ISLE OF CAPRI CASINOS INC
Form 10-K
June 25, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended April 26, 2009

OR

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

For the transition period from to
Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities Registered Pursuant to Section 12(b) of the Act: None
Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $.01 Par Value Per Share
(Title of Class)

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

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

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 ý 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o Noo

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

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	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 ý

The aggregate market value of the voting and non-voting stock held by non-affiliates[1] of the Company is $57,119,811, based on the last reported sale price of $3.57 per share on October 24, 2008 on the NASDAQ Stock Market; multiplied by 15,999,947 shares of Common Stock outstanding and held by non-affiliates of the Company on such date.

As of June 22, 2009, the Company had a total of 31,771,153 shares of Common Stock outstanding (which excludes 4,340,436 shares held by us in treasury).

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

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

Table of Contents

ISLE OF CAPRI CASINOS, INC.

FORM 10-K

INDEX

91

Table of Contents

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Annual Report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in the section entitled "Risk Factors" beginning on page 11 of this report. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Annual Report.

Table of Contents

PART I

ITEM 1. BUSINESS

Overview

We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States and internationally. We currently operate 14 casinos in the United States, located in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. Internationally we operate 3 casinos in Dudley and Wolverhampton, England and Freeport, Grand Bahamas. We also operate a harness racing track at our casino in Florida.

Our fiscal year ends each year on the last Sunday in April.

During fiscal 2009, we made several key accomplishments that significantly impacted our operational and financial results. We:

- streamlined operations resulting in decreased on-going property operating costs of approximately $45 million compared to FY 2008, and decreased on-going corporate and development costs by an additional $7.3 million compared to FY 2008;
- stabilized operating results despite a $50 million net revenue decline significantly caused by economic conditions;
- completed a $142.7 million cash tender offer for the Company's debt and settled the remaining insurance claims related to Hurricane Katrina for $95 million;
- focused on improved results through domestic operations by exiting the Coventry, UK operation and announcing plans to exit the Grand Bahama gaming market.

During fiscal 2009 we began to implement the strategic plan designed in fiscal 2008 to improve our free cash flow. This plan includes a distinct emphasis on operational excellence, including the core aspects of our business: creating an experience that is clean, safe, friendly and fun. This approach has been shown through extensive customer research to embody the attributes of a gaming entertainment experience most important to customers in choosing which casino to visit. Additionally, we have outlined our plan for developing two distinct brands within our business, Isle and Lady Luck, and reinvesting in our core assets.

The Isle brand will be introduced at our properties which have a regional draw and tend to be in larger markets where we have expansion potential demonstrated by either the size of the market or excess land that we control. The Isle brand will offer expanded amenities, usually offering hotel rooms, expanded food and beverage offerings and conference and convention capabilities.

The Lady Luck casinos will be focused on a local customer base, typically in smaller markets with less growth potential. The goal of the Lady Luck brand will be to offer the best entertainment option for the respective market featuring casual dining, and popular local entertainment in a comfortable setting. During fiscal 2009, we neared completion of our first two Lady Luck-branded properties.

The operating focus of both brands is to deliver superior guest experiences. We are implementing several operating initiatives to improve on these attributes and made significant progress in fiscal 2009 acccording to our internal measurements. To this end we have implemented a customer courtesy program whereby we will measure our progress against three primary courtesy behaviors and incentivise our employees on improvements. In addition our maintenance, capital, and operating plans have been designed to improve on areas where customers have told us we are lacking in these key areas of clean, safe, friendly and fun. Finally we have designed our incentive plans to align employee incentives with the key initiatives and shareholders' needs.

Because of the impact of the economic uncertainty in our markets, we decided in fiscal year 2009, to curtail the majority of our brand conversions and other significant capital projects.

Currently, we have prioritized approximately $60 million in capital projects that we expect to deploy over the next 24 to 36 months, primarily focused on hotel room renovations to increase our overnight business. Importantly, we emphasize that we will not begin these expenditures until we have more clarity regarding the economy and our own financial position.

Table of Contents

Casino Properties

The following is an overview of our existing casino properties as of the end of fiscal year 2009:

Property	Date Acquired or Opened	Slot Machines	Table Games	Hotel Rooms	Parking Spaces
Louisiana					
Lake Charles	July 1995	1,856	71	493	2,335
Mississippi					
Lula	March 2000	1,309	17	484	1,583
Biloxi	August 1992	1,514	40	710	1,600
Natchez	March 2000	622	10	141	908
Missouri					
Kansas City	June 2000	1,251	20		1,807
Boonville	December 2001	1,004	21	140	1,101
Caruthersville	June 2007	608	23		1,000
Iowa					
Bettendorf	March 2000	1,016	31	514	2,063
Rhythm City-Davenport	October 2000	977	16		968
Marquette	March 2000	603	13	25	475
Waterloo	July 2007	1,092	35	195	1,487
Colorado					
Black Hawk	December 1998	1,369	18	238	1,100
Colorado Central Station Black Hawk	April 2003	652	16	164	1,200
Florida					
Pompano Park	July 1995/April 2007	1,500	38		4,663
International Properties					
Our Lucaya	December 2003	253	25		
Blue Chip-Dudley (66 2/3% owned)	November 2003	20	9		40
Blue Chip-Wolverhampton (66 2/3% owned)	April 2004	20	11		25
		15,666	414	3,104	22,355

Louisiana

Lake Charles

Lake Charles, which commenced operations in July 1995, is located on a 19-acre site along Interstate 10, the main thoroughfare connecting Houston, Texas to Lake Charles, Louisiana. The property consists of two dockside casinos offering 1,856 slot machines, 46 table games, 25 poker tables, a 252 room deluxe hotel, a 241 room inn hotel, a 105,000 square foot land-based pavilion and entertainment center, and 2,335 parking spaces, including approximately 1,400 spaces in an attached parking garage. The pavilion and entertainment center offer customers a wide variety of non-gaming amenities, including a 97-seat Farraddays' restaurant, a 360-seat Calypso's buffet, a 165-seat Tradewinds Marketplace, a 64-seat Lucky Wins oriental restaurant and Caribbean Cove, which features free live entertainment and can accommodate 180 customers. The pavilion also has a 14,750 square foot entertainment center comprised of a 1,100-seat special events center designed for concerts, live boxing, televised pay-per-view events, banquets and other events, meeting facilities and administrative offices.

The Lake Charles market currently consists of two dockside gaming facilities (which include our property and Pinnacle Entertainment's one-level facility), a Native American casino and a pari-mutuel facility/racino (operated by Boyd Gaming). Pinnacle Entertainment has announced plans to developing their second casino (utilizing a license acquired from Harrah's Entertainment after Hurricane Rita) which would be adjacent to their current facility. The expected completion date is unknown at this time due to delays in financing and construction. The current number of slot machines in the market exceeds 8,200 machines and table games exceed 200 tables. In calendar year 2008, the two gaming facilities (Isle and Pinnacle) and one racino (Boyd), in the aggregate, generated gaming revenues of approximately $651.2 million. Revenues for the Native American property are not published. Lake Charles is the closest gaming market to the Houston metropolitan area, which has a population of approximately 5.5 million and is located approximately 140 miles west of Lake Charles. We believe that the Isle-Lake Charles attracts customers primarily from southeast Texas, including Houston, Beaumont, Galveston, Orange and Port Arthur and from local area residents. Approximately 520,000 and 1.6 million people reside within 50 and 100 miles, respectively, of the Isle-Lake Charles.

