

ISLE OF CAPRI CASINOS INC
Form 10-Q
December 07, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 28, 2007

OR

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

For the transition period from to

Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

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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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of December 3, 2007, the Company had a total of 35,205,197 shares of Common Stock outstanding (which includes 4,372,073 shares held by us in treasury).

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	October 28, 2007 (Unaudited)	April 29, 2007
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 114,961	\$ 188,114
Marketable securities	18,025	17,169
Accounts receivable, net	24,445	22,527
Insurance receivable, net	55,172	56,040
Income tax receivable	11,636	
Deferred income taxes	12,410	12,421
Prepaid expenses and other assets	34,498	24,067
Total current assets	271,147	320,338
Property and equipment, net	1,430,085	1,338,570
Other assets:		
Goodwill	297,268	297,268
Other intangible assets, net	79,821	74,154
Deferred financing costs, net	15,858	13,644
Restricted cash	2,639	4,637
Prepaid deposits and other	23,463	27,080
Total assets	\$ 2,120,281	\$ 2,075,691
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 10,105	\$ 7,594
Accounts payable	34,238	60,460
Accrued liabilities:		
Interest	7,684	10,166
Payroll and related	50,427	48,402
Property and other taxes	32,382	23,380
Income taxes		16,011
Other	62,649	69,728
Total current liabilities	197,485	235,741
Long-term debt, less current maturities	1,511,306	1,410,385
Deferred income taxes	31,243	41,451
Other accrued liabilities	41,739	30,817
Other long-term liabilities	49,358	47,639
Minority interest	30,115	27,836
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000 shares authorized; none issued		
Common stock, \$.01 par value; 45,000 shares authorized; shares issued: 35,206 at October 28, 2007 and 34,682 at April 29, 2007	352	347
Class B common stock, \$.01 par value; 3,000 shares authorized; none issued		
Additional paid-in capital	184,725	175,132
Retained earnings	123,377	155,127

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Accumulated other comprehensive income	3,610	3,358
	312,064	333,964
Treasury stock, 4,372 shares at October 28, 2007 and 4,324 shares at April 29, 2007	(53,029)	(52,142)
Total stockholders' equity	259,035	281,822
Total liabilities and stockholders' equity	\$ 2,120,281	\$ 2,075,691

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	October 28, 2007	October 29, 2006 (Restated)	October 28, 2007	October 29, 2006 (Restated)
Revenues:				
Casino	\$ 278,282	\$ 249,237	\$ 555,516	\$ 526,857
Rooms	13,080	13,319	26,921	27,970
Pari-mutuel commissions and fees	3,838	3,832	8,414	8,793
Food, beverage and other	33,603	32,153	67,671	66,965
Gross revenues	328,803	298,541	658,522	630,585
Less promotional allowances	49,965	55,317	101,151	113,393
Net revenues	278,838	243,224	557,371	517,192
Operating expenses:				
Casino	41,330	41,570	80,693	83,600
Gaming taxes	71,965	53,076	141,037	111,419
Rooms	3,164	2,429	6,345	4,880
Pari-mutuel commissions and fees	3,172	3,070	6,844	6,896
Food, beverage and other	11,400	7,506	23,029	16,592
Marine and facilities	16,781	15,634	33,271	30,746
Marketing and administrative	73,683	67,832	142,999	140,332
Corporate and development	12,919	12,790	23,993	27,835
Write-offs and other valuation charges	6,526	665	6,526	665
Pre-opening	324	389	6,457	638
Depreciation and amortization	35,270	24,304	65,827	48,290
Total operating expenses	276,534	229,265	537,021	471,893
Operating income	2,304	13,959	20,350	45,299
Interest expense	(29,176)	(23,394)	(54,990)	(43,450)
Interest income	1,140	3,463	2,234	4,032
Loss on early extinguishment of debt	(11,468)		(13,660)	
Income (loss) from continuing operations before				
income taxes and minority interest	(37,200)	(5,972)	(46,066)	5,881
Income tax (provision) benefit	14,611	2,300	18,289	(3,187)
Minority interest	(2,046)	(515)	(3,973)	(1,553)
Income (loss) from continuing operations	(24,635)	(4,187)	(31,750)	1,141
Income from discontinued operations, net of				
income taxes		13,817		17,773
Net income (loss)	\$ (24,635)	\$ 9,630	\$ (31,750)	\$ 18,914
Earnings (loss) per common share-basic:				
Income (loss) from continuing operations	\$ (0.80)	\$ (0.14)	\$ (1.04)	\$ 0.04
Income from discontinued operations, net of				
income taxes		0.46		0.58
Net income (loss)	\$ (0.80)	\$ 0.32	\$ (1.04)	\$ 0.62
Earnings (loss) per common share-diluted:				
Income (loss) from continuing operations	\$ (0.80)	\$ (0.14)	\$ (1.04)	\$ 0.04
		0.46		0.57

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Income from discontinued operations, net of income taxes								
Net income (loss)	\$	(0.80)	\$	0.32	\$	(1.04)	\$	0.61
Weighted average basic shares		30,727		30,346		30,559		30,384
Weighted average diluted shares		30,727		30,346		30,559		31,228

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

(In thousands)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance, April 29, 2007	34,682	\$ 347	\$ 175,132	\$ 155,127	\$ 3,358	\$ (52,142)	\$ 281,822
Net loss				(31,750)			(31,750)
Unrealized loss on interest rate swap contracts net of income tax benefit of \$1,105					(1,811)		(1,811)
Foreign currency translation adjustments					2,063		2,063
Comprehensive loss							(31,498)
Exercise of stock options, including income tax benefit of \$1,481	524	5	6,094				6,099
Issuance of deferred bonus shares from treasury stock			(414)			414	
Purchase of treasury stock						(1,301)	(1,301)
Deferred bonus expense			132				132
Stock compensation expense			3,781				3,781
Balance, October 28, 2007	35,206	\$ 352	\$ 184,725	\$ 123,377	\$ 3,610	\$ (53,029)	\$ 259,035

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	October 28 2007	Six Months Ended	October 29 2006 (Restated)
Operating activities:			
Net income (loss)	\$	(31,750)	\$ 18,914
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization		65,827	48,290
Amortization of bond discount and deferred financing costs		1,335	1,294
Loss on derivative instruments not designated as hedges		399	391
Asset impairment			657
Valuation and other charges		6,526	665
Deferred income taxes			(1,307)
Stock compensation expense		3,781	4,215
Deferred compensation expense		132	
Loss on early extinguishment of debt		13,660	
Loss (gain) on disposal of assets		159	(25,206)
Minority interest		3,973	1,553
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable		(1,606)	(5,873)
Insurance receivable		868	(15,395)
Income tax receivable (payable)		(26,441)	5,469
Prepaid expenses and other assets		(11,408)	(18,944)
Accounts payable and accrued liabilities		(26,850)	(22,742)
Net cash provided (used) in operating activities		(1,395)	(8,019)
Investing activities:			
Purchase of property and equipment		(117,752)	(165,199)
Purchase of intangibles		(165)	(4,000)
Purchase of short-term investments, net of sales		(855)	(324)
Acquisition of assets, net of cash acquired		(43,026)	
Proceeds from sales of assets held for sale			238,725
Insurance proceeds for hurricane damages			18,455
Decrease (increase) in restricted cash		1,998	(68,948)
Decrease (increase) prepaid deposits and other		299	(4,750)
Payments received on notes receivable			511
Net cash (used) provided in investing activities		(159,501)	14,470
Financing activities:			
Proceeds from term loans		700,000	
Principal payments on debt		(296,943)	(3,385)
Repayment of senior subordinated notes including \$9,000 call premium		(209,000)	
Borrowings on revolving lines of credit		166,721	200,252
Repayments on revolving lines of credit		(269,000)	(196,400)
Payment of deferred financing costs		(8,378)	
Dividend payment to minority interest holder		(397)	
Proceeds from sale of stock and exercise of stock options		4,618	1,478

