ISLE OF CAPRI CASINOS INC
Form 10-Q
December 04, 2009

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, 2009

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 o 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, 2009, the Company had a total of 32,441,491 shares of Common Stock outstanding (which excludes 4,326,242 shares held by us in treasury).

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	October 25, 2009 (unaudited)	April 26, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 76,056	$ 96,654
Marketable securities	18,624	17,548
Accounts receivable, net	9,189	11,935
Income taxes receivable	2,312	7,744
Deferred income taxes	16,295	16,295
Prepaid expenses and other assets	32,908	23,234
Assets held for sale	4,525	4,183
Total current assets	159,909	177,593
Property and equipment, net	1,137,534	1,177,540
Other assets:		
Goodwill	313,136	313,136
Other intangible assets, net	81,631	83,588
Deferred financing costs, net	8,150	9,314
Restricted cash	2,774	2,774
Prepaid deposits and other	23,219	18,717
Total assets	$ 1,726,353	$ 1,782,662
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 9,806	$ 9,688
Accounts payable	20,307	16,246
Accrued liabilities:		
Interest	14,933	9,280
Payroll and related	43,712	47,209
Property and other taxes	36,914	31,487
Other	44,411	52,195
Liabilities related to assets held for sale	2,177	1,888
Total current liabilities	172,260	167,993
Long-term debt, less current maturities	1,228,919	1,291,384
Deferred income taxes	27,043	24,970
Other accrued liabilities	42,255	52,575
Other long-term liabilities	17,242	17,314
Stockholders equity:		
Preferred stock, $.01 par value; 2,000,000 shares authorized; none issued		
Common stock, $.01 par value; 45,000,000 shares authorized; shares issued: 36,753,733 at October 25, 2009 and 36,111,089 at April 26, 2009	367	361
Class B common stock, $.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	197,877	193,827
Retained earnings	104,295	101,828

Accumulated other comprehensive (loss) income		(11,798)		(15,191)
		290,741		280,825
Treasury stock, 4,326,242 shares at October 25, 2009 and 4,340,436 shares at April 26, 2009		(52,107)		(52,399)
Total stockholders equity		238,634		228,426
Total liabilities and stockholders equity	$	1,726,353	$	1,782,662

See notes to unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	October 25, 2009	October 26, 2008	October 25, 2009	October 26, 2008
Revenues:				
Casino	$ 252,192	$ 251,828	$ 516,148	$ 528,614
Rooms	11,803	12,774	24,064	26,480
Pari-mutuel, food, beverage and other	33,786	32,981	68,656	69,528
Gross revenues	297,781	297,583	608,868	624,622
Less promotional allowances	(50,415)	(48,005)	(101,560)	(97,649)
Net revenues	247,366	249,578	507,308	526,973
Operating expenses:				
Casino	40,289	37,791	80,283	76,332
Gaming taxes	64,509	63,318	130,937	133,976
Rooms	2,766	3,193	5,747	6,582
Pari-mutuel, food, beverage and other	11,569	12,473	22,727	26,134
Marine and facilities	16,417	17,027	32,371	33,497
Marketing and administrative	64,947	65,872	130,064	131,226
Corporate and development	12,340	13,201	22,285	23,531
Expense recoveries and other charges	(6,762)		(6,762)	6,000
Depreciation and amortization	28,437	30,935	57,266	62,501
Total operating expenses	234,512	243,810	474,918	499,779
Operating income	12,854	5,768	32,390	27,194
Interest expense	(17,883)	(24,225)	(36,230)	(48,122)
Interest income	400	450	769	896
Loss from continuing operations before income taxes	(4,629)	(18,007)	(3,071)	(20,032)
Income tax benefit	6,411	7,337	5,644	6,722
Income (loss) from continuing operations	1,782	(10,670)	2,573	(13,310)
Loss from discontinued operations, net of income taxes	(220)	(2,830)	(106)	(3,816)
Net income (loss)	$ 1,562	$ (13,500)	$ 2,467	$ (17,126)
Earnings (loss) per common share-basic:				
Income (loss) from continuing operations	$ 0.06	$ (0.34)	$ 0.08	$ (0.43)
Loss from discontinued operations, net of income taxes	(0.01)	(0.09)		(0.12)
Net income (loss)	$ 0.05	$ (0.43)	$ 0.08	$ (0.55)
Earnings (loss) per common share-diluted:				
Income (loss) from continuing operations	$ 0.06	$ (0.34)	$ 0.08	$ (0.43)
Loss from discontinued operatons, net of income taxes	(0.01)	(0.09)		(0.12)
Net income (loss)	$ 0.05	$ (0.43)	$ 0.08	$ (0.55)
Weighted average basic shares	32,319,789	31,171,903	32,049,444	31,019,289
Weighted average diluted shares	32,511,462	31,171,903	32,251,102	31,019,289

