ISLE OF CAPRI CASINOS INC
Form 10-Q
March 05, 2010

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 January 24, 2010

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	**41-1659606**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
600 Emerson Road, Suite 300, Saint Louis, Missouri	**63141**
(Address of principal executive offices)	(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 March 3, 2010, the Company had a total of 32,445,488 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)

	January 24, 2010 (unaudited)	April 26, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 72,536	$ 96,654
Marketable securities	20,050	17,548
Accounts receivable, net	8,462	11,935
Income taxes receivable	5,141	7,744
Deferred income taxes	13,233	16,295
Prepaid expenses and other assets	29,772	23,234
Assets held for sale		4,183
Total current assets	149,194	177,593
Property and equipment, net	1,117,227	1,177,540
Other assets:		
Goodwill	313,136	313,136
Other intangible assets, net	80,653	83,588
Deferred financing costs, net	7,579	9,314
Restricted cash	2,774	2,774
Prepaid deposits and other	22,605	18,717
Total assets	$ 1,693,168	$ 1,782,662
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 8,750	$ 9,688
Accounts payable	24,643	16,246
Accrued liabilities:		
Interest	22,208	9,280
Payroll and related	41,600	47,209
Property and other taxes	21,015	31,487
Other	43,708	52,195
Liabilities related to assets held for sale		1,888
Total current liabilities	161,924	167,993
Long-term debt, less current maturities	1,223,277	1,291,384
Deferred income taxes	20,232	24,970
Other accrued liabilities	38,729	52,575
Other long-term liabilities	17,486	17,314
Stockholders equity:		
Preferred stock, $.01 par value; 2,000,000 shares authorized; none issued		
	368	361

Common stock, $.01 par value; 45,000,000 shares authorized; shares issued: 36,768,397 at January 24, 2010 and 36,111,089 at April 26, 2009				
Class B common stock, $.01 par value; 3,000,000 shares authorized; none issued				
Additional paid-in capital		199,862		193,827
Retained earnings		93,670		101,828
Accumulated other comprehensive (loss) income		(10,273)		(15,191)
		283,627		280,825
Treasury stock, 4,326,242 shares at Janaury 24, 2010 and 4,340,436 shares at April 26, 2009		(52,107)		(52,399)
Total stockholders equity		231,520		228,426
Total liabilities and stockholders equity	$	1,693,168	$	1,782,662

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 24, 2010	**January 25, 2009**	**January 24, 2010**	**January 25, 2009**
Revenues:				
Casino	$ 229,520	$ 246,717	$ 742,957	$ 769,931
Rooms	8,424	9,216	32,488	35,696
Pari-mutuel, food, beverage and other	31,240	32,240	98,821	101,147
Hurricane insurance recoveries		60,000		60,000
Gross revenues	269,184	348,173	874,266	966,774
Less promotional allowances	(42,199)	(46,354)	(143,525)	(143,628)
Net revenues	226,985	301,819	730,741	823,146
Operating expenses:				
Casino	36,472	37,382	115,474	112,370
Gaming taxes	60,529	63,335	191,056	196,839
Rooms	2,192	2,624	7,939	9,206
Pari-mutuel, food, beverage and other	10,717	12,011	33,126	37,903
Marine and facilities	14,392	15,319	46,148	48,202
Marketing and administrative	62,082	62,457	189,849	189,633
Corporate and development	11,127	9,039	33,412	32,570
Hurricane insurance recoveries		(32,179)		(32,179)
Expense recoveries and other charges, net			(6,762)	6,000
Depreciation and amortization	26,798	29,847	84,062	92,339
Total operating expenses	224,309	199,835	694,304	692,883
Operating income	2,676	101,984	36,437	130,263
Interest expense	(17,452)	(24,400)	(53,682)	(72,522)
Interest income	454	725	1,218	1,620
Income (loss) from continuing operations before income taxes	(14,322)	78,309	(16,027)	59,361
Income tax benefit (provision)	2,922	(30,044)	8,056	(23,682)
Income (loss) from continuing operations	(11,400)	48,265	(7,971)	35,679
Income (loss) from discontinued operations, including loss on sale, net of income taxes	775	(2,152)	(187)	(6,692)
Net income (loss)	$ (10,625)	$ 46,113	$ (8,158)	$ 28,987
Earnings (loss) per common share-basic:				
Income (loss) from continuing operations	$ (0.35)	$ 1.52	$ (0.25)	$ 1.14
Income (loss) from discontinued operations, including loss on sale, net of income taxes	0.02	(0.07)		(0.21)
Net income (loss)	$ (0.33)	$ 1.45	$ (0.25)	$ 0.93
Earnings (loss) per common share-diluted:				
Income (loss) from continuing operations	$ (0.35)	$ 1.52	$ (0.25)	$ 1.14
Income (loss) from discontinued operations, including loss on sale, net of income taxes	0.02	(0.07)		(0.21)
Net income (loss)	$ (0.33)	$ 1.45	$ (0.25)	$ 0.93