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Tax benefit of exercise of stock options	1,481	522
Purchase of treasury stock	(1,301)	(5,533)
Net cash provided (used) in financing activities	87,801	(3,066)
Effect of foreign currency exchange rates on cash	(58)	24
Net increase (decrease) in cash and cash equivalents	(73,153)	3,409
Cash and cash equivalents at the beginning of period	188,114	121,049
Cash and cash equivalents at the end of the period	\$ 114,961	\$ 124,458

See notes to the unaudited consolidated financial statements.

	Six Months Ended	
	October 28, 2007	October 29, 2006
Supplemental disclosure of cash flow information:		
Net cash payments for:		
Interest (net of capitalized interest)	\$ 55,079	\$ 46,723
Income taxes, net of refunds	6,671	19,955
Supplemental schedule of noncash investing and financing activities:		
Purchase of land financed with note payable	3,125	

See notes to the unaudited consolidated financial statements.

1. Nature of Operations

Isle of Capri Casinos, Inc. (together with its subsidiaries, the Company or Isle of Capri) was incorporated in Delaware in February 1990. The Company is a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States and internationally. The Company wholly owns and operates twelve casino gaming facilities in the United States located in Lake Charles, Louisiana; Lula, Biloxi and Natchez, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida. The Company also owns a 57% interest in, and receives management fees for operating, two gaming facilities in Black Hawk, Colorado. The Company's international gaming interests include a wholly owned casino in Freeport, Grand Bahama, a two-thirds ownership interest in casinos in Dudley and Wolverhampton, England and a wholly owned casino in Coventry, England. The Company also wholly owns and operates a pari-mutuel harness racing facility in Pompano Beach, Florida at the site of its Pompano Park casino facility. The Company views each property as an operating segment and all such operating segments have been aggregated into one reporting segment.

The Company receives a significant amount of its revenue from patrons within 50 miles of its properties. If economic conditions in these areas were to decline materially or additional casino licenses were awarded in these locations, the Company's results of operations could be materially and adversely affected.

The Company's operations are dependent on the continued licensing or qualification of the Company and such licensing and qualifications are reviewed periodically by the gaming authorities in the state of operation. The loss of a license, in any jurisdiction in which it operates, could have a material adverse effect on future results. The Company is also dependent upon a stable regulatory and tax environment in the jurisdictions in which it operates, including but not limited to the gaming regulations by which the Company is licensed. Any changes that occur in either the regulatory, political or tax structure could have a material effect on the Company's operations.

2. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments and other adjustments for debt refinancing and write offs, considered necessary for a fair presentation have been included. Operating results for the three and six months ended October 28, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending April 27, 2008.

The Company's fiscal year ends on the last Sunday in April. This fiscal year creates more comparability of the Company's quarterly operations, by generally having an equal number of weeks (13) and weekend days (26) in each fiscal quarter. Periodically, this system necessitates a 53-week year. Fiscal 2008 is a 52-week year which commenced on April 30, 2007 and ends on April 27, 2008.

The consolidated financial statements include the accounts of the Company and its 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.

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Discontinued operations relate to those of the Riverboat Corporation of Mississippi-Vicksburg in Vicksburg, Mississippi and Louisiana Riverboat Gaming Partnership in Bossier City, Louisiana. Results of these operations are included in the consolidated Statements of Operations as discontinued operations and are shown net of income tax effects. The financial position and results of these operations for prior periods are presented as discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144).

3. Restatement of Consolidated Financial Statements

As previously disclosed in our fiscal 2007 Form 10-K, during fiscal 2007 the Company identified a series of adjustments that resulted in the restatement of our financial statements for the fiscal year ended April 30, 2006 and prior years, the quarterly results for fiscal 2006 and the first three quarters of fiscal 2007. Financial information related to these periods contained in these consolidated financial statements give effect to this restatement. For further details see our fiscal 2007 Form 10-K.

In summary, the restatement adjustments primarily related to: a) the income tax provision and related income tax liabilities; b) accounting for the lease of the Company's new casino space in Coventry, England in accordance with Emerging Issue Task Force (EITF) 97-10; c) accounting for leases with rent escalation and rent holiday clauses on a straight-line basis at several properties; d) correction of accounting errors at the Company's 66-2/3% owned Blue Chip Casinos plc subsidiary in England; and e) the correction of the gain recognized on the sale of the Company's Vicksburg and Bossier City properties. Additionally, as part of the restatement process, the Company made correcting adjustments for other miscellaneous items.

These adjustments have been reflected in the accompanying consolidated interim financial statements for the prior periods. The Company's previously reported consolidated net income for the three months ended October 29, 2006 increased by \$6.2 million to net income of \$9.6 million. The Company's previously reported consolidated net income for the six months ended October 29, 2006 increased by \$6.3 million to net income of \$18.9 million. In addition, as a result of certain of these adjustments, the Company's statement of cash flows for the six months ended October 29, 2006 has been restated. Cash flows used in operating activities for the six months ended October 29, 2006 decreased by \$7.4 million. Cash flows provided by investing activities for the six months ended October 29, 2006 decreased by \$7.3 million.

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The following table summarizes the effects of the adjustments on the consolidated statements of operations for the three month period ended October 29, 2006.

	Three Months Ended October 29, 2006		
	As Previously Reported	Adjustments	As Restated
Revenues:			
Food, beverage and other	\$ 32,156	\$ (3)	\$ 32,153
Gross revenues	298,544	(3)	298,541
Net revenues	243,227	(3)	243,224
Operating expenses:			
Casino	41,840	(270)	41,570
Rooms	2,405	24	2,429
Food, beverage and other	7,458	48	7,506
Marine and facilities	16,296	(662)	15,634
Marketing and administrative	79,699	(11,867)	67,832
Corporate and development		12,790	12,790
Write-offs and other valuation charges		665	665
Preopening and organizational costs	2,786	(2,397)	389
Depreciation and amortization	23,981	323	24,304
Total operating expenses	230,611	(1,346)	229,265
Operating income	12,616	1,343	13,959
Interest expense	(22,861)	(533)	(23,394)
Interest income	3,689	(226)	3,463
Income from continuing operations before income taxes and minority interest	(6,556)	584	(5,972)
Income tax benefit	2,855	(555)	2,300
Minority interest	(547)	32	(515)
Income from continuing operations	(4,248)	61	(4,187)
Income from discontinued operations, net of income taxes	7,633	6,184	13,817
Net income	3,385	6,245	9,630
Earnings per common share-basic:			
Income from continuing operations	\$ (0.14)	\$	\$ (0.14)
Income from discontinued operations, net of income taxes	0.25	0.21	0.46
Net income	\$ 0.11	\$ 0.21	\$ 0.32
Earnings per common share-diluted:			
Income from continuing operations	\$ (0.14)	\$	\$ (0.14)
Income from discontinued operations, net of income taxes	0.25	0.21	0.46
Net income	\$ 0.11	\$ 0.21	\$ 0.32

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The following table summarizes the effects of the adjustments on the consolidated statements of operations for the six month period ended October 29, 2006.

