverage, pari-mutuel and other	77	157,665	12,039	(7,888)	161,893
Management fee revenue	35,280			(35,280)	
Gross revenues	35,357	1,144,633	53,118	(43,168)	1,189,940
Less promotional allowances		(202,437)	(8,911)		(211,348)
Net revenues	35,357	942,196	44,207	(43,168)	978,592
Operating expenses:					
Casino		145,763	6,950		152,713
Gaming taxes		245,405	16,511		261,916
Rooms, food, beverage, pari-mutuel and other	30,811	316,192	19,596	(7,888)	358,711
Management fee expense		34,080	1,200	(35,280)	
Depreciation and amortization	1,742	76,073	4,290		82,105
Total operating expenses	32,553	817,513	48,547	(43,168)	855,445
Operating income (loss)	2,804	124,683	(4,340)		123,147
Interest expense, net	(30,499)	(35,281)	(1,934)		(67,714)
Loss on early extinguishment of debt	(2,966)				(2,966)
Equity in income (loss) of subsidiaries	55,433			(55,433)	
Income (loss) from continuing operations before income taxes	24,772	89,402	(6,274)	(55,433)	52,467
Income tax (provision) benefit	23,517	(31,028)	3,333		(4,178)
Income (loss) from continuing operations	48,289	58,374	(2,941)	(55,433)	48,289
Income (loss) of discontinued operations	(2,085)	(2,151)		2,151	(2,085)
Net income (loss)	\$ 46,204	\$ 56,223	\$ (2,941)	\$ (53,282)	\$ 46,204

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

	For the Fiscal Year Ended April 26, 2015				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
<b>Statement of Operations</b>					
Revenues:					
Casino	\$	\$ 990,785	\$ 41,456	\$	\$ 1,032,241
Rooms, food, beverage, pari-mutuel and other	91	163,494	12,942	(8,885)	167,642
Management fee revenue	34,869			(34,869)	
Gross revenues	34,960	1,154,279	54,398	(43,754)	1,199,883
Less promotional allowances		(212,101)	(10,737)		(222,838)
Net revenues	34,960	942,178	43,661	(43,754)	977,045
Operating expenses:					
Casino		149,778	6,769		156,547
Gaming taxes		247,395	15,967		263,362
Rooms, food, beverage, pari-mutuel and other	33,520	321,692	18,091	(8,885)	364,418
Valuation charges			9,000		9,000
Management fee expense		33,669	1,200	(34,869)	
Depreciation and amortization	1,990	70,344	5,464		77,798
Total operating expenses	35,510	822,878	56,491	(43,754)	871,125
Operating income (loss)	(550)	119,300	(12,830)		105,920
Interest expense, net	(43,775)	(37,865)	(2,122)		(83,762)
Loss on early extinguishment of debt	(13,757)				(13,757)
Equity in income (loss) of subsidiaries	43,319			(43,319)	
Income (loss) from continuing operations before income taxes	(14,763)	81,435	(14,952)	(43,319)	8,401
Income tax (provision) benefit	22,053	(29,417)	6,253		(1,111)
Income (loss) from continuing operations	7,290	52,018	(8,699)	(43,319)	7,290
Income (loss) of discontinued operations	(2,113)	(2,504)		2,504	(2,113)
Net income (loss)	\$ 5,177	\$ 49,514	\$ (8,699)	\$ (40,815)	\$ 5,177



Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

	For the Fiscal Year Ended 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					
<b>Statement of Operations</b>										
Revenues:										
Casino	\$	\$	954,395	\$	\$	981,099				
Rooms, food, beverage, pari-mutuel and other		688	159,923	12,237	(9,185)	163,663				
Management fee revenue		32,911			(32,911)					
Gross revenues		33,599	1,114,318	38,941	(42,096)	1,144,762				
Less promotional allowances			(204,197)	(6,156)		(210,353)				
Net revenues		33,599	910,121	32,785	(42,096)	934,409				
Operating expenses:										
Casino			147,166	5,748		152,914				
Gaming taxes			238,970	10,668		249,638				
Rooms, food, beverage, pari-mutuel and other		31,737	320,904	21,263	(9,185)	364,719				
Valuation charges			125,238	26,353		151,591				
Litigation accrual reversals		(1,979)		(7,351)		(9,330)				
Management fee expense			32,103	808	(32,911)					
Depreciation and amortization		1,709	72,427	5,443		79,579				
Total operating expenses		31,467	936,808	62,932	(42,096)	989,111				
Operating income (loss)		2,132	(26,687)	(30,147)		(54,702)				
Interest expense, net		(45,829)	(38,780)	3,616		(80,993)				
Derivative income			398			398				
Equity in income (loss) of subsidiaries		(105,831)			105,831					
Income (loss) from continuing operations										
before income taxes		(149,130)	(65,467)	(26,531)	105,831	(135,297)				
Income tax (provision) benefit		32,327	(22,018)	8,185		18,494				
Income (loss) from continuing operations		(116,803)	(87,485)	(18,346)	105,831	(116,803)				
Income (loss) of discontinued operations		(10,883)	(13,259)	916	12,343	(10,883)				
Net income (loss)	\$	(127,686)	\$	(100,744)	\$	(17,430)	\$	118,174	\$	(127,686)