Weighted average basic shares	32,438,809	31,765,365	32,179,233	31,240,008
Weighted average diluted shares	32,438,809	31,765,365	32,179,233	31,248,402

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share amounts)

(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 loss				(8,158)			(8,158)
Unrealized gain on interest rate swap contracts net of income taxes of $2,735					4,569		4,569
Foreign currency translation adjustments					349		349
Comprehensive loss							(3,240)
Issuance of restricted stock, net of forfeitures	635,042	7	(7)				
Exercise of stock options	21,602		204				204
Issuance of deferred bonus shares	664		(292)			292	
Stock compensation expense			6,055				6,055
Other			75				75
Balance, January 24, 2010	36,768,397	$ 368	$ 199,862	$ 93,670	$ (10,273)	$ (52,107)	$ 231,520

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended January 24, 2010	Nine Months Ended January 25, 2009
Operating activities:		
Net income (loss)	$ (8,158)	$ 28,987
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	84,062	95,988
Amortization of deferred financing costs	1,735	1,922
Property insurance proceeds - Hurricane Katrina, net		(32,179)
Valuation charges and other	(6,762)	5,000
Deferred income taxes	(4,409)	23,709
Stock compensation expense	6,055	7,840
Deferred compensation expense	72	(851)
Loss (gain) on disposal of assets	696	(144)
Changes in operating assets and liabilities, net of dispositions:		
Sales (purchases) of trading securities	(2,502)	2,562
Accounts receivable	6,608	8,969
Income tax receivable	2,603	18,675
Prepaid expenses and other assets	(3,123)	500
Accounts payable and accrued liabilities	(7,103)	(10,035)
Net cash provided by operating activities	69,774	150,943
Investing activities:		
Purchase of property and equipment	(21,577)	(45,626)
Payments towards gaming license	(4,000)	(4,000)
Proceeds from sale of assets held for sale	653	
Property insurance proceeds - Hurricane Katrina, net		32,179
Decrease in restricted cash	(12)	(33,159)
Net cash used in investing activities	(24,936)	(50,606)
Financing activities:		
Principal payments on debt	(6,591)	(7,403)
Net payments on line of credit	(62,558)	(2,453)
Proceeds from exercise of stock options	204	110
Net cash used in financing activities	(68,945)	(9,746)
Effect of foreign currency exchange rates on cash	(11)	(668)
Net increase (decrease) in cash and cash equivalents	(24,118)	89,923
Cash and cash equivalents, beginning of period	96,654	91,790
Cash and cash equivalents, end of the period	$ 72,536	$ 181,713

See notes to the condensed consolidated financial statements.

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ISLE OF CAPRI CASINOS, INC.

Notes to Condensed 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 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 discontinued operations of wholly owned casinos in Freeport, Grand Bahamas, Coventry, England and 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 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*.

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.

Discontinued operations include our former Blue Chip casinos in Dudley and Wolverhampton, England, sold in November 2009, our former casino in Freeport, Grand Bahamas, exited in November 2009 and our former 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.

The Company evaluated all subsequent events through the date the consolidated financial statements were issued. On February 17, 2010, we entered into a First Amendment to our Credit Agreement as described in Note 4. No other material subsequent events have occurred since January 24, 2010 that required recognition or disclosure in the consolidated financial statements.

3. Discontinued Operations

Discontinued operations include the results of our Blue Chip casino properties in Dudley and Wolverhampton, England sold in November 2009, our Freeport, Grand Bahamas casino property exited in November 2009, and our Coventry, England, sold in April 2009.

The results of our discontinued operations are summarized as follows:

	Three Months Ended		Nine Months Ended	
	January 24, 2010	**January 25, 2009**	**January 24, 2010**	**January 25, 2009**
Net revenues	$ 1,106	$ 6,357	$ 7,403	$ 21,475
Pretax loss from discontinued operations	(716)	(2,754)	(2,300)	(10,189)
Income tax benefit from discontinued operations	1,491	602	2,113	3,497
Income (loss) from discontinued operations	775	(2,152)	(187)	(6,692)

Net interest income of $4 and $6 for the three and nine months ended January 24, 2010, respectively, and net interest expense of $445 and $1,655 for the three and nine months ended January 25, 2009, respectively, has been allocated to discontinued operations and was based on long-term debt and other long-term obligations specific to our discontinued operations as such entities are not guarantors under our senior secured credit facility. During the third quarter ended January 24, 2010, we recorded a loss on sale of discontinued operations of $624.

