ISLE OF CAPRI CASINOS INC
Form 10-Q
December 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 25, 2015

OR

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

For the transition period from to

Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

Delaware (State or other jurisdiction of incorporation or organization)	**41-1659606** (I.R.S. Employer Identification Number)
600 Emerson Road, Suite 300, Saint Louis, Missouri (Address of principal executive offices)	**63141** (Zip Code)

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

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

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

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

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

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

As of December 3, 2015, the Company had a total of 40,728,626 shares of Common Stock outstanding (which excludes 1,337,522 shares held by us in treasury).

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

		October 25, 2015		April 26, 2015
ASSETS				
Current assets:				
Cash and cash equivalents	$	60,227	$	66,437
Marketable securities		19,607		19,517
Accounts receivable, net		10,893		11,171
Inventory		6,426		6,509
Deferred income taxes		6,669		4,626
Prepaid expenses and other assets		15,190		11,274
Assets held for sale				138
Total current assets		119,012		119,672
Property and equipment, net		899,576		902,226
Other assets:				
Goodwill		108,970		108,970
Other intangible assets, net		53,654		54,073
Deferred financing costs, net		16,829		19,075
Restricted cash and investments		9,767		9,193
Prepaid deposits and other		5,327		4,743
Long-term assets held for sale				9,810
Total assets	$	1,213,135	$	1,227,762
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Current maturities of long-term debt	$	76	$	170
Accounts payable		25,899		19,690
Accrued liabilities:				
Payroll and related		36,303		43,371
Property and other taxes		24,513		20,456
Income tax payable		42		125
Interest		14,819		15,350
Progressive jackpots and slot club awards		15,439		16,123
Other		22,890		18,326
Total current liabilities		139,981		133,611
Long-term debt, less current maturities		958,478		992,712
Deferred income taxes		41,073		37,334
Other accrued liabilities		17,898		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 October 25, 2015 and April 26, 2015		421		421

Class B common stock, $.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	242,718	241,899
Retained earnings (deficit)	(184,478)	(199,072)
	58,661	43,248
Treasury stock, 1,337,522 shares at October 25, 2015 and 1,568,875 at April 26, 2015	(16,868)	(19,786)
Total stockholders equity	41,793	23,462
Total liabilities and stockholders equity	$ 1,213,135	$ 1,227,762

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	October 25, 2015	October 26, 2014	October 25, 2015	October 26, 2014
Revenues:				
Casino	$ 249,061	$ 250,138	$ 509,114	$ 499,679
Rooms	7,775	8,176	15,890	16,207
Food, beverage, pari-mutuel and other	31,455	33,747	64,444	67,213
Gross revenues	288,291	292,061	589,448	583,099
Less promotional allowances	(52,030)	(57,603)	(106,263)	(111,745)
Net revenues	236,261	234,458	483,185	471,354
Operating expenses:				
Casino	37,963	39,087	76,676	78,089
Gaming taxes	63,430	63,286	129,789	126,576
Rooms	1,883	1,794	3,766	3,641
Food, beverage, pari-mutuel and other	11,097	11,120	23,219	22,967
Marine and facilities	13,916	13,923	28,022	28,070
Marketing and administrative	54,253	57,199	110,653	114,905
Corporate and development	6,986	6,735	14,629	15,883
Depreciation and amortization	21,106	19,339	41,157	38,748
Total operating expenses	210,634	212,483	427,911	428,879
Operating income	25,627	21,975	55,274	42,475
Interest expense	(17,004)	(21,114)	(34,445)	(42,443)
Interest income	80	92	159	179
Loss on extinguishment of early debt			(2,966)	
Income from continuing operations before income taxes	8,703	953	18,022	211
Income tax provision	(892)	(1,024)	(1,743)	(2,007)
Income (loss) from continuing operations	7,811	(71)	16,279	(1,796)
Income (loss) from discontinued operations, net of income taxes of $- for the three and six months ended October 25, 2015 and October 26, 2014	3,639	(950)	(1,685)	(1,542)
Net income (loss) and Comprehensive income (loss)	$ 11,450	$ (1,021)	$ 14,594	$ (3,338)
Income (loss) per common share-basic:				
Income (loss) from continuing operations	$ 0.19	$	$ 0.40	$ (0.05)
Income (loss) from discontinued operations, net of income taxes	0.09	(0.03)	(0.04)	(0.03)
Net income (loss)	$ 0.28	$ (0.03)	$ 0.36	$ (0.08)
Income (loss) per common share-diluted:				
Income (loss) from continuing operations	$ 0.19	$	$ 0.39	$ (0.05)
Income (loss) from discontinued operations, net of income taxes	0.09	(0.03)	(0.04)	(0.03)
Net income (loss)	$ 0.28	$ (0.03)	$ 0.35	$ (0.08)