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

Consolidating condensed statements of cash flows for the fiscal years ended April 24, 2016, April 26, 2015 and April 27, 2014, are as follows:

Statement of Cash Flows	For the Fiscal Year Ended April 24, 2016				
	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	\$ 22,702	\$ 116,648	\$ (3,438)	\$	\$ 135,912
<b>Investing Activities:</b>					
Purchase of property and equipment	(376)	(69,247)	(639)		(70,262)
Proceeds from sales of assets		11,496			11,496
Restricted cash and investments			(425)		(425)
Parent company investment in subsidiaries	49,242			(49,242)	
Net cash provided by (used in) investing activities	48,866	(57,751)	(1,064)	(49,242)	(59,191)
<b>Financing Activities:</b>					
Net repayments on line of credit	(7,500)				(7,500)
Principal repayments on long-term debt	(62,241)		(158)		(62,399)
Premium payments on long-term debt	(2,409)				(2,409)
Payment of deferred financing costs	(209)				(209)
Proceeds from exercise of stock options	869				869
Net proceeds from (payments to) related parties		(54,164)	4,922	49,242	
Payment of other long-term obligation		(9,384)			(9,384)
Net cash provided by (used in) financing activities	(71,490)	(63,548)	4,764	49,242	(81,032)
Net decrease in cash and cash equivalents	78	(4,651)	262		(4,311)
Cash and cash equivalents at beginning of period	5,077	53,033	8,327		66,437
Cash and cash equivalents at end of the period	\$ 5,155	\$ 48,382	\$ 8,589	\$	\$ 62,126

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

Statement of Cash Flows	For the Fiscal Year Ended April 26, 2015				
	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	\$ (14,187)	\$ 128,904	\$ 10,851	\$	\$ 125,568
<b>Investing Activities:</b>					
Purchase of property and equipment	(105)	(41,017)	(564)		(41,686)
Proceeds from sales of assets		73			73
Payments towards gaming license					
Restricted cash and investments			340		340
Parent company investment in subsidiaries	100,844			(100,844)	
Net cash provided by (used in) investing activities	100,739	(40,944)	(224)	(100,844)	(41,273)
<b>Financing Activities:</b>					
Proceeds from long-term debt borrowings	153,000				153,000
Net borrowings on line of credit	10,300				10,300
Principal repayments on long-term debt	(237,899)		(162)		(238,061)
Premium payments on long-term debt	(10,465)				(10,465)
Payment of deferred financing costs	(2,536)				(2,536)
Proceeds from exercise of stock options	74				74
Net proceeds from (payments to) related parties		(88,714)	(12,130)	100,844	
Net cash provided by (used in) financing activities	(87,526)	(88,714)	(12,292)	100,844	(87,688)
Net decrease in cash and cash equivalents	(974)	(754)	(1,665)		(3,393)
Cash and cash equivalents at beginning of period	6,051	53,787	9,992		69,830
Cash and cash equivalents at end of the period	\$ 5,077	\$ 53,033	\$ 8,327	\$	\$ 66,437

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 16. Consolidating Condensed Financial Information (Continued)

Statement of Cash Flows	For the Fiscal Year Ended 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
Net cash provided by (used in) operating activities	\$ 5,431	\$ 103,025	\$ (21,707)	\$	\$ 86,749
<b>Investing Activities:</b>					
Purchase of property and equipment	(580)	(19,063)	(18,506)		(38,149)
Proceeds from sales of assets		32	49,849		49,881
Payments towards gaming license			(7,500)		(7,500)
Restricted cash and investments			1,879		1,879
Parent company investment in subsidiaries	85,222			(85,222)	
Net cash provided by (used in) investing activities	84,642	(19,031)	25,722	(85,222)	6,111
<b>Financing Activities:</b>					
Net repayments on line of credit	(90,200)				(90,200)
Principal payments on debt	(63)		(563)		(626)
Payments of deferred financing costs	(673)				(673)
Net proceeds from (payments to) related parties		(84,819)	(403)	85,222	
Net cash provided by (used in) financing activities	(90,936)	(84,819)	(966)	85,222	(91,499)
Net increase (decrease) in cash and cash equivalents	(863)	(825)	3,049		1,361
Cash and cash equivalents at beginning of period	6,914	54,612	6,943		68,469
Cash and cash equivalents at end of the period	\$ 6,051	\$ 53,787	\$ 9,992	\$	\$ 69,830