	Six Months Ended October 29, 2006		
	As Previously Reported	Adjustments	As Restated
Revenues:			
Food, beverage and other	\$ 66,968	\$ (3)	\$ 66,965
Gross revenues	630,588	(3)	630,585
Net revenues	517,195	(3)	517,192
Operating expenses:			
Casino	84,038	(438)	83,600
Rooms	4,883	(3)	4,880
Food, beverage and other	16,598	(6)	16,592
Marine and facilities	31,821	(1,075)	30,746
Marketing and administrative	167,164	(26,832)	140,332
Corporate and development		27,835	27,835
Write-offs and other valuation charges		665	665
Preopening and organizational costs	3,035	(2,397)	638
Depreciation and amortization	47,483	807	48,290
Total operating expenses	473,337	(1,444)	471,893
Operating income	43,858	1,441	45,299
Interest expense	(42,731)	(719)	(43,450)
Interest income	4,451	(419)	4,032
Income from continuing operations before income taxes and minority interest	5,578	303	5,881
Income tax provision	(2,893)	(294)	(3,187)
Minority interest	(1,618)	65	(1,553)
Income from continuing operations	1,067	74	1,141
Income from discontinued operations, net of income taxes	11,558	6,215	17,773
Net income	12,625	6,289	18,914
Earnings per common share-basic:			
Income from continuing operations	\$ 0.04	\$	\$ 0.04
Income from discontinued operations, net of income taxes	0.38	0.20	0.58
Net income	\$ 0.42	\$ 0.20	\$ 0.62
Earnings per common share-diluted:			
Income from continuing operations	\$ 0.37	\$ (0.33)	\$ 0.04
Income from discontinued operations, net of income taxes	0.25	0.32	0.57
Net income	\$ 0.62	\$ (0.01)	\$ 0.61

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The following table summarizes the effects of the adjustments on the consolidated statement of cash flows for the six month period ended October 29, 2006.

	As originally reported	Six Months Ended October 29, 2006 Adjustments	As Restated
Operating activities:			
Net income (loss)	\$ 12,625	\$ 6,289	\$ 18,914
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	47,483	807	48,290
Loss on derivative instruments		391	391
Asset impairment	7,679	(7,022)	657
Valuation and other charges		665	665
Stock compensation expense	3,608	607	4,215
Loss (gain) on disposal of assets	(14,390)	(10,816)	(25,206)
Minority interest	1,618	(65)	1,553
Changes in operating assets and liabilities, net of dispositions:			
Accounts receivable	(7,135)	1,262	(5,873)
Insurance receivable	(22,502)	7,107	(15,395)
Income tax receivable (payable)	2,270	3,199	5,469
Prepaid expenses and other assets	(18,562)	(382)	(18,944)
Accounts payable and accrued liabilities	(21,094)	(1,648)	(22,742)
Net cash used in operating activities	(8,413)	394	(8,019)
Investing activities:			
Purchase of property and equipment	(166,089)	890	(165,199)
Proceeds from sales of assets	1,331	(7,146)	(5,815)
Insurance proceeds for hurricane damages	18,786	(331)	18,455
Prepaid deposits and other	(5,274)	524	(4,750)
Net cash used in investing activities	14,718	(248)	14,470
Net decrease in cash and cash equivalents	3,263	146	3,409
Cash and cash equivalents at the beginning of period	121,193	(144)	121,049
Cash and cash equivalents at the end of the period	124,456	2	124,458

4. Discontinued Operations

On July 31, 2006, the sale of the Company's Bossier City and Vicksburg properties to privately owned Legends Gaming, L.L.C. was completed for \$240.0 million cash plus a working capital adjustment of \$7.4 million. The Company received \$240.0 million, less transaction fees, at closing and has been paid \$4.9 million of the \$7.4 million working capital adjustment as of October 28, 2007.

Net revenues, pretax income (loss) from discontinued operations, gain on sale of discontinued operations, income taxes from discontinued operations and income from discontinued operations, net of income taxes are summarized as follows (in thousands):

	Three Months Ended October 29, 2006 (Restated)	Six Months Ended October 29, 2006 (Restated)
Net revenues	\$	\$ 41,291
Pretax income (loss) from discontinued operations	(1,505)	5,463
Gain on sale of discontinued operations	24,117	24,117
Income taxes from discontinued operations	8,795	11,807
Income from discontinued operations, net of income taxes	13,817	17,773

Net interest expense of \$3.3 million for the three and six months ended October 29, 2006 has been allocated to discontinued operations based on the ratio of net assets to be sold to the sum of total net assets of the Company plus the Company's debt that is not attributable to a particular operation in accordance with EITF 87-24, Allocation of Interest to Discontinued Operations.

5. Long-Term Debt

Long-term debt consists of the following (in thousands):

	October 28, 2007	April 29, 2007
Senior Secured Credit Facilities:		
July 2007 Credit Facility:		
Variable rate term loans	\$ 698,250	\$
Revolver	115,000	
February 2005 Credit Facility:		
Variable rate term loans		293,500
Revolver		210,000
Senior Subordinated Notes:		
7% Senior Subordinated Notes	500,000	500,000
9% Senior Subordinated Notes, extinguished August 2007		200,000
Senior Secured Credit Facilities of Subsidiaries - non-recourse to Isle of Capri Casinos, Inc.		
Isle-Black Hawk Credit Facility		

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Variable rate term loan		186,200		187,150
Revolver		9,000		16,400
Blue Chip Credit Facility		5,985		6,157
Other		6,976		4,772
		1,521,411		1,417,979
Less current maturities		10,105		7,594
Long-term debt	\$	1,511,306	\$	1,410,385

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The following is a brief description of the Company and its subsidiaries' borrowing arrangements.

July 2007 Credit Facility - On July 26, 2007, the Company entered into a \$1.35 billion senior secured credit facility (July 2007 Credit Facility), replacing the February 2005 Credit Facility. The July 2007 Credit Facility is secured on a first priority basis, subject to certain permitted liens, by substantially all of the Company's assets and by all of the Company's significant domestic subsidiaries, excluding the subsidiaries that own and operate the Isle-Black Hawk and the Colorado Central Station-Black Hawk. The July 2007 Credit Facility consists of a \$475.0 million five-year revolving credit facility which matures on July 26, 2012 and a \$875.0 million term loan facility which matures on November 25, 2013, subject to extension at the Company's option to July 26, 2014 upon the satisfaction of certain conditions. The \$875.0 million term loan facility consists of a \$500.0 million senior secured loan facility which was drawn at closing; a \$200.0 million senior secured delayed draw facility which was drawn in August 2007 to retire the Company's 9% Senior Subordinated Notes which were called in accordance with the terms of the related indenture on July 30, 2007, at a call price of 104.5%, a premium of 4.5% or \$9.0 million; and a \$175.0 million senior secured delayed draw facility which can be drawn within twelve months after closing, at the Company's option. The redemption of the 9% Senior Subordinated Notes and the satisfaction and discharge of the related indenture was completed on August 29, 2007.