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share data)

(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance, April 26, 2009	36,111,089	$ 361	$ 193,827	$ 101,828	$ (15,191)	$ (52,399)	$ 228,426
Net income				2,467			2,467
Unrealized gain on interest rate swap contracts net of income taxes of $1,782					2,977		2,977
Foreign currency translation adjustments					416		416
Comprehensive income							5,860
Issuance of restricted stock, net of forfeitures	625,042	6	(6)				
Exercise of stock options	17,602		178				178
Issuance of deferred bonus shares from treasury stock			(292)			292	
Stock compensation expense			4,108				4,108
Other			62				62
Balance, October 25, 2009	36,753,733	$ 367	$ 197,877	$ 104,295	$ (11,798)	$ (52,107)	$ 238,634

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six Months Ended October 25, 2009	Six Months Ended October 26, 2008
Operating activities:		
Net income (loss)	$ 2,467	$ (17,126)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	57,266	65,007
Amortization of deferred financing costs	1,164	1,279
Expense recoveries and other charges	(6,762)	5,000
Deferred income taxes	292	
Stock compensation expense	4,108	6,475
Deferred compensation expense	48	(47)
Loss (gain) on disposal of assets	61	(214)
Changes in operating assets and liabilities, net of dispositions:		
Purchases of trading securities	(1,076)	(694)
Accounts receivable	3,083	6,310
Income tax receivable	5,432	(8,876)
Prepaid expenses and other assets	(7,413)	(6,799)
Accounts payable and accrued liabilities	2,053	(1,518)
Net cash provided by operating activities	60,723	48,797
Investing activities:		
Purchase of property and equipment	(15,269)	(30,808)
Payments towards gaming license	(4,000)	(4,000)
Decrease in restricted cash	189	1,841
Net cash used in investing activities	(19,080)	(32,967)
Financing activities:		
Principal payments on debt	(4,454)	(5,180)
Net payments on line of credit	(58,000)	(16,552)
Proceeds from exercise of stock options	178	110
Net cash used in financing activities	(62,276)	(21,622)
Effect of foreign currency exchange rates on cash	35	(501)
Net decrease in cash and cash equivalents	(20,598)	(6,293)
Cash and cash equivalents, beginning of period	96,654	91,790
Cash and cash equivalents, end of period	$ 76,056	$ 85,497

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

Notes to Unaudited Consolidated Financial Statements

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

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 leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate thirteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Biloxi and Natchez, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida. Our international gaming interests include wholly owned casinos in Freeport, Grand Bahamas and in Dudley and Wolverhampton, England.

2. Basis of Presentation

The accompanying 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 (GAAP) have been condensed or omitted. The accompanying interim consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments, including normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. 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, 2009 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*.

Discontinued operations include our remaining casino operations in England held for sale and our formerly wholly owned casino in Coventry, England sold in fiscal year 2009.

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.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2010 and 2009 are both 52-week years, which commenced on April 27, 2009 and April 28, 2008, respectively.

The Company evaluated all subsequent events through December 3, 2009, which is the date that the consolidated financial statements were issued. We completed the exit from our casino property in Freeport, Grand Bahamas during November 2009, and as a result, this operation will be reclassified to discontinued operations in subsequent consolidated financial statements. In addition, we completed the sale of our Dudley and Wolverhampton, England casinos on November 30, 2009, which were classified as held for sale in the accompanying consolidated balance sheets and are included as discontinued operations in the accompanying consolidated statements of operations.

Recently Issued Accounting Standards - In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, The *FASB Accounting Standards*

CodificationTM and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (ASC), which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). SFAS 168 establishes the *FASB Accounting Standards CodificationTM* as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. SFAS 168 is effective for most financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this guidance has changed how we reference various elements of GAAP when preparing our financial statement disclosures, but did not have an impact on our consolidated financial statements.

3. Discontinued Operations

Discontinued operations include the results of our former casino property in Coventry, England, which was sold on April 23, 2009, and our Blue Chip casino properties in England, which are currently classified as held for sale.