## 17. Selected Quarterly Financial Information (unaudited)

Our selected quarterly financial information includes new casino operations in Nemaocolin opening July 1, 2013 and includes reclassifications for amounts shown in our previously filed reports on

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 17. Selected Quarterly Financial Information (unaudited) (Continued)

Forms 10-Q to reflect the discontinued operations presentation for our Natchez, Mississippi property which was classified as discontinued operations during the quarter ended July 26, 2015.

	Fiscal Quarters Ended			
	July 26, 2015	October 25, 2015	January 24, 2016	April 24, 2016
Net revenues	\$ 246,924	\$ 236,261	\$ 230,540	\$ 264,867
Operating income	29,647	25,627	24,679	43,194
Income from continuing operations	8,468	7,811	7,015	24,995
Loss from discontinued operations, net of income taxes	(5,324)	3,639	(400)	
Net income	3,144	11,450	6,615	24,995
Earnings (loss) per common share basic:				
Income from continuing operations	\$ 0.21	\$ 0.19	\$ 0.17	\$ 0.61
Income (loss) from discontinued operations, net of income taxes	(0.13)	0.09	(0.01)	
Net income	\$ 0.08	\$ 0.28	\$ 0.16	\$ 0.61
Earnings (loss) per common share diluted:				
Income from continuing operations	\$ 0.21	\$ 0.19	\$ 0.17	\$ 0.60
Income (loss) from discontinued operations, net of income taxes	(0.13)	0.09	(0.01)	
Net income	\$ 0.08	\$ 0.28	\$ 0.16	\$ 0.60
Weighted average basic shares	40,580,806	40,697,797	40,730,065	40,755,048
Weighted average dilutive shares	41,205,520	41,353,544	41,378,792	41,351,978

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

## 17. Selected Quarterly Financial Information (unaudited) (Continued)

	Fiscal Quarters Ended			
	July 27, 2014	October 26, 2014	January 25, 2015	April 26, 2015
Net revenues	\$ 236,896	\$ 234,458	\$ 236,404	\$ 269,287
Operating income	20,500	21,975	27,545	35,900
Income (loss) from continuing operations	(1,725)	(71)	5,926	3,160
Loss from discontinued operations, net of income taxes	(592)	(950)	(503)	(68)
Net income (loss)	(2,317)	(1,021)	5,423	3,092
Earnings (loss) per common share basic:				
Income (loss) from continuing operations	\$ (0.04)	\$	\$ 0.15	\$ 0.08
Loss from discontinued operations, net of income taxes	(0.02)	(0.03)	(0.01)	
Net income (loss)	\$ (0.06)	\$ (0.03)	\$ 0.14	\$ 0.08
Earnings (loss) per common share diluted:				
Income (loss) from continuing operations	\$ (0.04)	\$	\$ 0.15	\$ 0.08
Income (loss) from discontinued operations, net of income taxes	(0.02)	(0.03)	(0.02)	
Net income (loss)	\$ (0.06)	\$ (0.03)	\$ 0.13	\$ 0.08
Weighted average basic shares	39,827,889	39,932,856	40,028,776	40,033,404
Weighted average dilutive shares	39,827,889	39,932,856	40,336,663	41,020,503

A summary of certain revenues and expenses from our continuing operations impacting our quarterly financial results is as follows:

- (1) During the first quarter of fiscal 2016, we incurred a loss on extinguishment of debt of \$2,966 related to the redemption of our 7.75% Senior Notes in May 2016.
- (2) During the fourth quarter of fiscal 2016, we incurred \$153 of expense related to the reopening of our Bettendorf property and \$770 of expense related to an executive's exit agreement.
- (3) During the first quarter of fiscal 2015, we incurred \$1,013 of expense related to opposing the proposed Colorado gaming expansion referendum and \$2,259 of severance expense related to restructuring at the corporate office.
- (4) During the second quarter of fiscal 2015, we incurred \$3,044 of expense related to opposing the proposed Colorado gaming expansion referendum and recorded a favorable property tax settlement related to our Waterloo property of \$1,225.
- (5)

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

During the fourth quarter of fiscal 2015, we recorded impairment charges of \$9,000 related to our long-lived assets at Nemacolin and \$13,757 of loss on early extinguishment of debt.