The July 2007 Credit Facility also provides for up to an aggregate amount of \$500.0 million in incremental financing (also referred to as "greenshoe" facilities) of which \$300.0 million may be used for general corporate purposes and \$200.0 million may be used, at the Company's option, solely to refinance the Isle-Black Hawk Credit Facility. All incremental facilities are subject to certain conditions, including the agreement of existing and/or new lenders to make the additional credit extensions thereunder and will be guaranteed and secured on a pari passu basis with the July 2007 Credit Facility.

The term loans are payable in quarterly principal installments on the last business day of each calendar quarter starting September 30, 2007 and ending on November 25, 2013 unless extended as described above. The revolving credit facility bears interest at the Company's option at (1) the higher of 0.5% in excess of the federal funds effective rate or the rate that the administrative agent announces from time to time as its prime lending rate plus an applicable margin of up to 1.25% or (2) a rate tied to a LIBOR rate plus an applicable margin of up to 2.25%. The term loans bear interest at the Company's option at (1) the higher of 0.5% in excess of the federal funds effective rate or the rate that the administrative agent announces from time to time as its prime lending rate plus an applicable margin of up to 0.75% or (2) a rate tied to a LIBOR rate plus an applicable margin of 1.75%. The Company is required to pay a commitment fee of 0.375% of the unused revolving credit facility until the first margin reset date, which is January 1, 2008. Subsequent to the first margin reset date, the commitment fee may range from 0.250% up to 0.500% subject to the consolidated total leverage ratio as defined within the July 2007 Credit Facility. The Company is required to pay a commitment fee of 0.500% on any of the undrawn \$175.0 million senior secured delayed draw facility.

Costs incurred as part of the July 2007 Credit Facility aggregated to \$7.9 million. In conjunction with the replacement of the February 2005 Credit Facility with the July 2007 Credit Facility, \$2.3 million of debt issuance costs were recorded as a loss on early extinguishment of debt for the six months ended October 28, 2007, while the remaining deferred debt issuance costs will be amortized over the respective lives of the revolver and term credit facilities of the July 2007 Credit Facility. The weighted average effective interest rate of the February 2005 and July 2007 Credit Facilities for the three and six month periods ended October 28, 2007 were 7.17% and 7.39%, respectively.

As of October 28, 2007, the Company had \$516.3 million of unused capacity under lines of credit and available term debt consisting of \$341.3 million in unused credit capacity under the July 2007 Credit Facility revolving credit commitment, and \$175.0 million in unused delayed draw (net line of credit availability under our July 2007 Credit Facility was approximately \$163.5 million, due to limitations imposed by the Company's debt incurrence covenant as of October 28, 2007).

The July 2007 Credit Facility includes a number of affirmative and negative covenants and the Company must comply with certain financial covenants including maintenance of a leverage ratio and minimum interest coverage ratio. The July 2007 Credit Facility also restricts the

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Company's ability to make certain investments or distributions. The Company is in compliance with the covenants as of October 28, 2007.

February 2005 Credit Facility - In 2005, the Company entered into a \$700.0 million senior secured credit facility (February 2005 Credit Facility) providing for a \$700.0 million revolving credit facility maturing in February 2010 and a \$250.0 million term loan facility maturing in February 2011. In August 2005, the Company exercised its option for a delayed draw term loan for an additional \$50.0 million. The February 2005 Credit Facility was repaid in total with proceeds from the July 2007 Credit Facility and cancelled.

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The weighted average effective interest rate of the February 2005 Credit Facility for the three and six month periods ended October 29, 2006 was 7.65% and 7.61%, respectively.

7% Senior Subordinated Notes - During 2004, the Company issued \$500.0 million of 7% Senior Subordinated Notes due 2014 (7% Senior Subordinated Notes). The 7% Senior Subordinated Notes are guaranteed, on a joint and several basis, by all of the Company's significant domestic subsidiaries, excluding the subsidiaries that own and operate the Isle-Black Hawk and the Colorado Central Station-Black Hawk, and other subsidiaries as described more fully in Note 15. All of the guarantor subsidiaries are wholly owned by the Company. The 7% Senior Subordinated Notes are general unsecured obligations and rank junior to all existing and future senior indebtedness, equally with all existing and future senior subordinated debt, and senior to any future subordinated indebtedness. Interest on the 7% Senior Subordinated Notes is payable semi-annually on each March 1st and September 1st through maturity.

The 7% Senior Subordinated Notes are redeemable, in whole or in part, at the Company's option at any time on or after March 1, 2009, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest to the applicable redemption date, if redeemed during the 12-month period beginning on March 1st of the years indicated below:

Year	Percentage
2009	103.500%
2010	102.333%
2011	101.167%
2012 and Thereafter	100.000%

The Company issued the 7% Senior Subordinated Notes under an indenture between the Company, the subsidiary guarantors and a trustee. The indenture, among other things, limits the ability of the Company and its restricted subsidiaries to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates or pay dividends on or repurchase its stock or its restricted subsidiaries' stock. The indenture also limits the Company's ability to issue and sell capital stock of its subsidiaries and in its ability to sell assets in excess of specified amounts or merge with or into other companies.

9% Senior Subordinated Notes - During 2002, the Company issued \$200.0 million of 9% Senior Subordinated Notes due 2012 (9% Senior Subordinated Notes). These 9% Senior Subordinated Notes were called for redemption at 104.5% and redeemed during August 2007. Proceeds from the \$200 million senior secured delayed draw term loan and revolver borrowings under the July 2007 Credit Facility, and available cash were used to redeem the 9% Senior Subordinated Notes. The \$11.4 million in losses on early extinguishment of debt included in the consolidated statements of operations for the three and six months ended October 28, 2007 includes the \$9.0 million call premium and the write-off of deferred financing costs associated with the 9% Senior Subordinated Notes.

Isle-Black Hawk Senior Secured Credit Facility - Isle of Capri Black Hawk, L.L.C., a joint venture company that owns and operates two casinos in Black Hawk, Colorado is owned 57% by a subsidiary of Isle of Capri Casinos, Inc. and 43% by a subsidiary of Nevada Gold & Casinos, Inc. See Note 14 regarding our agreement to acquire the 43% interest in Isle of Capri Black Hawk, L.L.C. owned by Nevada Gold and Casinos, Inc.