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

	October 25, 2009	April 26, 2009
Current assets:		
Accounts receivable, net	$ 91	$ 260
Prepaid expenses and other assets	231	146
Total current assets	322	406
Property and equipment, net	4,203	3,777
Total assets	4,525	4,183
Current liabilities:		
Accounts payable	633	540
Other accrued liabilities	1,544	1,348
Total current liabilities	2,177	1,888
Net assets	$ 2,348	$ 2,295

The results of our discontinued operations are summarized as follows:

	Three Months Ended		Six Months Ended	
	October 25, 2009	October 26, 2008	October 25, 2009	October 26, 2008
Net revenues	$ 1,306	$ 4,562	$ 2,746	$ 9,472
Pretax loss from discontinued operations	(400)	(2,916)	(218)	(6,351)
Income tax benefit from discontinued operations	180	86	112	2,535
Loss from discontinued operations	(220)	(2,830)	(106)	(3,816)

Net interest expense of $1 and $2 for the three and six months ended October 25, 2009 and $563 and $1,211 for the three and six months ended October 26, 2008, respectively, has been allocated to discontinued operations and was based on long-term debt and other long-term obligations specific to our UK operations as our UK entities are not guarantors under our senior secured credit facility.

4. Long-Term Debt

Long-term debt consists of the following:

	October 25, 2009	April 26, 2009
Senior Secured Credit Facility:		
Credit Facility:		
Revolving line of credit, expires July 26, 2012, interest payable at least quarterly at either LIBOR and/or prime plus a margin	$ 54,000	$ 112,000
Variable rate term loans, mature November 25, 2013, principal and interest payments due quarterly at either LIBOR and/or prime plus a margin	821,454	825,651
Senior Subordinated Notes:		
7% Senior Subordinated Notes, interest payable semi-annually March 1 and September 1	357,275	357,275
Other	5,996	6,146
	1,238,725	1,301,072
Less current maturities	9,806	9,688
Long-term debt	$ 1,228,919	$ 1,291,384

Credit Facility - During 2007, we entered into a $1,350,000 senior secured credit facility (Credit Facility), which is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant domestic subsidiaries. The Credit Facility consists of a $475,000 five-year revolving line of credit and an $875,000 term loan facility.

Our net line of credit availability at October 25, 2009 is approximately $404,500 after consideration of $16,500 in outstanding letters of credit. We have an annual commitment fee related to the unused portion of the Credit Facility of up to 0.5% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rate of the Credit Facility for the three and six months ended October 25, 2009 was 4.42%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We are in compliance with the covenants as of October 25, 2009.

Senior Subordinated Notes - Our 7% Senior Subordinated Notes are due 2014 (Senior Subordinated Notes) and are guaranteed, on a joint and several basis, by all of our significant domestic subsidiaries and certain other subsidiaries as described in Note 12. All of the guarantor subsidiaries are wholly owned by us. The Senior Subordinated Notes are general unsecured obligations and rank junior to all senior indebtedness. The Senior Subordinated Notes are redeemable, in whole or in part, at our option at any time on or after March 1, 2009, with call premiums as defined in the indenture governing the Senior Subordinated Notes.

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

5. Common Stock

Earnings per Share of Common Stock - The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended		Six Months Ended	
	October 25, 2009	**October 26, 2008**	**October 25, 2009**	**October 26, 2008**
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	$ 1,782	$ (10,670)	$ 2,573	$ (13,310)
Loss from discontinued operations	(220)	(2,830)	(106)	(3,816)
Net income (loss)	$ 1,562	$ (13,500)	$ 2,467	$ (17,126)
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	32,319,789	31,171,903	32,049,444	31,019,289
Effect of dilutive securities				
Employee stock options	191,673		201,658	
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	32,511,462	31,171,903	32,251,102	31,019,289
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.06	$ (0.34)	$ 0.08	$ (0.43)
Loss from discontinued operations	(0.01)	(0.09)		(0.12)
Net income (loss)	$ 0.05	$ (0.43)	$ 0.08	$ (0.55)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.06	$ (0.34)	$ 0.08	$ (0.43)
Loss from discontinued operations	(0.01)	(0.09)		(0.12)
Net income (loss)	$ 0.05	$ (0.43)	$ 0.08	$ (0.55)

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 544,604 and 523,175 shares were excluded from the calculation of earnings per share for the three and six months ended October 25, 2009, respectively as they were anti-dilutive. Due to the net loss, stock options representing 20,208 and 17,221 shares which are potentially dilutive, and 1,593,746 and 1,703,746 shares which were anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three and six month periods ended October 26, 2008, respectively.