4. Long-Term Debt

Long-term debt consists of the following:

	January 24, 2010	**April 26, 2009**
Senior Secured Credit Facilities:		
July 2007 Credit Facility:		
Revolving line of credit, expires July 26, 2012, interest payable at least quarterly at either LIBOR and/or prime plus a margin	$ 50,500	$ 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	819,355	825,651
Senior Subordinated Notes:		
7% Senior Subordinated Notes, interest payable semi-annually March 1 and September 1	357,275	357,275
Other	4,897	6,146
	1,232,027	1,301,072
Less current maturities	8,750	9,688
Long-term debt	$ 1,223,277	$ 1,291,384

July 2007 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. As of January 24, 2010, the Credit

Facility consists of a $475,000 five-year revolving line of credit and an $819,355 term loan facility.

Our net line of credit availability at January 24, 2010 is approximately $403,000 after consideration of $21,500 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 nine months ended January 24, 2010 were 4.42% and 4.39%, respectively.

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 were in compliance with the covenants as of January 24, 2010.

Subsequent Event Amendment of our Credit Facility - On February 17, 2010, we entered into an amendment of our Credit Facility which, among other things, (1) modified the leverage ratio and interest coverage ratio to provide for greater flexibility through April 30, 2012, after which date the ratios return to the original levels as outlined in the Credit Facility; (2) reduced the capacity of the revolving line of credit by $100,000 to $375,000; (3) increased the interest rate of both the revolving line of credit and term loan portions to LIBOR + 3.00% with a LIBOR floor of 2.00%; and (4) allows us to issue senior unsecured notes, provided the proceeds are used to repay borrowings under the Credit Facility.

As a result of the amendment to the Credit Facility, we expect to incur a charge of approximately $2.2 million in the fourth quarter of fiscal year 2010 related to fees and the write-off of certain unamortized deferred financing costs, of which approximately $0.3 million is non-cash. Based on current debt levels, we expect our annual interest expense to increase by approximately $15 million to $18 million as a result of the amendment to the Credit Facility. As the interest rate modifications on the Credit Facility include a LIBOR floor of 2.00%, we expect our interest rate swaps to become ineffective. Under the terms of the Credit Facility, the requirement remains to hedge a portion of our variable rate debt.

7% Senior Subordinated Notes - Our 7% Senior Subordinated Notes are due 2014 (7% Senior Subordinated Notes) and are guaranteed, on a joint and several basis, by all of our significant subsidiaries and certain other subsidiaries as described in Note 13. All of the guarantor subsidiaries are wholly owned by us. The 7% Senior Subordinated Notes are general unsecured obligations and rank junior to all of our senior indebtedness. The 7% 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 7% Senior Subordinated Notes.

The indenture governing the 7% 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 income (loss) per share:

	Three Months Ended		Nine Months Ended	
	January 24, 2010	January 25, 2009	January 24, 2010	January 25, 2009
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	$ (11,400)	$ 48,265	$ (7,971)	$ 35,679
Income (loss) from discontinued operations	775	(2,152)	(187)	(6,692)
Net income (loss)	$ (10,625)	$ 46,113	$ (8,158)	$ 28,987
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	32,438,809	31,765,365	32,179,233	31,240,008
Effect of dilutive securities-Employee stock options				8,394
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	32,438,809	31,765,365	32,179,233	31,248,402
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ (0.35)	$ 1.52	$ (0.25)	$ 1.14
Income (loss) from discontinued operations	0.02	(0.07)		(0.21)
Net income (loss)	$ (0.33)	$ 1.45	$ (0.25)	$ 0.93
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ (0.35)	$ 1.52	$ (0.25)	$ 1.14
Income (loss) from discontinued operations	0.02	(0.07)		(0.21)
Net income (loss)	$ (0.33)	$ 1.45	$ (0.25)	$ 0.93

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Due to the loss from continuing operations, stock options representing 57,756 and 144,386 shares, which are potentially dilutive, and 1,189,028 and 589,028 shares which are anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three and nine months ended January 24, 2010, respectively. Stock options representing 1,816,521 shares which were anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three and nine month periods ended January 25, 2009.