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**18. Commitments and Contingencies**

*Operating Leases* The Company leases real estate and various equipment under operating lease agreements. Future minimum payments over the lease term of non-cancelable operating leases with initial terms of one year or more consisted of the following at April 24, 2016:

<b>Fiscal Years Ending:</b>	
2017	10,293
2018	9,887
2019	9,196
2020	6,982
2021	6,663
Thereafter	122,621
<b>Total minimum lease payments</b>	<b>\$ 165,642</b>

Rent expense related to continuing operations was \$24,585, \$24,731 and \$25,895 in fiscal years 2016, 2015 and 2014, respectively. Such amounts include contingent rentals of \$2,942, \$3,012 and \$2,926 in fiscal years 2016, 2015 and 2014, respectively. Contingent rent is based upon casino revenues or other metrics as defined in our lease agreements. Certain of our leases are subject to renewals and may contain escalation clauses.

*Legal and Regulatory Proceedings* In October 2012, we opened our new casino in Cape Girardeau, Missouri. A subcontractor filed a mechanics' lien against our property resulting from a dispute between the subcontractor and our general contractor for the construction project. We demanded that the general contractor cause the lien to be bonded against or satisfied; however, the general contractor refused to do so and asserted that a portion of the subcontractor's claim resulted from additional work directly requested by us. In October 2013, the subcontractor filed suit against our wholly-owned subsidiary IOC-Cape Girardeau, LLC, the general contractor and two other defendants alleging various contract and equitable claims and were seeking damages of approximately \$3.8 million. In August 2014, we filed a cross claim against the general contractor alleging breach of contract and various indemnity claims. In January 2016, all parties reached a settlement fully resolving all claims related to this matter and we paid and capitalized additional construction costs of \$1.4 million.

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

Our wholly owned subsidiary, Lady Luck Gaming Corporation, and several joint venture partners were defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions alleged that the defendants failed to make specified



Table of Contents

**ISLE OF CAPRI CASINOS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**18. Commitments and Contingencies (Continued)**

payments in connection with the gaming license bid process for Patras, Greece. In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. The lawsuits continued through the appeals process and in October 2013, the Supreme Administrative Court rejected both lawsuits in a final and irrevocable decision which disposed of this matter completely. As a result, during fiscal 2014, we reversed a litigation accrual of \$14,730, of which \$7,351 was recorded as a reduction to operating expenses and \$7,379 was recorded as a reduction to interest expense.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

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

Table of Contents

## ISLE OF CAPRI CASINOS, INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS  
(In thousands)

Period	Accounts Receivable Reserve			
	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions from Reserves	Balance at End of Year
Year Ended April 24, 2016	\$ 1,595	\$	\$ (206)	\$ 1,389
Year Ended April 26, 2015	2,120	79	(604)	1,595
Year Ended April 27, 2014	2,086	388	(354)	2,120

Period	Other Receivables Reserve			
	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions from Reserves	Balance at End of Year
Year Ended April 24, 2016	\$ 1,882	\$	\$ (1,882)	\$
Year Ended April 26, 2015	1,882			1,882
Year Ended April 27, 2014	1,882			1,882

Table of Contents

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures* Based on their evaluation as of April 24, 2016, our Chief Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that the information required to be disclosed by us in this Annual Report was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instructions for Form 10-K.

*Management's Report on Internal Control over Financial Reporting* Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, including our Chief Executive Officer and Principal Financial Officer, assessed the effectiveness of our internal control over financial reporting as of April 24, 2016. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework). Our management has concluded that, as of April 24, 2016, our internal control over financial reporting is effective based on these criteria. Ernst & Young LLP, an independent registered public accounting firm, who audited and reported on the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as stated in their report which is included in Item 8.