Weighted average basic shares	40,697,797	39,932,856	40,639,301	39,880,379
Weighted average diluted shares	41,426,375	39,932,856	41,341,575	39,880,379

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share amounts)

(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total Stockholders Equity
Balance, April 26, 2015	42,066,148	$ 421	$ 241,899	$ (199,072)	$ (19,786)	$ 23,462
Net income				14,594		14,594
Other comprehensive income (loss), net of tax						
Exercise of stock options			(470)		1,135	665
Issuance of restricted stock from treasury stock			(1,783)		1,783	
Stock compensation expense			3,072			3,072
Balance, October 25, 2015	42,066,148	$ 421	$ 242,718	$ (184,478)	$ (16,868)	$ 41,793

See notes to the consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended October 25, 2015	Six Months Ended October 26, 2014
Operating activities:		
Net income (loss)	$ 14,594	$ (3,338)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	41,503	39,253
Amortization and write-off of deferred financing costs	2,118	2,239
Amortization of debt (premium) discount	(222)	128
Loss on early extinguishment of debt	2,966	
Gain on sale of discontinued operations	(6,424)	
Valuation charges	4,424	
Deferred income taxes	1,695	1,965
Stock compensation expense	3,072	2,077
Loss on disposal of assets	55	35
Changes in operating assets and liabilities:		
Marketable securities	(90)	237
Accounts receivable	819	1,335
Income tax receivable	(83)	(130)
Prepaid expenses and other assets	(4,201)	(3,205)
Accounts payable and accrued liabilities	1,164	8,317
Net cash provided by operating activities	61,390	48,913
Investing activities:		
Purchase of property and equipment	(33,207)	(18,658)
Proceeds from sale of assets held for sale	11,448	
Proceeds from sale of property and equipment	16	35
(Increase)/decrease in restricted cash and investments	(250)	688
Net cash used in investing activities	(21,993)	(17,935)
Financing activities:		
Principal payments on debt	(62,362)	(114)
Net borrowings (repayments) on line of credit	28,100	(31,900)
Payment of other long-term obligation	(9,384)	
Premium payments on retirement of long-term debt	(2,409)	
Payment of deferred financing costs	(217)	
Proceeds from exercise of stock options	665	
Net cash used in financing activities	(45,607)	(32,014)
Net decrease in cash and cash equivalents	(6,210)	(1,036)
Cash and cash equivalents, beginning of period	66,437	69,830
Cash and cash equivalents, end of the period	$ 60,227	$ 68,794

See notes to the consolidated financial statements.

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ISLE OF CAPRI CASINOS, INC.

Notes to Consolidated Financial Statements

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

(Unaudited)

1. Nature of Operations

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words we, us, our and similar terms, as well as Company, refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own or operate 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. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. In management s opinion, the accompanying interim condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results presented. The accompanying interim condensed consolidated financial statements have been prepared without audit. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended April 26, 2015 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC s website at *www.sec.gov* or our website at *www.islecorp.com*.

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

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

3. New Accounting Pronouncement

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. In July 2015, the FASB approved the deferral of this new standard to be effective for the standard is for annual periods beginning after December 15, 2017. Early adoption is permitted for annual periods after December 15, 2016. 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 financial statements and disclosures.

4. Discontinued Operations

On October 19, 2015, we closed our casino property in Natchez, Mississippi and completed the previously announced sale of the hotel and related certain 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 for the six months ended October 25, 2015. 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.

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 have been classified as discontinued operations and as assets held for sale for all periods presented.

The Company incurred $307 and $625 for capital expenditures at our Natchez property during the six months ended October 25, 2015 and October 26, 2014, respectively.