Stock Based Compensation Under our Long Term Incentive Plan we have issued restricted stock and stock options.

Restricted Stock During the six months ended October 25, 2009, we issued 512,375 shares of restricted common stock with a weighted average grant-date fair value of $13.03 to employees and 122,153 shares of restricted stock with a weighted average grant-date fair value of $11.38 to directors under the Long Term Incentive Plans. Restricted stock awarded to employees under annual long-term incentive grants vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Restricted stock awarded under our previous tender offer vest three years from the date of award. Our estimate of forfeitures for restricted stock for employees is 10%. No forfeiture rate is

estimated for directors. As of October 25, 2009, our unrecognized compensation cost for unvested restricted stock is $9,215 with a remaining weighted average vesting period of 1.6 years.

Stock Options - We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. During the six months ended October 25, 2009 we issued 100,000 stock options with a grant date fair value of $7.53 per option. We currently estimate our aggregate forfeiture rates at 39.6% for executives and 56.5% for optionees beneath the executive level. As of October 25, 2009, our unrecognized compensation cost for unvested stock options is $2,147 with a weighted average vesting period of 3.5 years.

6. Expense Recoveries and Other Charges

During the three months ended October 25, 2009, we recorded an expense recovery of $6,762 representing the discounted value of a receivable for reimbursement of development costs expensed in prior periods relating to a terminated plan to develop a casino in Pittsburgh, Pennsylvania. This receivable was recorded following our assessment of collectability.

During the six months ended October 26, 2008, we reached an agreement terminating our agreement for the potential development of a casino project in Portland, Oregon. As a part of this agreement, we agreed to terminate our rights under a land option and pay a termination fee. As a result of this termination, we recorded a $6,000 charge consisting of a non-cash write-off of $5,000 representing our rights under the land option and a $1,000 termination fee. Under the terms of the agreement, we retain certain rights but no continuing obligations with regard to this development project.

7. Fair Value Measurements

Interest Rate Swap Agreements We have entered into various interest rate swap agreements pertaining to the Credit Facility for an aggregate notional value of $500,000 with maturity dates ranging from fiscal year 2009 to 2013 in order to manage market risk on variable rate term loans outstanding, as well as comply with, in part, requirements under the Credit Facility.

These swap agreements meet the criteria for hedge accounting for cash flow hedges and have been evaluated, as of October 25, 2009, as being fully effective. As a result, there is no impact on our consolidated statement of operations from changes in fair value. As October 25, 2009, the weighted average fixed LIBOR interest rate of our interest rate swap agreements was 4.58%.

The fair value of derivatives included in our consolidated balance sheet and change in our unrealized loss are as follows:

Type of Derivative Instrument	Balance Sheet Location	October 25, 2009	April 26, 2009	Six months ended October 25, 2009, Change in Unrealized Loss

Interest rate swap contracts	Accrued interest	$ 8,292	$ 2,258	
Interest rate swap contracts	Other long-term liabilities	10,660	21,454	
Total		$ 18,952	$ 23,712	$ 4,760

The fair value of our interest swap contracts are measured using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation, subject to a credit adjustment to the LIBOR-based yield curve s implied discount rates. The credit adjustment reflects our best estimate as to the inherent credit risk as of our balance sheet date. The fair value of our interest rate swap contracts as recorded in our consolidated balance sheet is recorded net of deferred income tax benefits of $7,098 and $8,879, as of October 25, 2009 and April 26, 2009, respectively.

The amount of the gain (loss) reclassified from Accumulated other comprehensive income (loss) into earnings and its location in the consolidated statements of income is as follows:

		Three Months Ended		Six Months Ended	
Type of Derivative Instrument	**Income Statement Location**	**October 25, 2009**	**October 26, 2008**	**October 25, 2009**	**October 26, 2008**
Interest rate swap contracts	Interest expense	$ 5,158	$ 1,905	$ 9,643	$ 4,254

The amount of gain (loss) recognized in Accumulated other comprehensive income (loss) is as follows:

	Three Months Ended		Six Months Ended	
Type of Derivative Instrument	**October 25, 2009**	**October 26, 2008**	**October 25, 2009**	**October 26, 2008**
Interest rate swap contracts	$ 1,540	$ (4,740)	$ 2,977	$ (1,828)

The amount of Accumulated other comprehensive income (loss) related to interest rate swap contracts maturing in the next twelve months was $(5,187) as of October 25, 2009.