*Changes in Internal Controls over Financial Reporting* There have been no changes in our internal controls over financial reporting during the quarter ended April 24, 2016 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

*Inherent Limitations on Effectiveness of Controls* Our management, including our Chief Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

This item has been omitted from this report and is incorporated by reference to Isle of Capri's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

Table of Contents**ITEM 11. EXECUTIVE COMPENSATION**

This item has been omitted from this report and is incorporated by reference to Isle of Capri's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item relating to security ownership of management has been omitted from this report and is incorporated by reference to Isle of Capri's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

*Equity Compensation Plans.* The following table provides information about securities authorized for issuance under our 2009 Long-Term Stock Incentive Plan for fiscal 2016.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	1,434,384	\$ 13.84	2,949,054
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>1,434,384</b>	<b>\$ 13.84</b>	<b>2,949,054</b>

---

(1)

The securities outstanding above includes 251,964 performance-based restricted stock units with a company performance condition that assumes the maximum award will be achieved. In addition, the securities outstanding above includes 467,073 performance-based restricted stock units with a market condition, net of taxes withheld, of which the amount of the award was known on April 26, 2015, but the second tranche of the award vested subsequent to April 24, 2016. The performance-based restricted stock units outstanding do not have an exercise price; therefore the weighted average per share exercise price only relates to outstanding stock options.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

This item has been omitted from this report and is incorporated by reference to Isle of Capri's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

This item has been omitted from this report and is incorporated by reference to Isle of Capri's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

Table of Contents

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

The following documents are filed as part of this Form 10-K.

- (a) Consolidated financial statements filed as part of this report are listed under Part II, Item 8.
- (b) The exhibits listed on the "Index to Exhibits" are filed with this report or incorporated by reference as set forth below.

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statement or notes thereto.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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: June 21, 2016

/s/ ERIC L. HAUSLER

---

Eric L. Hausler,  
*Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: June 21, 2016

/s/ ERIC L. HAUSLER

---

Eric L. Hausler,  
*Chief Executive Officer*  
*(Principal Executive Officer)*

Dated: June 21, 2016

/s/ MICHAEL A. HART

---

Michael A. Hart,  
*Sr. Vice President, Accounting and Treasurer*  
*(Principal Financial and Accounting Officer)*

Dated: June 21, 2016

/s/ ROBERT S. GOLDSTEIN

---

Robert S. Goldstein,  
*Chairman of the Board*

Dated: June 21, 2016

/s/ ALAN J. GLAZER

---

Alan J. Glazer,  
*Lead Director*

Dated: June 21, 2016

/s/ BONNIE BIUMI

---

Bonnie Biumi,  
*Director*

Dated: June 21, 2016

/s/ JEFFREY D. GOLDSTEIN

---

Jeffrey D. Goldstein,  
*Director*

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

Table of Contents

Dated: June 21, 2016

/s/ RICHARD A. GOLDSTEIN

---

Richard A. Goldstein,  
*Director*

Dated: June 21, 2016

/s/ GREGORY J. KOZICZ

---

Gregory J. Kozicz,  
*Director*

Dated: June 21, 2016

/s/ LEE S. WIELANSKY

---

Lee S. Wielansky,  
*Director*

Table of Contents

**INDEX TO EXHIBITS**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
2.1	Securities Purchase Agreement, dated August 11, 2015, by and among Isle of Capri Casinos, Inc., IOC- Natchez, Inc, IOC-Natchez Sub, LLC, Casino Holding Investment Partners, LLC and Natchez Casino Opco, LLC. Corporation Plan (Incorporated by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q filed on September 4, 2015)
2.2	Asset Purchase Agreement, dated December 4, 2013, by and among Isle of Capri Casinos, Inc., IOC Davenport, Inc., Scott County Casino, LLC and Kehl Development Corporation (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on December 4, 2013)
3.1	Amended and Restated Certificate of Incorporation of Isle of Capri Casinos, Inc. (Incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K filed on June 16, 2011)
3.2	Bylaws, as amended (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on June 25, 2010)
4.1	Indenture, dated as of March 7, 2011, 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 March 8, 2011)
4.2	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)
4.3	Indenture, dated as of March 5, 2013, 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 March 6, 2013)
4.4	Supplemental Indenture, dated as of April 19, 2013, 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 April 24, 2013)
4.5	Supplemental Indenture, dated as of April 19, 2013, among the Company, the guarantors named therein and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on April 24, 2013)
4.6	Supplemental Indenture, dated as of April 19, 2013, 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 April 24, 2013)
4.7	Second Supplemental Indenture, dated as of April 14, 2015, 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 April 14, 2015)
4.8	Registration Rights Agreement, dated April 14, 2015, among the Company, certain subsidiaries of the Company, Wells Fargo Securities, LLC, Credit Suisse Securities (USA) LLC and Deutsche Bank Securities, Inc. (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on April 14, 2015)