During 2005, Isle of Capri Black Hawk, L.L.C. entered into a \$240.0 million Second Amended and Restated Credit Agreement and amended such agreement during January 2007 (the Isle-Black Hawk Credit Facility). The credit agreement, as amended, provides for a \$50.0 million revolving credit facility maturing on the earlier of October 24, 2010 or such date as the term loan facility is repaid in full and a \$190.0 million term loan facility maturing on October 24, 2011. At the Isle of Capri Black Hawk, L.L.C.'s and the lead arranger's mutual discretion, Isle of Capri

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Black Hawk, L.L.C. may increase the size of the revolver and/or term loan facility in an aggregate amount up to \$25.0 million subject to certain conditions. The term loans are payable in quarterly principal installments of \$0.5 million beginning on December 30, 2005 through September 30, 2010, and \$45.1 million beginning December 31, 2010 through September 30, 2011. The revolving loans bear interest at the Isle of Capri Black Hawk, L.L.C. s option at (1) the higher of 0.50% in excess of the federal funds effective rate plus an applicable margin up to 1.25% or the rate that the lead arranger announces from time to time as its prime lending rate plus an applicable margin up to 1.25% or (2) a rate tied to a LIBOR rate plus an applicable margin up to 2.25%. The term loan bears interest at the Isle of Capri Black Hawk, L.L.C. s option at (1) the higher of 0.50% in excess of the federal funds effective rate plus an applicable base rate margin of 1.00% or the rate that the lead arranger announces from time to time as its prime lending rate, plus an applicable base rate margin of 1.00% or (2) a rate tied to a LIBOR rate plus an applicable

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margin of 2.00%. Isle of Capri Black Hawk, L.L.C is required to pay a commitment fee of 0.50% of the unused portion of the revolving facility. The credit agreement is secured by liens on substantially all of Isle of Capri Black Hawk, L.L.C. s assets.

The weighted-average effective interest rate of total debt outstanding under the Isle-Black Hawk Credit Facility for the three and six months ended at October 28, 2007 and the three and six months ended October 29, 2006 was 6.93%, 7.00%, 6.84% and 6.84%, respectively.

As of October 28, 2007, Isle of Capri Black Hawk, L.L.C. had no letters of credit outstanding under the Isle-Black Hawk Credit Facility. As of October 28, 2007, the net capacity under Isle-Black Hawk Credit Facility was \$41.0 million which is subject to availability limitations and restrictions, in part, based on achievement of specific financial covenants. Isle of Capri Black Hawk, L.L.C. was in compliance with all covenants as of October 28, 2007.

Blue Chip Credit Facility Blue Chip Casinos Plc (Blue Chip) entered into an agreement effective November 28, 2003, as amended on May 24, 2004, with the Bank of Scotland to borrow up to £3.5 million (the Blue Chip Credit Facility) to fund its casino development program. As of October 28, 2007, total outstanding debt aggregated £2.9 million (\$6.0 million) which consisted of a £2.3 million (\$4.7 million) term loan facility and a £0.6 million (\$1.3 million) outstanding balance under the £0.8 million available revolving loan facility. The term loan is to be repaid in periodic principal payments starting in July 2005 and continuing through July 2012. The interest rate at Blue Chip s option, is (1) the Bank of Scotland s base rate plus a current margin of 2.0% or (2) LIBOR plus a margin of 1.75%. As of October 28, 2007, the effective interest rate was 7.75%. The Blue Chip Credit Facility is non-recourse to the Company.

Blue Chip Casinos Plc was in compliance with all covenants as of October 28, 2007. As of October 28, 2007, Blue Chip Casinos Plc had no letters of credit outstanding under the Blue Chip Credit Facility, and net capacity under the Blue Chip Credit Facility was £0.2 million (\$0.3 million).

Interest Rate Swap Agreements The Company has entered into various interest rate swap agreements with members of the July 2007 Credit Facility bank group for an aggregate notional value of \$350.0 million with maturity dates ranging from fiscal year 2010 to 2011 in order to manage market risk on variable rate term loans outstanding, as well as comply with, in part, requirements under the July 2007 Credit Facility.

These swap agreements meet the criteria for hedge accounting for cash flow hedges and have been evaluated, as of October 28, 2007, as being fully effective. As a result, there is no impact on the Company s consolidated statement of operations from changes in fair value. As of October 28, 2007, the Company recorded a liability of \$2.8 million in Other long-term liabilities representing the fair market value of the swap agreements and an unrealized loss of \$1.8 million, net of a \$1.1 million deferred income tax benefit, in Other comprehensive income on the consolidated balance sheet. For the three months ended October 28, 2007, the Company recognized a reduction to interest expense on the consolidated statements of operations aggregating \$0.1 million. As of October 28, 2007, the weighted average fixed LIBOR interest rate of the Company s interest rate swap agreements was 4.69%.

As of October 28, 2007, Isle of Capri Black Hawk, L.L.C. has interest rate swap agreements with an aggregate notional value of \$40.0 million or 20.5% of its variable rate debt outstanding under the Isle-Black Hawk Credit Facility. The swap agreements effectively convert portions of Isle of Capri Black Hawk, L.L.C. variable rate debt to a fixed-rate basis until the respective remaining swap agreements terminate, which occurs during the fourth quarter of fiscal year 2008. For the three and six months ended October 28, 2007 and the three and six months ended October 29, 2006, Isle of Capri Black Hawk, L.L.C. recorded a loss of \$0.2 million, \$0.4 million, \$0.4 million and \$0.4 million, respectively, in food, beverage and other within the accompanying consolidated statements of operations related to the change in fair market value of the undesignated swap agreements. As of October 28, 2007, the weighted average fixed LIBOR interest rate of the Isle of Capri Black Hawk, L.L.C. interest rate

swap agreements was 3.80%.

The fair value of the estimated interest differential between the applicable future variable rates and the interest rate swap contracts not designated as hedging instruments, expressed in present value terms, totaled \$0.1 million and \$0.5 million as of October 28, 2007 and April 29, 2007, respectively. Based on the maturity dates of the contracts, these amounts are included in Prepaid expenses and other assets in the accompanying consolidated balance sheets.

6. Other Long-Term Obligations

The Company entered into an agreement during fiscal year 2004 to lease space for a new casino, which opened in July 2007, in Coventry, England in the sub-level of the Arena Coventry Convention Center. The convention center was developed, and is owned and operated by a non-affiliated entity and began operations in August 2005. Due to certain structural elements installed by the Company during the construction of the space being leased and certain prepaid lease payments it made, the Company is required to be treated, for accounting purposes only, as the owner of the Arena Coventry Convention Center, in accordance with Emerging Issues Task Force Issue No. 97-10 (EITF 97-10), The Effect of Lessee Involvement in Asset Construction . Accordingly, the Company has recorded a long-term obligation for £24.1 million (\$49.4 million) and £23.8 million (\$47.6 million) as of October 28, 2007 and April 29, 2007, respectively, even though the Company does not own this asset, is not the obligor on the corresponding long-term obligation and does not participate in or control the operations of the convention center.

The other long-term obligation will be reflected in the accompanying consolidated balance sheets until completion of the lease term, when the related fixed assets will be removed from the Company's financial statements. At such time, the net of the remaining obligation and carrying value of the fixed asset will be recognized as a gain on sale of the facility.