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

Type of Derivative Instrument	**October 25, 2009**	**April 26, 2009**
Interest rate swap contracts	$ (11,855)	$ (14,832)
Foreign currency translation gain (loss)	57	(359)
	$ (11,798)	$ (15,191)

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

	October 25, 2009		April 26, 2009	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$ 76,056	$ 76,056	$ 96,654	$ 96,654
Marketable securities	18,624	18,624	17,548	17,548
Restricted cash	2,774	2,774	2,774	2,774
Notes receivable	9,610	9,610	3,000	3,000
Financial liabilities:				

Revolver	$ 54,000	$ 54,000	$ 112,000	$ 112,000
Variable rate term loans	821,454	768,060	825,651	652,264
7% Senior subordinated notes	357,275	319,761	357,275	262,597
Other long-term debt	5,996	5,996	6,146	6,146
Other long-term obligations	17,242	17,242	17,314	17,314

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

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

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

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue 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. Debt obligations with a short remaining maturity are valued at the carrying amount.

8. Income Taxes

During the quarter ended October 25, 2009, we settled certain Louisiana income tax examinations for open years from April 2001 through April 2008. As a result of the actual taxes and interest due for these years being less than our previously accrued amounts, we recognized a benefit of $4,727 in our income tax provision.

We believe that it is reasonably possible that an amount up to $7,800 of our liability for unrecognized tax positions may be recognized by the end of the fiscal year ending April 25, 2010. These amounts relate to positions taken or to be taken on the federal and Mississippi income tax returns for the fiscal years ending April 2004 through April 2008. These amounts are expected to be resolved as a result of the anticipated completion of the federal and Mississippi income tax examinations.

Our effective income tax rates from continuing operations for the three and six months ended October 25, 2009 were 138.5% and 183.8%, respectively. Without the impact of the settlement of our Louisiana income tax matters discussed above, our effective tax rate for the three and six months ended October 25, 2009, would have been 36.4% and 29.9%, respectively. Our effective income tax rates from continuing operations for the three and six months ended October 26, 2008 were 40.7% and 33.6%, respectively. Our effective rate is based on statutory rates applied to our income adjusted for permanent differences. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items used in the calculation of our income tax benefit.

Related to our unrecognized tax benefits, we accrued gross interest expense of $157 and $408 respectively, for the three and six months ended October 25, 2009 as a component of our income tax benefit. As of October 25, 2009, we have recognized a liability of $2,512 for interest.

9. Supplemental Disclosures

Cash Flow For the six months ended October 25, 2009 and October 26, 2008, we made net cash payments of interest for $29,417 and $46,541, respectively. Additionally, we received income tax refunds of $4,480 and paid income taxes, net of refunds, of $409 during the six months ended October 25, 2009 and October 26, 2008, respectively.

For the six months ended October 25, 2009 and October 26, 2008, construction costs funded through accounts payable were $91 and $415, respectively.

For the six months ended October 26, 2008, we purchased property and equipment financed with a long-term obligation of $8,455.

10. Closure of Properties due to Flooding

As a result of Hurricane Gustav in September 2008, our Biloxi, Mississippi, Lake Charles, Louisiana and Natchez, Mississippi properties were closed for three days and as a result of Hurricane Ike in September 2008 our Lake Charles property closed for an additional five days during the three and six months ended October 26, 2008. In connection with flooding in the Midwest during April 2008, our Natchez, Mississippi and Davenport, Iowa, properties closed for a combined total of 34 days during the six months ended October 26, 2008.

11. Contingencies

Legal and Regulatory Proceedings Lady Luck Gaming Corporation (now our wholly owned subsidiary) and several joint venture partners have been defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

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

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece s appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing has not yet been scheduled.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through October 25, 2009, we have accrued an estimated liability including interest of $10,215.

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.