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

### Table of Contents

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.1	Agreement, dated January 19, 2011, by and among Isle of Capri Casinos, Inc., and Mr. Jeffrey D. Goldstein, Mr. Robert S. Goldstein, Richard A. Goldstein and GFIL Holdings, LLC (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-k filed on January 19, 2011)
10.2	Amendment Number One to Governance Agreement, dated February 23, 2011, by and among Isle of Capri Casinos, Inc., GFIL Holdings, LLC, Jeffrey D. Goldstein, Robert S. Goldstein and Richard A. Goldstein (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on February 28, 2011)
10.3	Isle of Capri Casinos, Inc. Second Amended and Restated 2009 Long-Term Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 9, 2015)
10.4	Isle of Capri Casinos, Inc. Corporate Level Incentive Compensation Plan (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on December 3, 2010)
10.5 *	Isle of Capri Casinos, Inc.'s Executive Nonqualified Excess Plan
10.6 *	Isle of Capri Casino, Inc. Executive Nonqualified Excess Plan Adoption Agreement
10.7 *	Amended and Restated Employment Agreement, dated April 6, 2016, between Eric L. Hausler and Isle of Capri Casinos, Inc.
10.8 *	Amended and Restated Employment Agreement, dated April 8, 2016, between Arnold L. Block and Isle of Capri Casinos, Inc.
10.9 *	Amended and Restated Employment Agreement dated as of April 11, 2016, between Michael A. Hart and Isle of Capri Casinos, Inc.
10.10	Amended and Restated Employment Agreement, dated January 18, 2011, between Virginia M. McDowell and Isle of Capri Casinos, Inc. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on January 18, 2011)
10.11	Employment Agreement, dated as of July 1, 2008, between Isle of Capri Casinos, Inc. and Edmund L. Quatmann, Jr. (Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K filed on July 11, 2008)
10.12	First Amendment to Employment Agreement, dated as of January 9, 2014, between Isle of Capri Casinos, Inc. and Edmund L. Quatmann, Jr. (Incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K filed on June 23, 2014)
10.13	Isle of Capri Casinos, Inc. Employment Agreement Compliance Addendum Edmund L. Quatmann, Jr. (Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed on March 6, 2009)
10.14	Employment Agreement, dated as of January 7, 2013, between Isle of Capri Casinos, Inc. and John Wilson (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on February 20, 2013)
10.15	Form Employment Agreement for Senior Vice Presidents of Isle of Capri Casinos, Inc. (Incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K filed on July 2, 2013)
10.16	Form Stock Option Award Agreement (Incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K filed on July 11, 2008)

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

### Table of Contents

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.17	Form of Restricted Stock Award Agreement (Incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K filed on June 25, 2009)
10.18	Form of Performance Based Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K filed on June 14, 2012)
10.19	Form of Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K filed on June 17, 2015)
10.20	Form of Performance Stock Unit Agreement (Incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K filed on June 17, 2015)
10.21	Form of Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K filed on June 17, 2015)
10.22	Credit Agreement, dated as of July 26, 2007 among Isle of Capri Casinos, Inc., the Lenders listed herein, Credit Suisse, Cayman Island Branch, as administrative agent, issuing bank and swing line lender, Credit Suisse Securities (USA) LLC, as lead arranger and bookrunner, Deutsche Bank Securities Inc. and CIBC World Markets Corp., as co-syndication agents and U.S. Bank, N.A. and Wachovia Bank, National Association, as co-documentation agents (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 31, 2007)
10.23	Security Agreement, dated as of July 26, 2007, among Isle of Capri Casinos, Inc., its material subsidiaries party thereto, and Credit Suisse, Cayman Islands Branch, as Administrative Agent for and representative of the financial institutions party to the Credit Agreement and any Hedge Providers (as defined therein) (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 31, 2007)
10.24	First Amendment to Credit Agreement, dated as of February 17, 2010, among the Company, as borrower, the financial institutions listed therein, as lenders, Credit Suisse AG, Cayman Islands Branch, as administrative agent and the other agents referred to therein among Isle of Capri Casinos, Inc., the Lenders listed therein (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 29, 2010)
10.25	Second Amendment to Credit Agreement, dated as of March, 25, 2011, among Isle of Capri Casinos, Inc., as borrower, certain subsidiaries of Isle of Capri Casinos, Inc., the financial institutions listed therein, as lenders, Wells Fargo Bank, National Association, as administrative agent (as successor to Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch)), and the other agents referred to therein (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 31, 2011)
10.26	Third Amendment to Credit Agreement, dated as of November 21, 2012, among Isle of Capri Casinos, Inc., as borrower, certain subsidiaries of Isle of Capri Casinos, Inc., the financial institutions listed therein, as lenders, Wells Fargo Bank, National Association, as administrative agent (as successor to Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch)), and the other agents referred to therein (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 27, 2012)