Stock Based Compensation Under our amended and restated 2000 Long Term Incentive Plan we have issued stock options and restricted stock.

Restricted Stock During the nine months ended January 24, 2010, we issued 522,375 shares of restricted common stock with a weighted average grant-date fair value of $12.95 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 previously awarded under our tender offer vests three years from the date of award. Our estimate of forfeitures for restricted stock for employees is 10%. No forfeiture rate is

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estimated for directors. As of January 24, 2010, our unrecognized compensation cost for unvested restricted stock is $7,683 with a remaining weighted average vesting period of 1.3 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 nine months ended January 24, 2010 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 January 24, 2010, our unrecognized compensation cost for unvested stock options was $1,817 with a weighted average vesting period of 3.3 years.

6. Expense Recoveries and Other Charges, Net

During the nine months ended January 24, 2010 we recorded an expense recovery of $6,762 representing the discounted value of a receivable for reimbursement of development costs expended in prior periods relating to a terminated plan to develop a casino in Pittsburgh, Pennsylvania. This receivable was recorded following our current assessment of collectability.

During the nine months ended January 25, 2009, 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 Hedge Agreements We have entered into various interest rate swap agreements pertaining to the Credit Facility for an aggregate notional value of $400,000 with maturity dates ranging from fiscal year 2011 to 2013. In addition, during the third quarter of fiscal 2010, we entered into an interest rate cap contract with a notional value of $20,000 having a maturity date in fiscal 2012 and paid a premium of $105 at inception. We entered into these hedging agreements 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 and cap agreements meet the criteria for hedge accounting for cash flow hedges and have been evaluated, as of January 24, 2010, as being fully effective. As a result, there is no impact on our consolidated statement of operations from changes in fair value. As of January 24, 2010, 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	January 24, 2010	April 26, 2009	Nine Months Ended January 24, 2010,

							Change in Unrealized Loss
Interest rate cap contract	Prepaid deposits and other	$	50	$			
Interest rate swap contracts	Accrued interest		9,696		2,258		
Interest rate swap contracts	Other long-term liabilities		6,657		21,454		
Total		$	16,303	$	23,712	$	7,304

The fair value of our interest swap and cap 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 $6,124 and $8,879, as of January 24, 2010 and April 26, 2009, respectively. The fair value of our interest rate cap contract as recorded in our consolidated balance sheet is recorded net of deferred income tax benefits of $20 as of January 24, 2010.

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		Nine Months Ended	
Type of Derivative Instrument	**Income Statement Location**	**January 24, 2010**	**January 25, 2009**	**January 24, 2010**	**January 25, 2009**
Interest rate swap contracts	Interest expense	$ 5,144	$ 1,888	$ 14,787	$ 6,142

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

	Three Months Ended		Nine Months Ended	
Type of Derivative Instrument	**January 24, 2010**	**January 25, 2009**	**January 24, 2010**	**January 25, 2009**
Interest rate cap contract	$ (35)	$	$ (35)	$
Interest rate swap contracts	1,627	(7,458)	4,604	(9,286)
	$ 1,592	$ (7,458)	$ 4,569	$ (9,286)

The amount of Accumulated other comprehensive income (loss) related to interest rate swap contracts maturing in the next twelve months was $(6,065) as of January 24, 2010.

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

Type of Derivative Instrument	**January 24, 2010**	**April 26, 2009**
Interest rate cap contract	$ (35)	$
Interest rate swap contracts	(10,228)	(14,832)
Foreign currency translation gain (loss)	(10)	(359)
	$ (10,273)	$ (15,191)

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

	January 24, 2010		April 26, 2009	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$ 72,536	$ 72,536	$ 96,654	$ 96,654

Marketable securities	20,050	20,050	17,548	17,548
Restricted cash	2,774	2,774	2,774	2,774
Notes receivable	9,146	9,146	3,000	3,000
Financial liabilities:				
Revolver	$ 50,500	$ 50,500	$ 112,000	$ 112,000
Variable rate term loans	819,355	780,436	825,651	652,264
7% Senior subordinated notes	357,275	316,188	357,275	262,597
Other long-term debt	5,996	5,996	6,146	6,146
Other long-term obligations	17,486	17,486	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 nine months ended January 24, 2010, 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 tax provision. Following the closure of these examinations, we believe that it is reasonably possible that an amount up to $1,450 of our currently 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 income tax returns for the fiscal years ending April 2005 through April 2008. These amounts are expected to be resolved as a result of the anticipated completion of the federal income tax examinations.