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 Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the Senior Subordinated Notes: Riverboat Corporation of Mississippi; Riverboat Services, Inc.; CSNO, L.L.C.; St. Charles Gaming Company, Inc.; IOC Holdings, L.L.C.; Grand Palais Riverboat, Inc.; LRGP Holdings, L.L.C.; P.P.I, Inc.; Isle of Capri Casino Colorado, Inc.; IOC-Coahoma, Inc.; IOC-Natchez, Inc.; IOC-Lula, Inc.; IOC-Boonville, Inc.; IOC-Kansas City, Inc.; Isle of Capri Bettendorf, L.C.; Isle of Capri Marquette, Inc.; IOC-Davenport, Inc.; IOC-Black Hawk County, Inc.; IOC-Manufacturing, Inc.; Riverboat Corporation of Mississippi Vicksburg; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Black Hawk Capital Corp.; IC Holdings Colorado, Inc.; CCSC/Blackhawk, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; Casino America of Colorado, Inc.; Black Hawk Holdings, L.L.C.; Louisiana Riverboat Gaming Partnership; Isle of Capri UK

Holdings, Inc.; Isle of Capri Bahamas Holdings, Inc.; and IOC-Caruthersville, L.L.C. Each of the subsidiaries guarantees is joint and several with the guarantees of the other subsidiaries.

Consolidating condensed balance sheets as of October 25, 2009 and April 26, 2009 are as follows (in thousands):

	As of October 25, 2009				
	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	$ 42,109	$ 77,627	$ 44,973	$ (4,800)	$ 159,909
Intercompany receivables	1,042,247	(295,351)	12,692	(759,588)	
Investments in subsidiaries	390,195			(390,195)	
Property and equipment, net	8,693	1,120,606	8,235		1,137,534
Other assets	11,195	412,885	4,830		428,910
Total assets	$ 1,494,439	$ 1,315,767	$ 70,730	$ (1,154,583)	$ 1,726,353
Current liabilities	$ 51,514	$ 88,794	$ 36,752	$ (4,800)	$ 172,260
Intercompany payables	4,800	754,768	20	(759,588)	
Long-term debt, less current maturities	1,224,329	4,392	198		1,228,919
Other accrued liabilities	(24,838)	107,061	4,317		86,540
Stockholders equity	238,634	360,752	29,443	(390,195)	238,634
Total liabilities and stockholders equity	$ 1,494,439	$ 1,315,767	$ 70,730	$ (1,154,583)	$ 1,726,353

	As of April 26, 2009				
	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	$ 38,145	$ 93,538	$ 46,013	$ (103)	$ 177,593
Intercompany receivables	1,141,189	(316,376)	(33,920)	(790,893)	
Investments in subsidiaries	337,218			(337,218)	
Property and equipment, net	10,158	1,158,839	8,543		1,177,540
Other assets	12,363	415,013	153		427,529
Total assets	$ 1,539,073	$ 1,351,014	$ 20,789	$ (1,128,214)	$ 1,782,662
Current liabilities	$ 40,440	$ 94,935	$ 32,721	$ (103)	$ 167,993
Intercompany payables		790,563	330	(790,893)	
Long-term debt, less current maturities	1,286,526	4,650	208		1,291,384
Other accrued liabilities	(16,319)	107,301	3,877		94,859
Stockholders equity	228,426	353,565	(16,347)	(337,218)	228,426
Total liabilities and stockholders equity	$ 1,539,073	$ 1,351,014	$ 20,789	$ (1,128,214)	$ 1,782,662

Consolidating condensed statements of operations for the three and six months ended October 25, 2009 and October 26, 2008 are as follows (in thousands):

	For the Three Months Ended October 25, 2009				
	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	$	$ 251,173	$ 1,019	$	$ 252,192
Pari-mutuel, rooms, food, beverage and other	253	44,829	2,908	(2,401)	45,589
Gross revenues	253	296,002	3,927	(2,401)	297,781
Less promotional allowances		(50,315)	(100)		(50,415)
Net revenues	253	245,687	3,827	(2,401)	247,366
Operating expenses:					
Casino		39,673	616		40,289
Gaming taxes		64,224	285		64,509
Other operating expenses	11,373	94,224	(1,919)	(2,401)	101,277
Management fee expense (revenue)	(6,313)	8,495	(2,182)		
Depreciation and amortization	1,103	27,182	152		28,437
Total operating expenses	6,163	233,798	(3,048)	(2,401)	234,512
Operating income (loss)	(5,910)	11,889	6,875		12,854
Interest expense, net	(1,662)	(15,804)	(17)		(17,483)
Equity in income (loss) of subsidiaries	7,019			(7,019)	
Income (loss) from continiuing operations before income taxes	(553)	(3,915)	6,858	(7,019)	(4,629)
Income tax (provision) benefit	2,335	6,648	(2,572)		6,411
Income (loss) from continuing operations	1,782	2,733	4,286	(7,019)	1,782
Income (loss) from discontinued operations, net of tax			(220)		(220)
Equity in income (loss) of discontinued operations	(220)			220	
Income (loss) from discontinued operations, net of tax	(220)		(220)	220	(220)
Net income (loss)	$ 1,562	$ 2,733	$ 4,066	$ (6,799)	$ 1,562