Mississippi

Lula

Lula, which we acquired in March 2000, is strategically located off of Highway 49, the only road crossing the Mississippi River between Mississippi and Arkansas for more than 50 miles in either direction. The property consists of two dockside casinos containing 1,309 slot machines and 17 table games, two on-site hotels with a total of 484 rooms, a land-based pavilion and entertainment center, 1,583 parking spaces, and a 28-space RV Park. The pavilion and entertainment center offer a wide variety of non-gaming amenities, including a 145-seat Farraddays' restaurant, a 300-seat Calypso's buffet and a 44-seat Tradewinds Marketplace, and a gift shop. All 171 rooms of our Coral Reef Hotel underwent complete renovation during the past calendar year, re-opening in December 2008.

Our Lula property is the only gaming facility in the Coahoma County, Mississippi market and generated gaming revenues of approximately $69.9 million in calendar year 2008. Lula draws a significant amount of business from the Little Rock, Arkansas metropolitan area, which has a population of approximately 675,000 and is located approximately 120 miles west of the property. Coahoma County is also located approximately 60 miles southwest of Memphis, Tennessee, which is primarily served by 9 casinos in Tunica County, Mississippi. In November 2008, Arkansas voters approved a constitutional amendment that would allow the establishment of a statewide lottery. Although lottery sales have not yet been initiated, a Lottery Commission has been established and progress is being made toward that end. Approximately 1,007,000 people reside within the property's primary target market. Lula also competes with Native American casinos in Oklahoma and a racino in West Memphis, Arkansas.

Biloxi

Biloxi, which commenced operations in August 1992, is located on a 17-acre site at the eastern end of a cluster of facilities formerly known as "Casino Row" in Biloxi, Mississippi, and is the first property reached by visitors coming from Alabama, Florida and Georgia via Highway 90.

On August 29, 2005 the property was significantly damaged by Hurricane Katrina. The property was closed on August 28, 2005 and remained closed to the public until December 26, 2005. The Highway 90 bridge spanning Biloxi Bay, located immediately to the east of the property, was also destroyed by the hurricane. The bridge was replaced with a new, larger bridge which partially opened in November 2007 and fully opened in April 2008.

In October 2005, the Mississippi legislature amended its gaming laws to allow casinos to operate land-based facilities within 800 feet of the mean high water line. Our Biloxi property is a land-based casino offering approximately 1,514 gaming positions, a 710-room hotel including 200 whirlpool suites, a 120-seat banquet room called "Paradise Room," 138-seat fine-dining restaurant called Farraddays, a 200-seat Calypso's buffet, a Tradewinds Express, a multi-story feature bar, a full service Starbucks and 1,600 parking spaces.

The Mississippi Gulf Coast market (which includes Biloxi, Gulfport and Bay St. Louis) is one of the largest gaming markets in the United States and consists of 11 dockside gaming facilities which, in the aggregate, generated gaming revenues of approximately $1.3 billion during calendar year 2008.

Natchez

Natchez, which we acquired in March 2000, is located off of Highways 84 and 61 in western Mississippi. The property consists of a dockside casino offering 622 slot machines and 10 table games, a 141-room off-site hotel located approximately one mile from the casino, a 150-seat Calypso's buffet and 908 parking spaces.

Our property is currently the only gaming facility in the Natchez market and generated total revenues of approximately $40.8 million in calendar year 2008. We believe that the Isle-Natchez attracts customers primarily from among the 117,000 people residing within 50 miles of the Isle-Natchez. The Grand Soleil Casino Company began site construction for its river boat casino and land-based hotel during early 2008. Construction has been halted and restarted several times due to legal and financial issues. Future status of the facility is unknown at this time.

Missouri

Kansas City

Our Kansas City property, which we acquired in June 2000, is the closest gaming facility to downtown Kansas City and consists of a dockside casino offering 1,251 slot machines and 20 table games, a 260-seat Calypso's buffet, a 45-seat Tradewinds Marketplace and 1,807 parking spaces.

The Kansas City market consists of four dockside gaming facilities and a tribal casino that, in the aggregate, generated gaming revenues of approximately $739.1 million in calendar year 2008. The other operators of the dockside gaming facilities in this market are Ameristar Casinos, Penn National Gaming, Harrah's Entertainment and the tribal casino, owned by the Wyandotte Tribe. We believe that our Kansas City casino attracts customers primarily from the Kansas City metropolitan area, which has approximately 1.9 million residents.

In the spring of 2007, the Kansas legislature authorized casinos in several locations throughout the State of Kansas. To date, no casino construction has commenced in the Kansas City area. The Kansas Lottery is currently reviewing applications for potential casino locations which could compete with the Kansas City market.

In the fourth quarter of fiscal year 2008, the State of Missouri, began reconstruction of the Paseo Bridge and interchanges adjacent to our property. The bridge and interchange construction is expected to continue into our fiscal year 2011. Access to our property will be hampered due to lane restrictions related to bridge construction and temporary entrance/exit ramp designs until the construction is completed.

Boonville

Our Boonville property, which opened on December 6, 2001, is located 3 miles off Interstate 70, approximately halfway between Kansas City and St. Louis. The property consists of a single level dockside casino offering 1004 slot machines, 21 table games, a 140-room hotel that opened in May 2006, a 32,400 square foot pavilion and entertainment center and 1,101 parking spaces. The pavilion and entertainment center offers customers a wide variety of non-gaming amenities, including an 83-seat Farraddays' restaurant, a 218-seat Calypso's buffet, a 24-seat Tradewinds Marketplace, an 800 seat event center, and a historic display area. We are the only gaming facility between Kansas City, Missouri, and St. Louis, Missouri and generated gaming revenues of approximately $80.3 million in calendar year

Table of Contents

2008. We believe that our Boonville casino attracts customers primarily from the mid-Missouri region including the Columbia and Jefferson City areas.

Caruthersville

Our Caruthersville property was acquired on June 11, 2007 and is a riverboat casino located along the Mississippi River in Southeast Missouri. In June 2008, the casino was re-branded as a Lady Luck casino. The dockside casino offers 608 slot machines, 15 table games and 8 poker games. As part of the re-brand, the property renovated its 40,000 square foot pavilion, which includes a 130-seat Lone Wolf restaurant and bar and lounge and a 270-seat Otis & Henry's restaurant. Renovations to the riverboat including the casino floor have begun with completion scheduled for summer of 2009. The property also operates a 10,000 square foot exposition center with seating for up to 1,100 patrons and has 1,000 parking spaces. Our Caruthersville facility is the only casino located in Southeast Missouri and generated gaming revenues of approximately $31.9 million in calendar year 2008.

Iowa

Bettendorf

The Bettendorf property, which we acquired in March 2000, is located off of Interstate 74, an interstate highway serving the Quad Cities metropolitan area. The property consists of a dockside casino offering 1,016 slot machines and 31 table games, a 514-hotel rooms, 40,000 square feet of flexible convention/banquet space, a 102-seat Farraddays' restaurant, a 272-seat Calypso's buffet, a 26-seat Tradewinds Marketplace and 2,063 parking spaces. We have entered into agreements with the City of Bettendorf, Iowa under which we manage and provide financial and operating support for the QC Waterfront Convention Center that is adjacent to our hotel rooms. The QC Waterfront Convention Center opened in January 2009.