7. Earnings per Share of Common Stock

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

	Three Months Ended		Six Months Ended	
	October 28, 2007	October 29, 2006 (Restated)	October 28, 2007	October 29, 2006 (Restated)
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	\$ (24,635)	\$ (4,187)	\$ (31,750)	\$ 1,141
Income from discontinued operations		13,817		17,773
Net income (loss)	\$ (24,635)	\$ 9,630	\$ (31,750)	\$ 18,914
Denominator:				
Denominator for basic earnings per share - weighted - average shares	30,727	30,346	30,559	30,384
Effect of dilutive securities Employee stock options and nonvested restricted stock				844
Denominator for diluted earnings per share - adjusted weighted - average shares and assumed conversions	30,727	30,346	30,559	31,228
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.80)	\$ (0.14)	\$ (1.04)	\$ 0.04
Income from discontinued operations		0.46		0.58
Net income (loss)	\$ (0.80)	\$ 0.32	\$ (1.04)	\$ 0.62
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.80)	\$ (0.14)	\$ (1.04)	\$ 0.04

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Income from discontinued operations			0.46			0.57		
Net income (loss)	\$	(0.80)	\$	0.32	\$	(1.04)	\$	0.61

The Company computes basic earnings (loss) per share by dividing net income (loss) by the weighted average number of shares outstanding for the period. The Company reported a net loss from continuing operations for the three and six months ended October 28, 2007, and for the three months ended October 29, 2006, and thus reported no dilutive effect upon the number of shares outstanding for the calculation of diluted earnings per share for that

time period. For the six months ended October 29, 2006, diluted earnings per share was determined as net income divided by the weighted average number of shares outstanding for the period, after applying the treasury method to determine any incremental shares associated with stock options outstanding. Anti-dilutive stock options representing 1,944,612, 891,292, 308,239 and 54,040 shares were excluded from the calculation of potential common shares for diluted earnings per share for the three and six months ended October 28, 2007 and the three and six months ended October 29, 2006, respectively.

8. Accumulated Comprehensive Income

As a result of the operations of the Company's international subsidiaries with functional currencies other than the U.S. dollar, a resulting currency translation adjustment is necessary. The assets and liabilities of the Company's international subsidiaries are translated using the exchange rate in effect at the balance sheet date, with the resulting translation adjustment recognized as accumulated other comprehensive income. The net change in foreign currency translation adjustments in accumulated other comprehensive income was an increase of \$0.9 million and \$2.1 million for the three and six months ended October 28, 2007, respectively.

The Company uses interest rate swap agreements to convert portions of the Company's July 2007 Credit Facility variable rate debt to a fixed-rate basis. The Company records unrealized gains and losses on these interest rate swaps as accumulated other comprehensive income. The net change in accumulated other comprehensive income related to the unrealized loss on interest rate swap contracts for the three and six months ended October 28, 2007 was \$1.8 million.

The following table sets forth total comprehensive income (loss) for the three and six months ended October 28, 2007 and October 29, 2006 (in thousands).

	Three Months Ended		Six Months Ended	
	October 28, 2007	October 29, 2006 (Restated)	October 28, 2007	October 29, 2006 (Restated)
Net income (loss)	\$ (24,635)	\$ 9,630	\$ (31,750)	\$ 18,914
Unrealized loss on interest rate swaps, net of income taxes	(1,811)		(1,811)	
Foreign current translation adjustment	866	729	2,063	1,469
Total comprehensive income (loss)	\$ (25,580)	\$ 10,359	\$ (31,498)	\$ 20,383

9. Stock-Based Compensation

The Company has three stock-based compensation plans, the 1992 Stock Option Plan, the 1993 Stock Option Plan and the 2000 Stock Option Plan as amended. The plans provide for the issuance of incentive stock options and nonqualified options which have a maximum term of 10 years and are, generally, exercisable in yearly installments of 20% commencing one year after the date of grant. The Company has 966,369 shares available for future issuance under its equity compensation plans as of October 28, 2007.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes-Merton option-pricing model with the range of assumptions disclosed in the following table for the periods presented.

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	Six Months Ended	
	October 28, 2007	October 29, 2006
Weighted average expected volatility	43.63%	52.50%
Weighted average expected term in years	6.82	5.85
Expected dividend yield	0.00%	0.00%
Weighted average risk-free interest rate	4.53%	4.69%
Weighted average fair value of options granted	\$ 10.47	\$ 13.65

Weighted average volatility is calculated using the historical volatility of the Company's stock prices over a range of dates equal to the expected term of a grant's options. The weighted average expected term is calculated using

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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. The estimated rate of forfeitures for executives increased from 17.7% in fiscal 2007 to 25.5% in fiscal 2008, and for optionees beneath the executive level, it increased from 31.9% to 42.7% over the same reporting period. The impact of these changes in forfeiture estimates decreased expense approximately \$0.5 million and was recorded as a cumulative adjustment on the consolidated statement of operations in the first quarter of fiscal 2008.

Total stock option expense included in the expense category corresponding to the employees regular compensation in the accompanying consolidated statements of operations was \$2.9 million and \$3.8 million for the three and six months ended October 28, 2007, respectively and \$2.6 million and \$4.1 million for the three and six months ended October 29, 2006, respectively. As of October 28, 2007, there was \$12.0 million in unrecognized stock compensation costs, related to unvested options, which the Company expects it will recognize over the remaining vesting period of 5 years with a weighted average period of 4.0 years. With the exception of 50,000 options which vest and become exercisable 50% upon the date of grant and 50% upon the one-year anniversary of the grant date, the options granted during the six months ended October 28, 2007, vest 20% per year for 5 years on the anniversary of the grant date. The Company recognizes compensation expense for these grants on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

	Options	Total Weighted Average Exercise Price
Outstanding options at April 29, 2007	2,957,073	\$ 17.96
Options granted	1,027,300	21.04
Options exercised	(523,942)	9.31
Options forfeited and expired	(221,881)	21.96
Outstanding options at October 28, 2007	3,238,550	\$ 20.06
Outstanding exercisable options at October 28, 2007	1,430,790	\$ 17.53

10. Hurricanes and Related Charges

In the fall of 2005, the Company's properties in Biloxi, Mississippi, Lake Charles, Louisiana and Pompano Beach, Florida were struck by hurricanes Katrina, Rita and Wilma, respectively.

The Company has insurance coverage related to the three hurricanes for property damage and destruction, business interruption insurance for incremental costs incurred and business interruption insurance for lost profits. The Company has received partial proceeds from its insurance carriers related to losses the Company has sustained. The Company believes it will ultimately collect more than the \$75.9 million related to the property impairment as the insurance coverage is for replacement value and the insurance receivable recorded for the property impairment represents the net book value of the assets at the date of loss. In addition, the Company has not yet received proof of losses on open claims under the business interruption loss of profits coverage related to the claim in Biloxi. The Company continues to negotiate with its insurers to settle its claims. The timeline for final settlement of the claims is expected to occur within one year.

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The following table shows the activity flowing through the insurance accounts (in thousands):

	October 28, 2007	Total Incurred as of	April 29, 2007
Property impairment (1)	\$ 75,868	\$	75,868
Incremental costs incurred (2)	88,018		84,793
Loss of income (3)	2,817		2,817
Hurricane related charges, net (4)	(4,776)		(4,776)
Insurance receivable, gross	\$ 161,927	\$	158,702
Insurance receipts	(106,755)		(102,662)
Insurance receivable, net	\$ 55,172	\$	56,040

(1) Represents the book value of property impairments recognized at the date of loss as a receivable under the Company's insurance policies.

(2) Insured incremental costs incurred by the Company totaling \$88.0 million were recorded as an insurance receivable for \$62.2 million in fiscal year 2006, \$22.6 million in fiscal 2007, and \$3.2 million for the six months ended October 28, 2007.

(3) During the fourth quarter of fiscal 2007, the Company recorded a gain and insurance receivable of \$2.8 million as the result of a proof of loss under the business interruption-lost profits coverage.

(4) Primarily represents deductibles under insurance policies recorded as a hurricane related charge during fiscal 2006.