The results of our discontinued operations are summarized as follows:

	Three Months Ended		Six Months Ended	
	October 25, 2015	**October 26, 2014**	**October 25, 2015**	**October 26, 2014**
Net revenues	$ 3,446	$ 4,460	$ 7,990	$ 9,213
Valuation charges	24		4,424	
Depreciation expense	67	271	346	505
Pretax gain (loss) from discontinued operations	3,639	(950)	(1,685)	(1,542)
Income tax benefit (provision) from discontinued operations				
Income (loss) from discontinued operations	3,639	(950)	(1,685)	(1,542)

The assets held for sale were as follows:

	October 25, 2015	**April 26, 2015**
Current Assets:		
Inventory	$	$ 138
Property and equipment, net		9,810
Total assets	$	$ 9,948

5. Long-Term Debt

Long-term debt consists of the following:

		October 25, 2015		April 26, 2015
Senior Secured Credit Facility:				
Revolving line of credit, expires April 19, 2018, interest payable at least quarterly at either LIBOR and/or prime plus a margin	$	103,100	$	75,000
5.875% Senior Notes, interest payable semi-annually March 15 and September 15, net		502,765		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		2,689		2,883
		958,554		992,882
Less current maturities		76		170
Long-term debt	$	958,478	$	992,712

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

Our net revolving line of credit availability at October 25, 2015, as limited by our outstanding borrowings, was approximately $190,000, after consideration of approximately $7,000 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 the six months ended October 25, 2015 was 2.67%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a total leverage ratio, senior secured leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with the covenants as of October 25, 2015.

5.875% Senior Notes In March 2013, we issued $350,000 of 5.875% Senior Notes due 2021 (5.875% Senior Notes). The net proceeds from the issuance were used to repay term loans under our Credit Facility. 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 the 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 a cash tender offer for any and all of our outstanding 7.75% Senior Notes (the Tender Offer). As a result of these issuances, we capitalized deferred financing costs of $217 in the six months ended October 25, 2015 and $2,536 in fiscal 2015.

The 5.875% Senior Notes are general unsecured obligations and rank junior to all of our senior secured indebtedness and senior to our senior subordinated indebtedness. The 5.875% Senior Notes are redeemable, in whole or in part, at our option at any time on or after March 15, 2016, with call premiums as defined in the indenture governing the 5.875% Senior Notes.

7.75% Senior Notes In March 2011, we issued $300,000 of 7.75% Senior Notes due 2019 at a price of 99.264% (7.75% Senior Notes). 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. 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 completed redemption, we incurred expenses related to the write-off of the remaining deferred financing costs and the discount, redemption fees and other related costs of $2,966, recorded as a loss on early extinguishment of debt in the consolidated statement of operations for the six months ended October 25, 2015.

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

The 5.875% Senior Notes and 8.875% Senior Subordinated Notes are guaranteed, on a joint and several basis, by substantially all of our significant subsidiaries and certain other subsidiaries as described in Note 12. All of the guarantor subsidiaries are wholly owned by us.

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

6. Other Long-Term Obligations

Quad-Cities Waterfront Convention Center We entered into agreements with the City of Bettendorf, Iowa in connection with the City s construction of a convention center which opened in January 2009, adjacent to our hotel. Under these agreements, 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 also guaranteed certain obligations related to notes issued by the City of Bettendorf, Iowa for the construction of 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 would be recognized as a gain on sale of the facility.

7. Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	October 25, 2015	October 26, 2014	October 25, 2015	October 26, 2014
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	$ 7,811	$ (71)	$ 16,279	$ (1,796)
Income (loss) from discontinued operations	3,639	(950)	(1,685)	(1,542)
Net income (loss)	$ 11,450	$ (1,021)	$ 14,594	$ (3,338)
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	40,697,797	39,932,856	40,639,301	39,880,379
Effect of dilutive securities				
Employee stock options	194,050		192,873	
Restricted stock units	534,528		509,401	
Denominator for diluted earnings (loss) per share - adjusted weighted average shares and assumed conversions	41,426,375	39,932,856	41,341,575	39,880,379
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.19	$	$ 0.40	$ (0.05)
Income (loss) from discontinued operations	0.09	(0.03)	(0.04)	(0.03)
Net income (loss)	$ 0.28	$ (0.03)	$ 0.36	$ (0.08)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.19	$	$ 0.39	$ (0.05)
Income (loss) from discontinued operations	0.09	(0.03)	(0.04)	(0.03)
Net income (loss)	$ 0.28	$ (0.03)	$ 0.35	$ (0.08)

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 65,460 shares, which were anti-dilutive, were excluded from the calculation of common shares for diluted earnings per share for the three and six months ended October 25, 2015.

Due to the loss from continuing operations, stock options representing 43,945 and 44,418 shares, which are potentially dilutive, and 205,060 shares, which were anti-dilutive, were excluded from the calculation of common shares for diluted earnings per share for the three and six months ended October 26, 2014. As the minimum market performance conditions related to our restricted stock units had not been achieved as of October 26, 2014, 753,860 units were excluded from the calculation of diluted earnings per share for the three and six months ended October 26, 2014.