The Quad Cities metropolitan area, consisting of Bettendorf and Davenport, Iowa and Moline and Rock Island, Illinois, currently has three gaming operations our two gaming facilities in Bettendorf and in Davenport, and one operator, which opened a larger land-based facility, including a hotel, in December 2008. The three operations in the Quad Cities generated, in the aggregate, gaming revenues of approximately $186.5 million in calendar year 2008. Our operations in the Quad Cities also compete with other gaming operations in Illinois and Iowa.

Davenport

Our Davenport property, which we acquired in October 2000, is located at the intersection of River Drive and Highway 61, a state highway serving the Quad Cities metropolitan area. The property consists of a dockside gaming facility offering 977 slot machines and 16 table games, a 228-seat Hit Parade buffet, a Grab-n-Go food outlet and 968 parking spaces.

Marquette

Our Marquette property, which we acquired in March 2000, is located in Marquette, Iowa, approximately 60 miles north of Dubuque, Iowa. The property consists of a dockside casino offering 603 slot machines and 13 table games, a 25-room hotel, a marina and 475 parking spaces. During fiscal 2009, we began rebranding of the property as a Lady Luck casino. Upon completion, the facility will include a newly themed 158-seat buffet restaurant, an Otis and Henry's Express food outlet and a Lone Wolf restaurant and bar. We expect the rebranding to be completed during calendar 2009.

We are the only gaming facility in the Marquette, Iowa market and generated gaming revenues of approximately $32.8 million in calendar year 2008. We believe most of our Marquette customers are from northeast Iowa and Wisconsin and we compete for those customers with other gaming facilities in Iowa and Wisconsin.

Waterloo

Our Waterloo property, which opened on June 30, 2007, is located adjacent to Highway 218 and US 20 in Waterloo, Iowa. The property consists of a single level casino offering 1,092 slot machines, 29 table games and 6 poker tables. The property also offers a wide variety of non-gaming amenities, including a 105-seat Farraddays' restaurant, a 208-seat Isle buffet, a 36-seat Tradewinds marketplace, Club Capri Lounge, Fling feature bar, 5,000 square feet of meeting space, over 1,487 parking spaces and a 195-room hotel, which includes 27 suites, as well as an indoor pool and hot tub area.

We are the only gaming facility in the Waterloo, Iowa market. We compete with other casinos in eastern Iowa. We generated gaming revenues of approximately $77.4 million in calendar year 2008.

Colorado

Black Hawk

Our Black Hawk property, which operates as an Isle branded casino, commenced operations in December 1998, is located on an approximately 10-acre site and is one of the first gaming facilities reached by customers arriving from Denver via Highway 119, the main thoroughfare connecting Denver to Black Hawk. The property includes a land-based casino with 1,369 slot machines and 18 table games, a 238-room hotel and 1,100 parking spaces in an attached parking garage. The Isle-Black Hawk also offers customers a wide variety of non-gaming amenities, including a 114-seat Farraddays' restaurant, a 271-seat Calypso's buffet and a 36-seat Tradewinds Marketplace.

The Colorado Central Station-Black Hawk

The Colorado Central Station-Black Hawk, which we acquired in April 2003, is located across the intersection of Main Street and Mill Street from the Isle-Black Hawk. The property consists of a land-based casino with 652 slot machines, 6 standard table games, a 10 table poker room, a 164-room hotel that opened in December 2005 and 1,200 parking spaces in our parking structure connecting Isle-Black Hawk and Colorado Central Station-Black Hawk. The property also offers guests dining in its 94 seat Station Café that was opened in early 2007 as well as a 6 seat Quizno's sandwich franchise that is located in the lower level of the facility. All three sites are connected via sky bridges.

When casinos having multiple gaming licenses in the same building are combined, the Black Hawk/Central City market consists of 22 gaming facilities (nine of which have more than 600 slot machines), which in aggregate, generated gaming revenues of approximately $575.8 million in calendar year 2008. Black Hawk is the closest gaming market to the Denver, Colorado metropolitan area, which has a population of approximately 2.7 million and is located approximately 40 miles east of Black Hawk. We believe that the Black Hawk and Colorado Central Station-Black Hawk attract customers primarily from Denver, Boulder, Fort Collins and Golden, Colorado.

Changes to Colorado Gaming Laws During fiscal year 2009, the voters of Colorado approved changes to gaming law, effective during July, 2009, which extend the hours of operations, expand the types of allowable table games and increase the betting limits from $5 to $100 per bet.

Florida

Pompano

In 1995, we acquired Pompano Park, a harness racing track located in Pompano Beach, Florida. Pompano Park is located off of Interstate 95 and the Florida Turnpike on a 223-acre owned site, near

Fort Lauderdale, midway between Miami and West Palm Beach. Pompano Park is the only racetrack licensed to conduct harness racing in Florida.

On April 14, 2007, following changes to Florida law, we opened a gaming facility including 1,500 slot machines, two restaurants and a feature bar at Pompano Park adjacent to the existing grandstand at a cost of approximately $190 million. Two additional restaurants and a new poker room with 38 tables on the second floor of the facility opened in May 2007. One of the restaurants was closed in October 2008 allowing for a greater profit margin of the remaining second floor restaurant. The Isle-Pompano draws most of its customers from the approximately 2.6 million people residing within a 25-mile radius of the facility and competes with two other racinos and two tribal gaming facilities in the market.

During May 2009, the Florida legislature passed legislation which, if enacted, would lower our state gaming tax rate from 50% to 35%. This legislation is contingent upon a number of factors, including but not limited to, negotiation of a gaming compact between the State of Florida and the Seminoles, approval of the compact by the Bureau of Indian Affairs and the Florida legislature. No assurance can be given that the current legislation will become effective.

Grand Bahama Island

Our Lucaya

Our Lucaya is a 19,000 square-foot casino located at the Our Lucaya Resort in Freeport, Grand Bahama and offers 253 slot machines, 25 table games and a 110-seat restaurant. In May 2009, we entered into an agreement to continue operating the Isle of Capri Casino in Freeport, Grand Bahama during a transition period, following which we intend to exit the operation. Under the agreement, we will also continue to assist the Government of the Bahamas and the owner of the Our Lucaya Resort, Hutchison Lucaya Ltd, in their efforts to identify and select a new operator for the casino. The term of the transition period ends on August 31, 2009, although under certain circumstances, it may be extended for up to two additional months in order to allow sufficient time for a new operator to receive necessary approvals.

United Kingdom

Blue Chip Casino Operations We currently operate the Blue Chip casino operations under a plan of administration which is similar to bankruptcy in the U.S. While we continue to operate these casinos, we are actively seeking purchasers for all Blue Chip assets under our current plan of administration and currently expect to complete the sale of all Blue Chip assets during fiscal year 2010.

Blue Chip-Dudley

Our pub-style casino in Dudley, England is one of 17 gaming facilities in the West Midlands market. Dudley is close to the Birmingham metropolitan area, which has a population of approximately 5.3 million. The casino consists of 20 slot machines, 9 table games, and 30 electronic touch bet table terminals. We own two-thirds of the Blue Chip-Dudley.