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

### Table of Contents

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.27	Fourth Amendment Documents to Credit Agreement and Amendments to Loan Documents, dated as of April 19, 2013 among the Company, the financial institutions listed therein as Lenders and Wells Fargo Bank, National Association (as successor to Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch)), as administrative agent to the Lenders, Issuing Bank and Swing Line Lender (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 24, 2013)
10.28	Fifth Amendment to Credit Agreement, dated as of July 2, 2013, among Isle of Capri Casinos, Inc., as borrower, certain subsidiaries of Isle of Capri Casinos, Inc., the financial institutions listed therein, as lenders, Wells Fargo Bank, National Association, as administrative agent, and the other agents referred to therein (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 2, 2013)
10.29	Sixth Amendment to Credit Agreement, dated as of October 29, 2014, among Isle of Capri Casinos, Inc., as borrower, certain subsidiaries of Isle of Capri Casinos, Inc., the financial institutions listed therein, as Lenders, and Wells Fargo Bank, National Association, as one of the Requisite Lenders, Issuing Bank, Swing Line Lender and as the administrative agent. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on December 4, 2014)
10.30	Amended and Restated Lease, dated as of April 19, 1999, among Port Resources, Inc. and CRU, Inc., as landlords and St. Charles Gaming Company, Inc., as tenant (St. Charles) (Incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K filed on July 02, 1999)
10.31	Lease of property in Coahoma, Mississippi dated as of November 16, 1993 by and among Roger Allen Johnson, Jr., Charles Bryant Johnson and Magnolia Lady, Inc. (Incorporated by reference to the Registration Statement on Form S-4/A filed June 19, 2002)
10.32	Addendum to Lease dated as of June 22, 1994 by and among Roger Allen Johnson, Jr., Charles Bryant Johnson and Magnolia Lady, Inc. (Incorporated by reference to Exhibit 10.46 to the Annual Report on Form 10-K filed on July 28, 2000)
10.33	Second addendum to Lease dated as of October 17, 1995 by and among Roger Allen Johnson, Jr., Charles Bryant Johnson and Magnolia Lady, Inc. (Incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K filed on July 28, 2000)
10.34	Master Lease between The City of Boonville, Missouri and IOC-Boonville, Inc. formally known as Davis Gaming Boonville, Inc. dated as of July 18, 1997. (Incorporated by reference to Exhibit 10.40 to the Annual Report on Form 10-K filed on July 11, 2008)
10.35	Amendment to Master Lease between The City of Boonville, Missouri and IOC-Boonville, Inc. formally known as Davis Gaming Boonville, Inc. dated as of April 19, 1999. (Incorporated by reference to Exhibit 10.41 to the Annual Report on Form 10-K filed on July 11, 2008)
10.36	Second Amendment to Master Lease between The City of Boonville, Missouri and IOC-Boonville, Inc. formerly known as Davis Gaming Boonville, Inc. dated as of September 17, 2001. (Incorporated by reference to Exhibit 10.42 to the Annual Report on Form 10-K filed on July 11, 2008)