8. Stock Based Compensation

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

Restricted Stock Units During the six months ended October 25, 2015, 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. As of

October 25, 2015, our unrecognized compensation cost for these RSUs was $1,086. Considering the population of employees receiving this award, our current estimate of forfeitures is 0%.

During fiscal 2013, we granted RSUs containing market performance conditions which determined the number of RSUs awarded. The market condition period ended April 26, 2015 and a gross award of 1,532,417 shares was achieved. Per the terms of the award agreement, the awards were issued net of shares necessary to pay minimum withholding taxes with 50% of the RSUs vesting on April 26, 2015 and the remainder vesting on April 26, 2016. The fair value of these RSUs was initially determined utilizing a lattice pricing model which considered a range of assumptions including volatility and risk-free interest rates. The aggregate compensation cost related to these RSUs was $4,637 to be recognized over the vesting periods. As of October 25, 2015, our unrecognized compensation cost remaining on the second RSU tranche vesting April 26, 2016 was $289 and an estimated 465,679 shares will be issued net of shares to pay minimum withholding taxes for the second tranche.

Performance Stock Units During the six months ended October 25, 2015, we granted performance stock units (PSUs) to employees with a company performance condition which will determine the number of shares which will ultimately vest, if any, up to 251,964 shares. Any shares earned will vest at the end of three years from the date of grant. The probability of meeting the performance condition will be assessed on a regular basis and compensation cost will be adjusted accordingly. The aggregate compensation cost related to these PSUs, based on the target number of shares awarded, is $2,501 to be recognized over the vesting periods. As of October 25, 2015, our unrecognized compensation cost for these PSUs is $2,084, based on current probability assumptions. Considering the population of employees receiving this award, our current estimate of forfeitures is 0%.

Restricted Stock During the six months ended October 25, 2015, we issued 102,922 shares of restricted stock to employees with a grant-date fair value of $20.10 and 38,431 shares of restricted stock with a weigthed-average grant date fair value of $18.21 to directors. Restricted stock awards are made to employees and directors under annual long-term incentive grants which primarily vest one-third on each anniversary of the grant date. Our aggregate estimate of forfeitures for restricted stock for employees and directors is 10% and 0%, respectively. As of October 25, 2015, our unrecognized compensation cost for unvested restricted stock was $1,959 with a remaining weighted average vesting period of 1.22 years.

Stock Options During the six months ended October 25, 2015, we issued 378,905 non-qualified 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-Sholes-Merton option pricing model with the range of assumptions disclosed in the following table:

	Six Months Ended October 25, 2015
Weighted average expected volatility	42.61%
Expected dividend yield	0.00%
Weighted average expected term (in years)	5
Weighted average risk-free interest rate	1.36%

Weighted average volatility is calculated using the historical volatility of our stock price over a range of dates equal to the expected term of the grant s options. The weighted average expected term is calculated using historical data that is representative of the option for which the fair value is to be determined. The expected term represents the period of time that options granted are expected to be outstanding. The weighted average risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant for the approximate period of time equivalent to the grant s expected term. Considering the population of employees receiving stock options, our current estimate of forfeitures is 0%. As of October 25, 2015, our unrecognized compensation cost for unvested options was $1,685.

9. Fair Value

Items Measured at Fair Value on a Recurring Basis The following table sets forth the assets measured at fair value on a recurring basis, by input level, in the consolidated balance sheets at October 25, 2015 and April 26, 2015:

	October 25, 2015		
	Level 1	Level 2	Total
Assets:			
Marketable securities	$ 7,768	$ 11,839	$ 19,607
Restricted cash and investments	6,173	3,594	9,767

	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.

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

	October 25, 2015		April 26, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Revolving line of credit	$ 103,100	$ 101,038	$ 75,000	$ 73,875
5.875% Senior notes	502,765	528,435	502,987	515,055
7.75% Senior notes			62,012	64,593
8.875% Senior subordinated notes	350,000	378,875	350,000	383,915
Other long-term debt	2,689	2,689	2,883	2,883
Other long-term liabilities	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.