Blue Chip-Wolverhampton

Our pub-style casino in Wolverhampton, England is also in the West Midlands market. Wolverhampton is close to the Birmingham metropolitan area. The casino consists of 20 slot machines, 11 table games, and 34 electronic touch bet table terminals. We own two-thirds of the Blue Chip-Wolverhampton.

Coventry We operated a casino in the Coventry Convention Center from July 2007 through April of 2009, when we terminated our lease and sold the assets of our operations.

Table of Contents

Marketing

Our marketing programs are designed to promote our overall business strategy of providing customers with a safe, clean, friendly and fun gaming experience at each of our properties. We have developed an extensive proprietary database of customers that allows us to create effective targeted marketing and promotional programs that are designed to reward customer loyalty, attract new customers to our properties and maintain high recognition of our brands.

Specifically, as we implement our strategic plan, our marketing programs and initiatives are generally focused on the following areas:

Customer Research: Overall, our operating and marketing strategies have been developed and are being implemented to meet the needs and desires of our casino customers in each of our locations. In order to assess these needs and desires, we engage in significant customer research in each of our markets. Upon receipt of these surveys, we assess the attitudes of our customers and the customers of our competitive properties towards the most important attributes of their experience in a regional and/or local gaming facility. We use the extensive information gathered from these research initiatives to make marketing, operating and development decisions that, we believe, will optimize the position of our properties relative to our competition.

Branding Initiatives: As previously discussed, we have designed a strategic plan that will consolidate our property portfolio from four brands into two brands. We believe that this approach will allow us to most effectively align and promote our properties based upon customer needs and desires, will further allow us to more efficiently market our properties on a consolidated basis, and will streamline the costs associated with marketing our portfolio.

Database Marketing: We are streamlining our database marketing initiatives across the Company in order to focus our marketing efforts on profitable customers who have a proven willingness to regularly visit our properties. Specifically, our focus is on eliminating from our database customers who have historically been included in significant marketing efforts but have proven costly either as a result of excessive marketing expenditures on the part of the Company, or because these customers have become relatively dormant in terms of customer activity yet have remained active in our database.

Segmentation: We have compiled an extensive database of customer information over time. Among our most important marketing initiatives, we are currently introducing database segmentation to our properties in order to adjust investment rates to a level at which we expect to meet a reasonable level of customer profit contribution.

Retail Development: We believe that we must more effectively attract new, non-database customers to our properties in order to increase profitability and free cash flow. These customers are generally less expensive to attract and retain and, therefore, currently represent a significant opportunity for our operations.

Employees

As of April 26, 2009, we employed approximately 8,400 people. We have a collective bargaining agreement with UNITE HERE covering approximately 430 employees at our Pompano property which expires in May 2012. We believe that our relationship with our employees is satisfactory.

Governmental Regulations

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

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

Available Information

For more information about us, visit our web site at www.isleofcapricasinos.com. Our electronic filings with the U.S. Securities and Exchange Commission (including all annual reports on Form 10-K, quarter reports on Form 10-Q, and current reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our web site as soon as reasonably practicable after we electronically file them with or furnish them to the U.S. Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

We face significant competition from other gaming operations, including Native American gaming facilities that could have a material adverse effect on our future operations.

The gaming industry is intensely competitive, and we face a high degree of competition in the markets in which we operate. We have numerous competitors, including land-based casinos, dockside casinos, riverboat casinos, casinos located on Native American-owned lands and at racing and pari-mutuel operations and video lottery and video poker machines not located in casinos. Some of our competitors may have better name recognition, marketing and financial resources than we do; competitors with more financial resources may therefore be able to improve the quality of, or expand, their gaming facilities in a way that we may be unable to match.

Legalized gaming is currently permitted in various forms throughout the United States. Certain states have recently legalized, and other states are currently considering legalizing gaming. Our existing gaming facilities compete directly with other gaming properties in Louisiana, Mississippi, Missouri, Iowa, Florida and Colorado. Our existing casinos attract a significant number of their customers from Houston, Texas; Mobile, Alabama; Kansas City, Kansas; Southern Florida; Little Rock, Arkansas and Denver, Colorado. Legalization of gaming in jurisdictions closer to these geographic markets than the jurisdictions in which our facilities are located would have a material adverse effect on our operating results. Other jurisdictions, including states in close proximity to jurisdictions where we currently have operations, have considered and may consider legalizing casino gaming and other forms of competition. In addition, there is no limit on the number of gaming licenses that may be granted in several of the markets in which we operate. As a result, new gaming licenses could be awarded to facilities in these markets, which could allow new gaming operators to enter our markets that could have an adverse effect on our operating results.

We also compete with other forms of legalized gaming and entertainment such as online computer gambling, bingo, pull tab games, card parlors, sports books, "cruise-to-nowhere" operations, pari-mutuel or telephonic betting on horse racing and dog racing, state-sponsored lotteries, jai-alai, and, in the future, may compete with gaming at other venues. In addition, we compete more generally with other forms of entertainment for the discretionary spending of our customers.

Our continued success depends upon drawing customers from each of these geographic markets. We expect competition to increase as new gaming operators enter our markets, existing competitors expand their operations, gaming activities expand in existing jurisdictions and gaming is legalized in new jurisdictions. We cannot predict with any certainty the effects of existing and future competition on our operating results.

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

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

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

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

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

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

Several of our riverboats must comply with U.S. Coast Guard requirements as to boat design, on-board facilities, equipment, personnel and safety and must hold U.S. Coast Guard Certificates of Documentation and Inspection. The U.S. Coast Guard requirements also set limits on the operation of the riverboats and mandate licensing of certain personnel involved with the operation of the riverboats. Loss of a riverboat's Certificate of Documentation and Inspection could preclude its use as a riverboat casino. Each of our riverboats is inspected annually and, every five years, is subject to dry-docking for inspection of its hull, which could result in a temporary loss of service.

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

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

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

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

Legislation in various forms to ban indoor tobacco smoking has recently been enacted or introduced in many states and local jurisdictions, including several of the jurisdictions in which we operate. On January 1, 2008, a statewide smoking ban that includes casino floors went into effect in Colorado. This smoking ban in Colorado has had some negative impact on business volume at our Black Hawk properties, the long-term impact of which we cannot yet predict.

If additional restrictions on smoking are enacted in jurisdictions in which we operate, we could experience a significant decrease in gaming revenue and particularly, if such restrictions are not applicable to all competitive facilities in that gaming market, our business could be materially adversely affected.

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

We have a significant amount of indebtedness. As of April 26, 2009, we had approximately $1.3 billion of total debt outstanding.

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

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

- causing an event of default if we fail to satisfy the financial and restrictive covenants contained in the indenture and agreements governing our 7% senior subordinated notes due 2014, our senior secured credit facility and our other indebtedness, which could result in all of our debt becoming immediately due and payable, could permit our secured lenders to foreclose on the assets securing our secured debt and have other adverse consequences, any of which, if not cured or waived, could have a material adverse effect on us;

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

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

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

  i. borrow money;

  ii. make capital expenditures;

  iii. use assets as security in other transactions;

  iv. make restricted payments or restricted investments;

  v. incur contingent obligations; and

  vi. sell assets and enter into leases and transactions with affiliates.