During November 2007, the Company received unallocated advances from its insurance carriers totaling \$47.0 million, which will be applied against the insurance receivable discussed above.

11. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill and other intangible assets are as follows (in thousands):

	Goodwill	Gaming Licenses	Customer Lists, net	Trademarks	Total Other Intangibles Assets, net
April 29, 2007 balance	\$ 297,268	\$ 61,953	\$ 868	\$ 12,201	\$ 74,154
Acquisition of Caruthersville		4,566	868	100	5,534
Acquisition of Coventry trademark				133	133
October 28, 2007 balance	\$ 297,268	\$ 66,519	\$ 868	\$ 12,434	\$ 79,821

Acquisition - On June 10, 2007, the Company acquired 100% of the membership interests of Atzar Missouri Riverboat Gaming Company, L.L.C., a Missouri limited liability company located in Caruthersville, Missouri. The purchase price was approximately \$45.0 million subject to finalization of certain adjustments in accordance with the Purchase Agreement dated March 16, 2007. The Company is finalizing the asset valuation and certain closing date adjustments with the seller. Therefore, the allocation of the purchase price and the valuation of the assets and liabilities are preliminary as of October 28, 2007. Any adjustments are not expected to be material. The estimated fair value of long-term assets acquired and liabilities assumed at the acquisition date was \$45.2 million, of which \$39.7 million relate to fixed assets and \$5.5 million relate to intangible assets.

12. Contingencies

Legal and Regulatory Proceedings - Lady Luck Gaming Corporation (now a wholly owned subsidiary of the Company) and several joint venture partners have been defendants in the Greek Civil Court and the Greek Administrative Court in similar lawsuits brought by the country of Greece through its Minister of Tourism (now Development) and Finance. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. The payment Lady Luck is alleged to have been required to make totals approximately 6.5 million Euros (which was approximately \$8.9 million as of October 28, 2007 based on published exchange rates). 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. The Athens Civil Court of First Instance granted judgment in Lady Luck's favor and dismissed the civil lawsuit. Appeals to both the Athens Civil Appeals Court and the Greek Civil Supreme Court have been dismissed. The Greek Civil Supreme Court denied the appeal on the basis that the Administrative Court is the competent court to hear the matter. During October 2005, after the administrative lawsuit had been dismissed by both the Athens Administrative Court of First Instance and the Athens Administrative Court of Appeals on the basis that the Administrative Court did not have jurisdiction, the Administrative Supreme Court remanded the matter back to the Athens Administrative Appeals Court for a hearing on the merits. The Company is awaiting a decision following that hearing. The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. The Company intends to continue a vigorous and appropriate defense to the claims asserted in this matter.

The Company is subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and is subject to cleanup requirements at certain of its facilities as a result thereof. The Company has not made, and does not anticipate making, material expenditures, nor does it anticipate incurring delays with respect to environmental remediation or protection. However, in part because the Company's 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 that the Company will not experience material liabilities or delays.

The Company is subject to various contingencies and litigation matters and has a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, the Company believes that they will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

***Income Taxes* - The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and foreign jurisdictions. As of April 30, 2007, the Company was no longer subject to examination of its U.S. federal income tax returns filed for tax years prior to 2003. The IRS is currently examining the Company's federal income tax returns for the 2004 and 2005 tax years which relate to the Company's fiscal years ended April 24, 2005 and April 30, 2006, respectively. The tax returns for subsequent years are also subject to examination.**

The Company files in numerous state jurisdictions with varying statutes of limitation. Our unrecognized state tax benefits are related to state tax returns open from tax years 2001 through 2006 depending on each state's statute of limitations.

13. Accounting Pronouncements

Adoption of New Accounting Pronouncements - In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). This interpretation clarified the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*.

The Company adopted the provisions of FIN 48 on April 30, 2007. The adoption of FIN 48 did not have any impact on the Company's consolidated statement of operation or stockholders' equity within the consolidated balance sheet. As of April 30, 2007, the Company had a total of \$24.2 million of unrecognized tax benefits. The total amount of these unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$9.0 million. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. This policy did not change as a result of the adoption of FIN 48. The Company had \$3.6 million in interest related to unrecognized tax benefits accrued as of April 30, 2007 and no amounts were accrued for penalties. However, FIN 48 did require a reclassification of unrecognized tax benefits from deferred income taxes to current liabilities and long-term liabilities. At April 30, 2007, the Company reclassified \$12.1 million from Income taxes payable and \$9.1 million from Deferred income taxes to Other current accrued liabilities (\$10.3 million) and Other accrued liabilities (\$10.9 million).

For the six months ended October 28, 2007, the Company's unrecognized tax benefit decreased by \$0.4 million. This amount is comprised of a \$0.5 million decrease related to the partial resolution of an Iowa income tax examination covering the 2001 through 2004 tax years. This amount is partially offset by a \$0.1 million increase related to the pending filing of amended Mississippi income tax returns for the 2003 and 2004 tax years. The Company expects the amount of unrecognized tax benefits will further decrease in fiscal 2008 by \$12.1 million which is comprised of \$5.8 million related

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to the pending filing of amended Iowa income tax returns for the 2002 through 2005 tax years and \$6.3 million related to the need to file amended federal income tax returns for the 2003 through 2005 tax years.

As of October 28, 2007, the Company has recognized \$0.3 million of previously unrecognized tax benefits which affect the effective tax rate. This amount is comprised of \$0.4 million related to the partial resolution of the Iowa income tax examination as referred to above and partially offset by \$0.1 million related to the amended Mississippi income tax returns as referred to above. The Company will not recognize any tax benefits in income tax expense as a result of the anticipated \$12.1 million further reduction in the unrecognized tax benefits as referred to above.

As of October 28, 2007, the Company's interest related to unrecognized tax benefits is unchanged. This is the result of an increase of \$0.8 million related to additional interest accrued on uncertain tax positions through October 28, 2007 and a decrease of \$0.8 million related to the partial resolution of the Iowa income tax examination referred to above.

New Pronouncements - In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157) which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact that the adoption of SFAS 157 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, companies shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS 157. We are currently evaluating whether to adopt the fair value option under SFAS 159 and evaluating what impact such adoption would have on our consolidated financial statements.

14. Subsequent Event

On November 13, 2007, the Company and its wholly owned subsidiary, Casino America of Colorado, Inc., executed an agreement with Nevada Gold & Casinos, Inc. and its subsidiary Blackhawk Gold, Ltd. (Nevada Gold), pursuant to which Isle of Capri will acquire the 43% interest in Isle of Capri Black Hawk, L.L.C., which is currently owned by Nevada Gold. Under the terms of the agreement, the Company has agreed to pay \$64.6 million for the remaining 43% interest, payable in cash upon closure of the sale. Upon closing, Isle of Capri Black Hawk, L.L.C. would become an indirect wholly owned subsidiary of Isle of Capri. The closing of the transaction is subject to the approval of Nevada Gold's stockholders and certain other customary closing conditions.

15. Consolidating Condensed Financial Information

Certain of the Company's wholly owned subsidiaries have fully and unconditionally guaranteed the payment of all obligations under the Company's 7% Senior Subordinated Notes and were also guarantors under our 9% Senior Subordinated Notes redeemed during August 2007.