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

### Table of Contents

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.37	Third Amendment to Master Lease between The City of Boonville, Missouri and IOC-Boonville, Inc. formerly known as Gold River's Boonville Resort, Inc. and Davis Gaming Boonville, Inc. dated as of November 19, 2001. (Incorporated by reference to Exhibit 10.43 to the Annual Report on Form 10-K filed on July 11, 2008)
10.38	Amended and Restated Lease Agreement by and between the Port Authority of Kansas City, Missouri and Tenant dated as of August 21, 1995 (Incorporated by reference to Exhibit 10.44 to the Annual Report on Form 10-K filed June 25, 2009)
10.39	First Amendment to Amended and Restated Lease Agreement by and between the Port Authority of Kansas City, Missouri and Tenant dated as of October 31, 1995 (Incorporated by reference to Exhibit 10.45 to the Annual Report on Form 10-K filed June 25, 2009)
10.40	Second Amendment to Amended and Restated Lease Agreement by and between the Port Authority of Kansas City, Missouri and Tenant dated as of June 10, 1996. (Incorporated by reference to Exhibit 10.46 to the Annual Report on Form 10-K filed June 25, 2009)
10.41	Assignment and Assumption Agreement (Lease Agreement) between Flamingo Hilton Riverboat Casino, LP, Isle of Capri Casinos, Inc. and IOC-Kansas City, Inc. dated as of June 6, 2000. (Incorporated by reference to Exhibit 10.44 to the Annual Report on Form 10-K filed on July 11, 2008)
10.42	Lease and Agreement-Spring 1995 between Andrianakos Limited Liability Company and Isle of Capri Black Hawk, LLC. dated as of August 15, 1995. (Incorporated by reference to Exhibit 10.45 to the Annual Report on Form 10-K filed on July 11, 2008)
10.43	Addendum to the Lease and Agreement-Spring 1995 between Andrianakos Limited Liability Company and Isle of Capri Black Hawk, LLC. dated as of April 4, 1996. (Incorporated by reference to Exhibit 10.46 to the Annual Report on Form 10-K filed on July 11, 2008)
10.44	Second Addendum to the Lease and Agreement-Spring 1995 between Andrianakos Limited Liability Company and Isle of Capri Black Hawk, LLC. dated as of March 21, 2003. (Incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K filed on July 11, 2008)
10.45	Third Addendum to the Lease and Agreement-Spring 1995 between Andrianakos Limited Liability Company and Isle of Capri Black Hawk, LLC. dated as of April 22, 2003. (Incorporated by reference to Exhibit 10.48 to the Annual Report on Form 10-K filed on July 11, 2008)
10.46	Fourth Addendum to the Lease and Agreement-Spring 1995 between Andrianakos Limited Liability Company and Isle of Capri Black Hawk, LLC. Dated as of December 11, 2013. (Incorporated by reference to Exhibit 10.49 to the Annual Report on Form 10-K filed on June 23, 2014)
10.47	Development Agreement by and between IOC-Cape Girardeau, LLC and the City of Cape Girardeau, Missouri dated as of October 4, 2010. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on December 3, 2010)
10.48	Amended and Restated Operator's Contract by and between Black Hawk County Gaming Association and IOC Black Hawk County, Inc. dated as of November 9, 2004. (Incorporated by reference to Exhibit 10.51 to the Annual Report on Form 10-K filed on June 23, 2014)

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

### Table of Contents

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.49	Management Agreement by and between Gamblers Supply Management Company and the Marquette Gaming Corporation dated as of June 10, 1994. (Incorporated by reference to Exhibit 10.52 to the Annual Report on Form 10-K filed on June 23, 2014)
10.50	First Amendment to the Management Agreement by and between Isle of Capri Marquette, Inc., successor in interest to Gamblers Supply Management Company, and Upper Mississippi Gaming Corporation (formerly known as Marquette Gaming Corporation), dated as of November 10, 2015. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on December 4, 2015)
10.51	Operator's Contract by and between the Riverbend Regional Authority, Green Bridge Company, Bettendorf Riverfront Development Company, L.C., Lady Luck Gaming Corporation and Lady Luck Bettendorf, L.C., dated as of August 11, 1994. (Incorporated by reference to Exhibit 10.53 to the Annual Report on Form 10-K filed on June 23, 2014)
10.52	Amendment to Operator's Contract by and among Green Bridge Company, Bettendorf Riverfront Development Company, L.C., Lady Luck Gaming Corporation, Lady Luck Bettendorf, L.C. and Riverbend Regional Authority, dated as of August 27, 1998. (Incorporated by reference to Exhibit 10.54 to the Annual Report on Form 10-K filed on June 23, 2014)
10.53	Second Amendment to Operator's Contract by and between Isle of Capri Bettendorf, L.C. and Scott County Regional Authority dated as of June 30, 2004. (Incorporated by reference to Exhibit 10.55 to the Annual Report on Form 10-K filed on June 23, 2014)
10.54	Third Amendment to Operator's Contract by and between Isle of Capri Bettendorf, L.C. and Scott County Regional Authority dated as of October 30, 2007. (Incorporated by reference to Exhibit 10.56 to the Annual Report on Form 10-K filed on June 23, 2014)
10.55	Fourth Amendment to Operator's Contract by and between Isle of Capri Bettendorf, L.C. and Scott County Regional Authority dated as of March 11, 2015. (Incorporated by reference to Exhibit 10.62 to the Annual Report on Form 10-K filed on June 17, 2015)
21.1*	Significant Subsidiaries of Isle of Capri Casinos, Inc.
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of Principal 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 Principal Financial Officer Pursuant to 18 U.S.C. Section 1350
99.1*	Description of Governmental Regulation.

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

### Table of Contents

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
101*	The following financial statements and notes from the Isle of Capri Casinos, Inc. Annual Report on Form 10-K for the year ended April 24, 2016, filed on June 21, 2016, formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Comprehensive Income (Loss); (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.

---

\*

Filed herewith.

Management contract or compensatory plan or arrangement.