A substantial portion of our outstanding debt bears interest at variable rates, although we have entered into interest rate protection agreements expiring in through fiscal year 2014 with counterparty banks with respect to a majority of our term loans under our senior debt agreement. If short-term interest rates rise, our interest cost will increase on the unhedged portion of our variable rate indebtedness, which will adversely affect our results of operations and available cash.

Any of the factors listed above could have a material adverse effect on our business, financial condition and results of operations. In addition, although based on our current level of operations, we believe that our operating cash flow, available cash and available borrowings under our senior secured credit facility will be sufficient to meet our anticipated future liquidity needs, we cannot assure you that our business will continue to generate sufficient cash flow, or that future available draws under our senior secured credit facility will be sufficient, to enable us to meet our liquidity needs, including those needed to service our indebtedness.

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

The terms of the indenture and agreements governing the senior subordinated 7% notes, our senior secured credit facility and our other indebtedness limit, but do not prohibit, us or our subsidiaries from incurring significant additional indebtedness in the future.

As of April 26 2009, we had the capacity to incur additional indebtedness, including the ability to incur additional indebtedness under all of our lines of credit, of approximately $348 million. Refer to Footnote 8, Long-Term Debt in the Notes to our Consolidated Financial Statements, for additional discussion on our Senior Secured Credit Facility. Approximately $14.9 million of these lines of credit were used to support letters of credit. Our capacity to issue additional indebtedness is subject to the limitations imposed by the covenants in our senior secured credit facility and the indenture governing our senior subordinated 7% notes. The indenture governing our senior subordinated 7% notes and our senior secured credit facility contain financial and other restrictive covenants, but will not fully prohibit us from incurring additional debt. If new debt is added to our current level of indebtedness, the related risks that we now face could intensify.

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

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

- our ability to successfully identify attractive acquisition and development opportunities;
- our ability to successfully operate any developed or acquired properties;
- our ability to attract and retain competent management and employees for the new locations;
- our ability to secure required federal, state and local licenses, permits and approvals, which in some jurisdictions are limited in number and subject to intense competition; and
- the availability of adequate financing on acceptable terms.

Many of these factors are beyond our control. There have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. Many analysts are predicting that these disruptions may continue for the foreseeable future. Accordingly, it is likely that we are dependent on free cash flow from operations and remaining borrowing capacity under our senior secured credit facility to implement our near-term expansion plans and fund our planned capital expenditures. As a result of these and other considerations, we cannot be sure that we will be able to recover our investments in any new gaming development opportunities or acquired facilities, or successfully expand to additional locations.

We may experience construction delays during our expansion or development projects which could adversely affect our operations.

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

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

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

Members of the Goldstein family control a large percentage of our common stock and their decisions may differ from those that may be made by other shareholders.

Bernard Goldstein, our current Chairman and former Chief Executive Officer, his sons, including Robert Goldstein, our Vice Chairman and Jeffrey Goldstein, one of our directors; and various family trusts associated with members of the Goldstein Family, collectively own and control approximately 50% of our common stock, as of April 26, 2009. Although the members of the Goldstein family are free to vote their shares differently than one another, the Goldstein family will be able to exert a significant amount of control over the election of our board of directors and the vote on substantially all other matters, including significant corporate transactions, such as the approval of a merger or other transactions involving a sale of us. The interests of the Goldstein family may differ from those of our other shareholders.

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

We earned income from continuing operations of $59.4 million in fiscal year 2009 and sustained a net (loss) from continuing operations of ($38.1) million in fiscal year 2008. Companies with fluctuations in income (loss) from continuing operations often find it more challenging to raise capital to finance improvements in their businesses and to undertake other activities that return value to their shareholders. In addition, companies with operating results that fluctuate significantly on a quarterly or annual basis experience increased volatility in their stock prices in addition to difficulties in raising capital. We cannot assure you that we will not have fluctuations in our income (losses) from continuing operations in the future, and should that occur, that we would not suffer adverse consequences to our business as a result, which could decrease the value of our common stock.

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

The operations of our facilities are subject to disruptions or reduced patronage as a result of severe weather conditions, natural disasters and other casualties. Because many of our gaming operations are located on or adjacent to bodies of water, these facilities are subject to risks in addition to those associated with other casinos, including loss of service due to casualty, forces of nature, mechanical failure, extended or extraordinary maintenance, flood, hurricane or other severe weather conditions. In addition, severe weather such as high winds and blizzards occasionally limits access to our land-based facilities in Colorado. While our business interruption insurance has historically provided sufficient coverage for our losses, we cannot be sure that the proceeds from any future claim will be sufficient to compensate us if one or more of our casinos experience a closure.

Reductions in discretionary consumer spending as a result of downturns in the economy could have a material, adverse effect on our business.

Our business has been and may continue to be adversely affected by the economic recession currently being experienced in the United States, as we are highly dependent on discretionary spending by our patrons. Changes in discretionary consumer spending or consumer preferences brought about by factors such as increased unemployment, significant increases in energy prices such as occurred in the first half of 2008, perceived or actual deterioration in general economic conditions, the current housing market crisis, the current credit crisis, bank failures and the potential for additional bank failures, perceived or actual decline in disposable consumer income and wealth, the current global economic recession and changes in consumer confidence in the economy may continue to reduce customer demand for the leisure activities we offer and may adversely affect our revenues and operating cash flow. We are not able to predict the length or severity of the current economic condition.

The market price of our common stock may fluctuate significantly.

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

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

Some of our employees are currently represented by a labor union or have begun organizing a drive for labor union representation. A lengthy strike or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and results of operations. Labor unions are making a concerted effort to recruit more employees in the gaming industry. In addition, organized labor may benefit from new legislation or legal interpretations by the current presidential administration. We cannot provide any assurance that we will not experience additional or more successful union activity in the future.

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In addition to the foregoing, you should consider each of the factors set forth in this Annual Report in evaluating our business and our prospects. The factors described in our Part 1, Item 1A are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. This Annual Report is qualified in its entirety by these risk factors. If any of the foregoing risks actually occur, our business, financial condition and results of operation could be materially harmed. In that case, the trading price of our securities, including our common stock, could decline significantly.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Lake Charles

We own approximately 2.7 acres and lease approximately 16.2 acres of land in Calcasieu Parish, Louisiana for use in connection with the Isle-Lake Charles. This lease automatically renewed in March 2005 for five years and we have the option to renew it for fifteen (15) additional terms of five years each, subject to increases based on the Consumer Price Index ("CPI") with a minimum of 10% and construction of hotel facilities on the property. We own two hotels in Lake Charles with a total of 493 rooms. Annual rent payments under the Lake Charles lease are approximately $2.1 million.

Lula

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

Biloxi

We lease the real estate upon which some of our land-based facilities, including the casino, are located from the City of Biloxi and the Mississippi Secretary of State at current annual rent of $561,800 per year, plus 3% of our Biloxi property's gross gaming revenues, net of state and local gaming taxes and fees, in excess of $25.0 million. The lease renews for a five year term on July 1, 2009, with renewal options for four additional terms of five years each and a sixth option renewal term, concluding on January 31, 2034, subject to rent increases based on the CPI, limited to 6% for each renewal period. We also lease our Biloxi berth from the Biloxi Port Commission at an annual rent of the greater of $510,000 or 1% of the gross gaming revenue net of state and local gaming taxes. The lease terminates on July 1, 2014 and we have the option to renew it for six additional terms of five years each subject to increases based on the CPI, limited to 6% for each renewal period.