Our effective income tax rates from continuing operations for the three and nine months ended January 24, 2010 were 20.4% and 50.3%, respectively. Excluding the impact of the settlement of our Louisiana income tax matters and changes to our estimates of annual taxable income and related permanent and other items, offset by various tax credits, our effective tax rate for the three and nine months ended January 24, 2010, would have been 28.8% and 28.2%, respectively. Our effective income tax rates from continuing operations for the three and nine months ended January 25, 2009 were 38.4% and 39.9%, 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 uncertain tax positions, we accrued gross interest expense of $157 and $565 respectively, for the three and nine months ended January 24, 2010 as a component of our income tax benefit. As of January 24, 2010, we have recognized a liability of $2,669 for interest.

9. Supplemental Disclosures

Cash Flow For the nine months ended January 24, 2010 and January 25, 2009, we made net cash payments for interest of $46,458 and $62,000, respectively. Additionally, we received income tax refunds of $1,515 and $19,653 during the nine months ended January 24, 2010 and January 25, 2009, respectively.

For the nine months ended January 24, 2010 and January 25, 2009, the change in accrued purchases of property and equipment in accounts payable decreased by $695 and $767, respectively.

For the nine months ended January 25, 2009, we purchased property and equipment financed with a long-term obligation of $12,176.

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 3 days and as a result of Hurricane Ike in September 2008 our Lake Charles property closed for an additional five 5 days during the three and nine months ended January 25, 2009. 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 nine months ended January 25, 2009.

11. Insurance Settlement

During December 2008, we reached an agreement with our insurance carriers fully settling our claim for $225 million related to hurricane Katrina which had damaged our Biloxi, Mississippi property in the fall of 2005. As a result of this settlement, we received an additional $95,000 in insurance proceeds during the quarter ended January 25, 2009. After first applying the proceeds to our remaining insurance receivable, we recognized during our third quarter of fiscal 2009, pretax income of $92,179.

Insurance proceeds of $60,000 relating to business interruption proceeds are included in net revenues and other insurance recoveries of $32,179 are recorded as a reduction of operating expenses in the statement of operations.

12. 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 January 24, 2010, we have accrued an estimated liability including interest of $10,450. Our accrual is based upon management s estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

During January, 2010, we entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, (The Resort). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, of which is a competitive award process among several applicants. If The Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the total project cost at approximately $50 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.

13. Consolidating Condensed Financial Information

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7% 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 January 24, 2010 and April 26, 2009 are as follows (in thousands):

	As of January 24, 2010				
	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	$ 41,270	$ 68,891	$ 41,433	$ (2,400)	$ 149,194
Intercompany receivables	1,027,542	(282,000)	11,710	(757,252)	
Investments in subsidiaries	378,043			(378,043)	
Property and equipment, net	7,919	1,101,225	8,083		1,117,227
Other assets	10,674	411,821	4,252		426,747
Total assets	$ 1,465,448	$ 1,299,937	$ 65,478	$ (1,137,695)	$ 1,693,168
Current liabilities	$ 52,312	$ 79,639	$ 32,373	$ (2,400)	$ 161,924
Intercompany payables	2,399	754,768	85	(757,252)	
Long-term debt, less current maturities	1,218,730	4,354	193		1,223,277
Other accrued liabilities	(39,513)	111,549	4,411		76,447
Stockholders equity	231,520	349,627	28,416	(378,043)	231,520
Total liabilities and stockholders equity	$ 1,465,448	$ 1,299,937	$ 65,478	$ (1,137,695)	$ 1,693,168

	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 nine months ended January 24, 2010 and January 25, 2009 are as follows (in thousands):

	For the Three Months Ended January 24, 2010				
Statement of Operations	**Isle of Capri Casinos, Inc. (Parent Obligor)**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Consolidating and Eliminating Entries**	**Isle of Capri Casinos, Inc. Consolidated**
Revenues:					
Casino	$	$ 229,520	$	$	$ 229,520
Pari-mutuel, rooms, food, beverage and other	600	39,055	2,409	(2,400)	39,664
Gross revenues	600	268,575	2,409	(2,400)	269,184
Less promotional allowances		(42,199)			(42,199)
Net revenues	600	226,376	2,409	(2,400)	226,985
Operating expenses:					
Casino		36,472			36,472
Gaming taxes		60,529			60,529
Other operating expenses	10,332	89,423	3,155	(2,400)	100,510
Management fee expense (revenue)	(5,589)	7,441	(1,852)		