The following wholly owned subsidiaries of the Company are co-borrowers, on a joint and several basis, under the July 2007 Credit Facility and are guarantors of 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.; LL Holding Corporation; IOC-St. Louis County, Inc.; IOC-Black Hawk County, Inc.; IOC-PA, L.L.C.; IOC-City of St. Louis, L.L.C.; IOC-Manufacturing, Inc.; and Riverboat Corporation of Mississippi - Vicksburg. Each of the subsidiaries guarantees is joint and several with the guarantees of the other subsidiaries.

The following subsidiaries are not guarantors or co-borrowers under the July 2007 Credit Facility or the 7% Senior Subordinated Notes: 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.; Blue Chip Casinos, PLC; Isle of Capri of Jefferson County, Inc.; Casino Parking, Inc.; Isle of Capri-Bahamas, Ltd.; ASMI Management, Inc.; IOC Development Company, L.L.C.; Casino America, Inc.; International Marco Polo Services, Inc.; Isle of Capri of Michigan L.L.C.; Isle of Capri Bettendorf Marina Corp.; IOC Services, L.L.C.; Capri Air, Inc.; Lady Luck Gaming Corp.; Lady Luck Gulfport, Inc.; Lady Luck Vicksburg, Inc.; Lady Luck Biloxi, Inc.; Lady Luck Central City, Inc.; Pompano Park Holdings, L.L.C.; Casino America of Colorado, Inc.; JPLA Pelican, L.L.C.; IOC-Cameron, L.L.C.; The Isle of Capri Casinos Limited, IOC Pittsburgh, Inc. and Capri Insurance Corporation.

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Consolidating condensed balance sheets as of October 28, 2007 and April 29, 2007 are as follows (in thousands):

	As of October 28, 2007					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated	
Current assets	\$ 58,177	\$ 162,226	\$ 72,416	\$ (21,672)	\$ 271,147	
Intercompany receivables	1,265,173	(305,864)	(68,730)	(890,579)		
Investments in subsidiaries	267,807	297,582		(565,389)		
Property and equipment, net	14,867	1,024,781	390,437		1,430,085	
Other assets	16,372	372,412	33,265	(3,000)	419,049	
Total assets	\$ 1,622,396	\$ 1,551,137	\$ 427,388	\$ (1,480,640)	\$ 2,120,281	
Current liabilities	\$ 51,979	\$ 103,077	\$ 63,019	\$ (20,590)	\$ 197,485	
Intercompany payables		796,771	154,786	(951,557)		
Long-term debt, less current maturities	1,306,250	5,699	199,357		1,511,306	
Other accrued liabilities	5,132	76,016	41,192		122,340	
Minority interest				30,115	30,115	
Stockholders' equity	259,035	569,574	(30,966)	(538,608)	259,035	
Total liabilities and stockholders' equity	\$ 1,622,396	\$ 1,551,137	\$ 427,388	\$ (1,480,640)	\$ 2,120,281	

	As of April 29, 2007					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated	
Current assets	\$ 110,189	\$ 152,937	\$ 70,420	\$ (13,208)	\$ 320,338	
Intercompany receivables	1,130,006	(455,871)	(25,468)	(648,667)		
Investments in subsidiaries	269,631	289,857		(559,488)		
Property and equipment, net	19,644	946,127	372,799		1,338,570	
Other assets	19,248	366,889	36,446	(5,800)	416,783	
Total assets	\$ 1,548,718	\$ 1,299,939	\$ 454,197	\$ (1,227,163)	\$ 2,075,691	
Current liabilities	\$ 61,274	\$ 122,089	\$ 60,889	\$ (8,511)	\$ 235,741	
Intercompany payables		539,023	151,017	(690,040)		
Long-term debt, less current maturities	1,200,500	3,495	206,390		1,410,385	
Other accrued liabilities	5,122	75,791	38,994		119,907	
Minority interest				27,836	27,836	
Stockholders' equity	281,822	559,541	(3,093)	(556,448)	281,822	
Total liabilities and stockholders' equity	\$ 1,548,718	\$ 1,299,939	\$ 454,197	\$ (1,227,163)	\$ 2,075,691	

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Consolidating condensed statements of operations for the three and six months ended October 28, 2007 and October 29, 2006 are as follows (in thousands):

	For the Three Months Ended October 28, 2007 (Unaudited)				
	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	\$	\$ 230,751	\$ 47,531	\$	\$ 278,282
Rooms, food, beverage and other	42	41,871	11,797	(3,189)	50,521
Gross revenues	42	272,622	59,328	(3,189)	328,803
Less promotional allowances		39,687	10,278		49,965
Net revenues	42	232,935	49,050	(3,189)	278,838
Operating expenses:					
Casino		32,642	8,692		41,334
Gaming taxes		63,317	8,648		71,965
Rooms, food, beverage and other	18,388	90,355	22,205	(2,982)	127,966
Management fee expense (revenue)	(6,727)	6,982	(255)		
Depreciation and amortization	1,769	27,346	6,154		35,269
Total operating expenses	13,430	220,642	45,444	(2,982)	276,534
Operating income (loss)	(13,388)	12,293	3,606	(207)	2,304
Interest expense, net	(7,578)	(14,568)	(5,890)		(28,036)
Loss on extinguishment of debt	(11,468)				(11,468)
Equity in income (loss) of subsidiaries	(4,830)	2,394	(2,429)	4,865	
Income (loss) before income taxes and minority interest	(37,264)	119	(4,713)	4,658	(37,200)
Income tax (provision) benefit	12,629	999	983		14,611
Minority interest				(2,046)	(2,046)
Net income (loss)	\$ (24,635)	\$ 1,118	\$ (3,730)	\$ 2,612	\$ (24,635)

	For the Three Months Ended October 29, 2006 (Unaudited) (Restated)				
	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	\$	\$ 201,815	\$ 47,422	\$	\$ 249,237
Rooms, food, beverage and other	98	40,889	11,890	(3,573)	49,304
Gross revenues	98	242,704	59,312	(3,573)	298,541
Less promotional allowances		43,601	11,716		55,317
Net revenues	98	199,103	47,596	(3,573)	243,224
Operating expenses:					
Casino		33,203	8,367		41,570
Gaming taxes		44,143	8,933		53,076
Rooms, food, beverage and other	11,010	78,286	24,644	(3,625)	110,315
Management fee expense (revenue)	(7,200)	7,201	(1)		
Depreciation and amortization	374	19,122	4,808		24,304
Total operating expenses	4,184	181,955	46,751	(3,625)	229,265
Operating income (loss)	(4,086)	17,148	845	52	13,959
Interest expense, net	(6,433)	(8,522)	(4,976)		(19,931)

Income Taxes - The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and

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Equity in income (loss) of subsidiaries	64	3,970	(4,146)	112	
Income (loss) from continuing operations before income taxes and minority interest	(10,455)	12,596	(8,277)	164	(5,972)
Income tax (provision) benefit	6,268	(6,584)	2,616		2,300
Minority interest				(515)	(515)
Income (loss) from continuing operations	(4,187)	6,012	(5,661)	(351)	(4,187)
Income from discontinued operations, net of taxes		13,817			13,817
Equity in earnings of discontinued operations	13,817			(13,817)	
Income from discontinued operations, net of taxes	13,817				

Income Taxes - The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and