In April 1994, in connection with the construction of a hotel, we entered into a lease for additional land adjoining our Biloxi property. This lease with the City of Biloxi and the Mississippi Secretary of State is for an initial term of 25 years, with options to renew for six additional terms of ten years each and a final option period concluding December 31, 2085. Current annual rent is $605,000 plus 4% of gross non-gaming revenues, as defined in the lease, and renewals are subject to rent increases based on the CPI. The annual rent is adjusted after each five-year period based on increases in the CPI, limited to a 10% increase in any five-year period.

In August 2002, we entered into a lease for two additional parcels of land adjoining our property and the hotel. On the parcel adjoining the Biloxi property, we constructed a multi-level parking garage that has approximately 1,000 parking spaces. There is additional ground level parking on a parcel of land in front of the garage, also subject to this lease, with approximately 600 parking spaces. We have constructed a 400-room addition to the existing hotel on the parcel leased next to the existing hotel. In addition, we may construct a hotel above the parking garage. This lease with the City of Biloxi and the Mississippi Secretary of State is for an initial term of forty years, with one option to renew for an additional twenty-five years and additional options thereafter, with the consent of the Mississippi Secretary of State, consistent with the term of the lease described in the preceding paragraph. When combined with the base and percentage rents described for the leases in the preceding two paragraphs, annual rent under those two leases and this lease was $3.8 million for lease year ending July 31, 2008, and estimated to be $4.1 million for the lease year ending July 31, 2009. The minimum rent for the lease year beginning August 1, 2008 will be $4.1 million in accordance with the terms of the lease agreement. Such amounts are subject to decreases due to market adjustments and increases based on the CPI. Also, we are responsible for annual rent equal to 4% of gross retail revenue and gross cash revenue (as defined in the lease), but without double counting. If the rent minimum described in the preceding sentences is not otherwise satisfied from other rents, then this percentage rent is not in addition to the minimum rent, but rather is to be applied to that minimum.

In connection with and pursuant to a settlement between the City of Biloxi and the State of Mississippi concerning the control and management of the area where we are located, we also have agreed to pay the City of Biloxi's lease obligations to the State of Mississippi for an agreed upon period of time. This amount is $580,000 per year, payable on June 30, subject to increases based on the CPI and decreases if there are other tenants of the subject property. This obligation ends after June 2018 but may be renewed for thirty years.

We have also entered into a joint venture arrangement to sublease a surface parking lot next to our Biloxi property. Our portion of the annual rent under this lease is approximately $227,000. The current term is for five years expiring December 31, 2010, with a renewal option for an additional five-year term (under which our annual rent would increase based on the CPI), extending the lease through December 31, 2015, if exercised.

Natchez

Through numerous lease agreements, we lease approximately 24 acres of land in Natchez, Mississippi that are used in connection with the operations of our Natchez property. Unless terminated by us at an earlier date, the leases have varying expiration dates through 2037. Annual rent under the leases total approximately $1.2 million. We also lease approximately 7.5 acres of land that is utilized for parking at the facility. We own approximately 6 additional acres of property in Natchez, Mississippi, as well as the property upon which our hotel is located.

Kansas City

We lease approximately 28 acres from the Kansas City Port Authority in connection with the operation of our Kansas City property. The term of the original lease was ten years and expired in October 2006 and was renewed for an additional five years. The lease includes seven additional five-year renewal options. The minimum lease payments are indexed to correspond to any rise or fall in the CPI, initially after the ten-year term of the lease or October 18, 2006 and thereafter, at each five year renewal date. Rent under the lease currently is the greater of $2.6 million (minimum rent) per year, or 3.25% of gross revenues, less complimentaries.

Boonville

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

Table of Contents

Caruthersville

We own approximately 37 acres, including our riverboat casino and 1,000 parking spaces in Caruthersville, Missouri.

Bettendorf

We own approximately 24.6 acres of land in Bettendorf, Iowa used in connection with the operations of our Bettendorf property. We also operate under a long-term lease with the City of Bettendorf, the QC Waterfront Convention Center that is adjacent to our new hotel tower. Future minimum payments associated with the convention center are approximately $1.1 million per year. We also lease approximately eight acres of land on a month-to-month basis from an entity owned by family members of our chairman, Bernard Goldstein, including Robert S. Goldstein, our vice chairman and director and Jeffrey D. Goldstein, a director of our company, which we utilize for parking and warehouse space. The initial term of the lease expires sixty days after written notice is given to either party and rent under the lease is currently $23,360 per month.

Davenport

Pursuant to various lease agreements, we lease approximately twelve acres of land in Davenport, Iowa used in connection with the operations of Rhythm City-Davenport. The aggregate annual rent on these leases is approximately $0.3 million and they have varying expiration dates through 2022.

Marquette

We lease the dock site in Marquette, Iowa that is used in connection with our Marquette operations. The lease expires in 2019, and annual rent under the lease is approximately $180,000, plus $1.00 per passenger, plus 2.5% of gaming revenues (less state wagering taxes) in excess of $20.0 million but less than $40.0 million; 5% of gaming revenues (less state wagering taxes) in excess of $40.0 million but less than $60.0 million; and 7.5% of gaming revenues (less state wagering taxes) in excess of $60.0 million. We also lease approximately two acres of land used for the employee parking lot that is a month-to-month rental of $417 and an easement related to an overhead pedestrian bridge and driveway that is an annual payment of approximately $6,300. We also own approximately 25 acres of land for the pavilion, hotel, satellite offices, warehouse, lots by the marina and other property.

Waterloo

The casino occupies approximately 54 acres of owned land. We also entered into a one-year lease agreement for 17,517 square feet of warehouse space. Rent under this lease is currently $4,306 per month.

Black Hawk

We own approximately 10.1 acres of land in Black Hawk, Colorado for use in connection with our Black Hawk operations. The property leases an additional parcel of land adjoining the Isle of Capri Black Hawk where the Colorado Central Station Hotel and parking are located. This lease is for an initial term of nine years with options to renew for eighteen additional terms of five years each with the final option period concluding June 1, 2094. Annual rent is currently $1.8 million indexed to correspond to any rise or fall in the CPI at one-year intervals, not to exceed a 3% increase or decrease from the previous year's rate.

Table of Contents

The Colorado Central Station-Black Hawk

We own or lease approximately 7.1 acres of land in Black Hawk, Colorado for use in connection with the Colorado Central Station-Black Hawk. The property leases an additional parcel of land near the Colorado Central Station-Black Hawk for parking described above. This lease is for an initial term of ten years with options to renew for nine additional terms of ten years each with the final option period concluding August 2094. Currently the annual rent is $576,000 and renewals are subject to 20% rent increases over the rate of the previous term.

Pompano

We own approximately 223 acres at Pompano.

Our Lucaya

We lease the casino at Our-Lucaya under the terms of a two-year lease which commenced June 1, 2007. In May 2009, we entered into an agreement to continue operating the Isle of Capri Casino in Freeport, Grand Bahama during a transition period, following which we intend to exit the operation. Under the agreement, we will also continue to assist the Government of the Bahamas and the owner of the Our Lucaya Resort, Hutchison Lucaya Ltd, in their efforts to identify and select a new operator for the casino. The term of the transition period ends on August 31, 2009, although under certain circumstances, it may be extended for up to two additional months in order to allow sufficient time for a new operator to receive necessary approvals.