10. Income Taxes

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

	Three Months Ended		Six Months Ended	
	October 25, 2015	October 26, 2014	October 25, 2015	October 26, 2014
Federal taxes at the statutory rate	$ 3,045	$ 334	$ 6,308	$ 74
State taxes	(115)	(167)	(288)	(500)
Permanent differences	290	1,462	579	2,000
Tax credits	(356)	(555)	(713)	(666)
Other	92	40	92	40
Valuation allowance	(2,064)	(90)	(4,235)	1,059
Income tax provision from continuing operations	$ 892	$ 1,024	$ 1,743	$ 2,007

Our income tax provision consists of changes in the deferred tax liability attributable to indefinite lived intangibles and expense in state jurisdictions without net operating loss carryforwards that are fully offset by valuation allowances.

As of October 25, 2015, we have a full valuation allowance on our federal and state deferred tax assets other than those related to the state and local deferred tax assets at our Florida and Kansas City casinos. Despite our recent positive financial results, we believe the remaining valuation allowances continue to be necessary to offset our deferred tax assets. We continue to monitor our cumulative income position, income trends, and future projections of sustained profitability for all of our operations with deferred tax assets subject to valuation allowances.

11. Supplemental Disclosures

Cash Flow For the six months ended October 25, 2015 and October 26, 2014, we made net cash interest payments of $33,208 and $40,466, respectively. Additionally, we made net income tax payments of $130 and $171 during the six months ended October 25, 2015 and October 26, 2014, respectively.

The change in accrued purchases of property and equipment in accounts payable was an increase of $4,739 and $573, for the six months ended October 25, 2015 and October 26, 2014, respectively.

During the six months ended October 25, 2015, we capitalized interest of $212, primarily related to our land based casino construction and hotel renovations at our Bettendorf property.

12. 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.

Consolidating condensed balance sheets as of October 25, 2015 and April 26, 2015 are as follows:

	As of October 25, 2015				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	$ 26,960	$ 70,179	$ 25,959	$ (4,086)	$ 119,012
Intercompany receivables	393,968			(393,968)	
Investments in subsidiaries	598,363	3,358		(601,721)	
Property and equipment, net	4,298	869,327	25,951		899,576
Other assets	21,510	154,950	22,801	(4,714)	194,547
Total assets	$ 1,045,099	$ 1,097,814	$ 74,711	$ (1,004,489)	$ 1,213,135
Current liabilities	$ 33,241	$ 81,687	$ 29,139	$ (4,086)	$ 139,981
Intercompany payables	6,225	382,690	5,053	(393,968)	
Long-term debt, less current maturities	958,478				958,478
Other accrued liabilities	5,362	65,159	7,076	(4,714)	72,883
Stockholders equity	41,793	568,278	33,443	(601,721)	41,793
Total liabilities and stockholders equity	$ 1,045,099	$ 1,097,814	$ 74,711	$ (1,004,489)	$ 1,213,135

	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
Balance Sheet					
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
Total assets	$ 1,058,428	$ 1,112,689	$ 76,176	$ (1,019,531)	$ 1,227,762
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

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

	For the Three Months Ended October 25, 2015				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Operations					
Revenues:					
Casino	$	$ 238,087	$ 10,974	$	$ 249,061
Rooms, food, beverage, pari-mutuel and other	16	38,105	3,151	(2,042)	39,230
Management fee revenue	8,531			(8,531)	
Gross revenues	8,547	276,192	14,125	(10,573)	288,291
Less promotional allowances		(49,575)	(2,455)		(52,030)
Net revenues	8,547	226,617	11,670	(10,573)	236,261
Operating expenses:					
Casino		36,244	1,719		37,963
Gaming taxes		59,030	4,400		63,430
Rooms, food, beverage, pari-mutuel and other	7,780	77,689	4,708	(2,042)	88,135
Management fee expense		8,231	300	(8,531)	
Depreciation and amortization	433	19,603	1,070		21,106
Total operating expenses	8,213	200,797	12,197	(10,573)	210,634
Operating income (loss)	334	25,820	(527)		25,627
Interest expense, net	(7,486)	(8,905)	(533)		(16,924)
Equity in income (loss) of subsidiaries	12,886			(12,886)	
Income (loss) from continuing operations before income taxes	5,734	16,915	(1,060)	(12,886)	8,703
Income tax benefit (provision)	2,077	(3,671)	702		(892)
Income (loss) from continuining operations	7,811	13,244	(358)	(12,886)	7,811
Income (loss) of discontinued operations	3,639	3,638		(3,638)	3,639
Net income (loss)	$ 11,450	$ 16,882	$ (358)	$ (16,524)	$ 11,450

	For the Three Months Ended October 26, 2014			
Isle of Capri Casinos, Inc. (Parent	Guarantor	Non-Guarantor	Consolidating and	Isle of Capri