	For the Three Months Ended October 26, 2008				
	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	$	$ 249,875	$ 1,953	$	$ 251,828
Pari-mutuel, rooms, food, beverage and other	32	45,431	2,647	(2,355)	45,755
Gross revenues	32	295,306	4,600	(2,355)	297,583
Less promotional allowances		(47,851)	(154)		(48,005)
Net revenues	32	247,455	4,446	(2,355)	249,578
Operating expenses:					
Casino		37,210	581		37,791
Gaming taxes		63,105	213		63,318
Other operating expenses	11,004	96,372	6,745	(2,355)	111,766
Management fee expense (revenue)	(6,035)	8,348	(2,313)		
Depreciation and amortization	1,209	29,613	113		30,935
Total operating expenses	6,178	234,648	5,339	(2,355)	243,810
Operating income (loss)	(6,146)	12,807	(893)		5,768
Interest expense, net	(3,086)	(17,663)	(3,026)		(23,775)
Equity in income (loss) of subsidiaries	(6,424)			6,424	
Income (loss) from continiuing operations before income taxes	(15,656)	(4,856)	(3,919)	6,424	(18,007)
Income tax (provision) benefit	4,986	1,683	668		7,337
Income (loss) from continuing operations	(10,670)	(3,173)	(3,251)	6,424	(10,670)
Income (loss) from discontinued operations, net of tax			(2,830)		(2,830)
Equity in income (loss) of discontinued operations	(2,830)			2,830	
Income (loss) from discontinued operations, net of tax	(2,830)		(2,830)	2,830	(2,830)
Net income (loss)	$ (13,500)	$ (3,173)	$ (6,081)	$ 9,254	$ (13,500)

	For the Six Months Ended October 25, 2009				
	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	$	$ 513,436	$ 2,712	$	$ 516,148
Pari-mutuel, rooms, food, beverage and other	364	91,267	5,993	(4,904)	92,720
Gross revenues	364	604,703	8,705	(4,904)	608,868
Less promotional allowances		(101,326)	(234)		(101,560)
Net revenues	364	503,377	8,471	(4,904)	507,308
Operating expenses:					
Casino		79,000	1,283		80,283
Gaming taxes		130,528	409		130,937
Other operating expenses	22,428	187,698	1,210	(4,904)	206,432
Management fee expense (revenue)	(12,999)	17,398	(4,399)		
Depreciation and amortization	2,286	54,673	307		57,266
Total operating expenses	11,715	469,297	(1,190)	(4,904)	474,918
Operating income (loss)	(11,351)	34,080	9,661		32,390
Interest expense, net	(3,373)	(32,004)	(84)		(35,461)
Equity in income (loss) of subsidiaries	12,823			(12,823)	
Income (loss) from continiuing operations before income taxes	(1,901)	2,076	9,577	(12,823)	(3,071)
Income tax (provision) benefit	4,474	4,682	(3,512)		5,644
Income (loss) from continuing operations	2,573	6,758	6,065	(12,823)	2,573
Income (loss) from discontinued operations, net of tax			(106)		(106)
Equity in income (loss) of discontinued operations	(106)			106	
Income (loss) from discontinued operations, net of tax	(106)		(106)	106	(106)
Net income (loss)	$ 2,467	$ 6,758	$ 5,959	$ (12,717)	$ 2,467

	For the Six Months Ended October 26, 2008				
	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	$	$ 523,214	$ 5,400	$	$ 528,614
Pari-mutuel, rooms, food, beverage and other	182	95,180	5,464	(4,818)	96,008
Gross revenues	182	618,394	10,864	(4,818)	624,622
Less promotional allowances		(97,274)	(375)		(97,649)
Net revenues	182	521,120	10,489	(4,818)	526,973
Operating expenses:					
Casino		74,988	1,344		76,332
Gaming taxes					