Blue Chip-Dudley

Through our two-thirds ownership interest in Blue Chip, plc, we own the approximately 12,000 square-foot building used for the Blue Chip-Dudley casino operation. We also own an 8,000 square-foot parking area for the casino.

Blue Chip-Wolverhampton

Through our two-thirds ownership interest in Blue Chip, plc, we own the approximately 12,000 square-foot building used for the Blue Chip-Wolverhampton casino operation. We also own a 2,000 square foot parking area for the casino.

Other

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

We lease our principal corporate office in Creve Coeur, Missouri, and our regional offices in Biloxi, Mississippi, and Boca Raton, Florida.

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

Table of Contents

ITEM 3. LEGAL 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 April 26, 2009, we have accrued an estimated liability including interest of $9.8 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 that 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 that they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of our security holders during the fourth quarter of the fiscal year 2009.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a)

i.

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

	High	Low
First Quarter (through June 22, 2009)	$ 13.61	$ 8.65
Fiscal Year Ending April 26, 2009		
Fourth Quarter	$ 9.27	$ 2.63
Third Quarter	5.29	2.37
Second Quarter	9.08	3.57
First Quarter	7.45	4.20
Fiscal Year Ending April 27, 2008		
Fourth Quarter	$ 11.57	$ 6.62
Third Quarter	20.62	10.00
Second Quarter	21.44	18.17
First Quarter	25.56	21.51

ii.

Holders of Common Stock. As of June 23, 2009, there were approximately 1,400 holders of record of our common stock.

iii.

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

Table of Contents

iv.

Equity Compensation Plans. The following table provides information about securities authorized for issuance under our 1993 and 2000 Employee Stock Option Plans, and our Deferred Bonus Plan, for the fiscal year 2009.

Plan category	**(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**(b) Weighted-average exercise price of outstanding options, warrants and rights**	**(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders	1,520,040	$ 12.30	1,780,930
Equity compensation plans not approved by security holders			
Total	1,520,040	$ 12.30	1,780,930

(b)

Issuance of Unregistered Securities

None.

(c)

Purchases of our Common Stock

The following table provides information related to our purchases of Isle of Capri Casinos, Inc. common stock:

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Programs(1)**	**Maximum Number of Shares that May Yet Be Purchased Under the Programs(1)**
January 26, 2009 to February 22, 2009		$		1,104,208
February 23, 2009 to March 29, 2009				1,104,208
March 30, 2009 to April 26, 2009				1,104,208
Total				1,104,208

(1) We have repurchased shares of our common stock under stock repurchase programs. These programs authorize us to repurchase of up to 6,000,000 shares of our common stock. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amounts, nor any expiration dates.

Table of Contents

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Amont Isle of Capri Casinos, Inc., The NASDAQ Composite Index
And The Dow Jones US Gambling Index

* $100 invested on 4/25/04 in stock or 4/30/04 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA.

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

	Fiscal Year Ended(1)				
	April 26, 2009	April 27, 2008	April 29, 2007	April 30, 2006	April 24, 2005
	(dollars in millions, except per share data)				
Statement of Operations					
Revenues:					
Casino	$ 1,066.1	$ 1,107.2	$ 1,007.5	$ 996.6	$ 950.6
Rooms	46.4	49.5	49.5	37.0	33.1
Pari-mutuel, food, beverage and other	140.0	151.6	147.1	145.5	143.9
Hurricane and other insurance recoveries	62.9	0.3	2.8		
Gross revenues	1,315.4	1,308.6	1,206.9	1,179.1	1,127.6
Less promotional allowances	(196.8)	(200.9)	(214.4)	(200.0)	(188.1)
Net revenues	1,118.6	1,107.7	992.5	979.1	939.5
Operating expenses:					
Casino	154.5	154.3	156.5	148.2	153.9
Gaming taxes	270.9	286.8	210.0	219.1	214.8
Rooms	12.2	12.0	9.8	8.5	7.4
Pari-mutuel, food, beverage and other	53.2	58.6	46.1	46.5	44.0
Marine and facilities	65.5	66.7	59.8	56.7	56.4
Marketing and administrative	263.1	279.1	264.5	242.6	221.9
Corporate and development	41.3	48.6	57.0	50.3	41.1
Valuation charges	36.1	6.5	7.8	3.8	4.3
Hurricane and other insurance recoveries	(32.3)	(1.8)			
Preopening		3.7	11.4	0.3	0.2
Depreciation and amortization	122.5	128.9	97.0	86.9	79.8
Total operating expenses	987.0	1,043.4	919.9	862.9	823.8
Operating income	131.6	64.3	72.6	116.2	115.7
Interest expense	(92.1)	(106.8)	(88.1)	(75.2)	(64.6)
Interest income	2.1	3.3	7.1	2.3	1.2
Gain (loss) on early extinguishment of debt	57.7	(15.3)		(2.1)	(5.3)
Income (loss) from continuing operations before income taxes and minority interest	99.3	(54.5)	(8.4)	41.2	47.0
Income tax benefit (provision)	(39.9)	21.3	(2.8)	(8.4)	(16.1)
Minority interest		(4.9)	(3.6)	(6.5)	(5.8)
Income (loss) from continuing operations	59.4	(38.1)	(14.8)	26.3	25.1
(Loss) income from discontinued operations, net of income taxes	(15.8)	(58.8)	10.2	(7.4)	(5.4)
Net income (loss)	$ 43.6	$ (96.9)	$ (4.6)	$ 18.9	$ 19.7

Table of Contents

	Fiscal Year Ended(1)				
	April 26, 2009	April 27, 2008	April 29, 2007	April 30, 2006	April 24, 2005
	(dollars in millions, except per share data)				
Statement of Operations Data (continued):					
Income (loss) per common share:					
Basic					
Income (loss) from continuing operations	$ 1.89	$ (1.24)	$ (0.49)	$ 0.88	$ 0.85
Income (loss) from discontinued operations	(0.50)	(1.92)	0.34	(0.25)	(0.19)
Net Income (loss)	$ 1.39	$ (3.16)	$ (0.15)	$ 0.63	$ 0.66
Diluted					
Income (loss) from continuing operations	$ 1.89	$ (1.24)	$ (0.49)	$ 0.84	$ 0.81
Income (loss) from discontinued operations	(0.50)	(1.92)	0.34	(0.24)	(0.17)
Net Income (loss)	$ 1.39	$ (3.16)	$ (0.15)	$ 0.60	$ 0.64
Other Data:					
Net cash provided by (used in):					
Operating activities	$ 190.6	$ 133.4	$ 70.9	$ 86.7	$ 169.6
Investing activities	$ (27.9)	$ (302.4)	$ (197.3)	$ (176.4)	$ (213.8)
Financing activities	$ (157.2)	$ 72.5	$ 193.5	$ 64.9	$ 55.4
Capital expenditures*	$ 58.6	$ 190.5	$ 451.4	$ 224.4	$ 187.9
Operating Data:					
Number of slot machines	15,666	15,756	14,484	12,875	12,672
Number of table games	414	463	370	483	485
Number of hotel rooms	3,104	3,107	2,672	2,652	2,129
Average daily occupancy rate	70.2%	71.2%	79.2%	81.7%	84.8%
Balance Sheet Data:					
Cash and cash equivalents	$ 96.7	$ 91.8	$ 188.1	$ 121.0	$ 146.5
Total assets	$ 1,782.7	$ 1,974.2	$ 2,075.7	$ 1,877.7	$ 1,735.5
Long-term debt, including current portion	$ 1,301.1	$ 1,507.3	$ 1,418.0	$ 1,219.1	$ 1,153.8
Stockholders' equity	$ 228.4	$ 188.0	$ 281.8	$ 280.2	$ 260.1

* Excludes: destroyed Biloxi casino barge of $7.4 million in fiscal 2005 and $36.8 million in fiscal 2006, and Biloxi temporary casino of $37.9 million in fiscal 2006 and discontinued operations of Vicksburg and Bossier City

(1) Our fiscal year ended April 30, 2006 includes 53 weeks while all other fiscal years include 52 weeks. The results reflect Bossier City, Blue Chip, Colorado Grand-Cripple Creek, Coventry and Vicksburg discontinued operations. We opened new casino operations in Pompano and Waterloo in April 2007 and June 2007, respectively. We acquired our casino operations in Caruthersville in June 2007.

Table of Contents

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

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

Executive Overview

We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States. We have intentionally sought geographic diversity to limit the risks caused by weather, regional economic difficulties and local gaming authorities and regulations. We currently operate casinos in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. We also operate a harness racing track at our casino in Florida. Internationally we currently operate casinos in Dudley and Wolverhampton, England, which are classified as discontinued operations and in Freeport, Grand Bahamas.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with and giving consideration to the following:

Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere in this Annual Report.

Impact of Current Economic Conditions The current state of the United States economy has negatively impacted our results of operations through fiscal 2009. The turmoil in the credit and other financial markets, and in the broader global economy has exacerbated these trends and consumer confidence has been significantly impacted, as evidenced by broader indications of consumer behavior such as trends in auto and other retail sales. We believe that our customers have reduced their discretionary spending as a result of these adverse economic conditions. Given these economic conditions, we have increasingly focused on managing costs. Given the uncertainty in the economy and the unprecedented nature of the situation with the financial and credit markets, forecasting future results has become very difficult.

Items Impacting Income (Loss) from Continuing Operations Significant items impacting our income (loss) from continuing operations during the fiscal years ended April 26, 2009, April 27, 2008 and April 29, 2007 are as follows:

	Fiscal Year Ended		
	April 26, 2009	**April 27, 2008**	**April 29, 2007**
Hurricane and other insurance recoveries, net	$ 95.2	$ 2.1	$ 2.8
Valuation charges	(36.1)	(6.5)	(7.8)
Pre-opening expenses		(3.6)	(11.4)
Minority interest		(4.9)	(3.6)
Gain (loss) on early extinguishment of debt	57.7	(15.3)	

Hurricane and Other Insurance Recoveries, net Our insurance recoveries for fiscal year 2009 include $92.2 million relating to the final settlement of our Hurricane Katrina claim at our Biloxi property and other insurance recoveries.

Valuation Charges As a result of our annual impairment tests of goodwill and long-lived intangible assets under SFAS 142, we recorded impairment charges of $18.3 million at our Black Hawk property

Table of Contents

in fiscal 2009 and $7.8 million at our Lula property in fiscal year 2007. The results from operations for the fiscal year 2009 also include a $11.9 million write-off of construction in progress at our Biloxi property following our decision not to continue a previously anticipated current construction project, in its current form and a $6.0 million charge following our termination of an agreement for a potential development of a casino in Portland, Oregon. Fiscal year 2008 results also include $6.5 million of charges related to the termination of our plans to develop a new casino in west Harrison County, Mississippi and the cancellation of construction projects in Davenport, Iowa and Kansas City, Missouri.

Opening/Acquisition of New Properties and Pre-opening Expenses During fiscal year 2008, our operating results were impacted by the opening of the slot gaming facility at our Pompano facility in April 2007, the acquisition of our Caruthersville, Missouri casino in June 2007 and the opening of our Waterloo, Iowa casino in June 2007. The periods prior to the opening of each of our new casino operations were impacted by pre-opening expenses.

Acquisition of Minority Interest On January 27, 2008, we acquired the remaining 43% minority interest in our Black Hawk, Colorado casino properties for $64.8 million.

Gain (Loss) on Early Extinguishment of Debt During February of 2009, we retired $142.7 million of our senior subordinated notes, through a tender offer, for a cash payment of $82.8 million. After expenses related to the elimination of deferred financing costs and transactions costs, we recognized a pretax gain of $57.9 million related to the transaction. During March 2009, we permanently repaid $35.0 million of our variable rate term loans as required under our senior secured credit facility with proceeds from our Hurricane Katrina insurance settlement resulting in a loss on early extinguishment of debt of $0.2 million due to the write-off of deferred financing cost.

We recorded a total of $15.3 million in losses associated with the early extinguishment of debt during fiscal year 2008, including a $9.0 million call premium paid to retire $200.0 million of our 9% Senior Subordinated Notes, and $6.3 million of deferred financing costs associated with the retired debt instruments.

Discontinued Operations Discontinued operations include the results of our Coventry, Blue Chip, Bossier City and Vicksburg Properties. On April 23, 2009, we completed the sale of our assets and terminated our lease of Arena Coventry Convention Center relating to our casino operations in Coventry, England. Our lease termination costs and other expenses, net of cash proceeds from our assets sales, resulted in a pretax charge of $12.0 million recorded in fiscal year 2009 related to our discontinued Coventry operations. Our Blue Chip casino operations are classified as discontinued operations with assets held for sale at the end of fiscal year 2009 and we recorded a $1.4 million charge to reduce the assets held for sale to their estimated fair value. Our Bossier City and Vicksburg properties were sold during fiscal year 2007 and our discontinued operating results include a pretax gain of $23.2 million.

Smoking Restrictions While we have benefited at our Bettendorf and Davenport Iowa properties from a smoking ban that impacts a competitor, the smoking ban enacted in Colorado during January 2008 has had a continuing adverse impact on our overall operating results at our Black Hawk, Colorado properties.

Increased Competition The introduction of table games and expansion of Class III gaming at competing Native American casinos, beginning July 2008, has had a negative impact on our Pompano property's net revenues and operating results. The opening of a competing land-based facility, which replaced a riverboat operation in the Quad Cities area during December 2008, has had a negative impact on net revenues and operating results at our Bettendorf and Davenport, Iowa properties. Following the impact of Hurricane Katrina in the fall of 2005, our Mississippi properties in Biloxi and Natchez experienced strong revenue growth as a result of limited competition on the Gulf Coast. Since that time, the Gulf Coast has seen recovery in casino development which, combined with the closure of the Biloxi/Ocean Springs bridge through November 1, 2007, has significantly reduced our market share in Biloxi from their artificially high post-Katrina levels. Patron counts have decreased at our Natchez property as gaming patrons who were displaced by hurricanes have returned to the Gulf Coast. In Louisiana, our Lake Charles property experienced higher gaming revenues in fiscal year 2007 due to the closure of competitors' facilities as a result of Hurricane Rita. Competition has reopened which has resulted in decreased gaming revenues at our Lake Charles property in fiscal years 2008 and 2009 as compared to fiscal year 2007.

Results of Operations

Our results of continuing operations for the fiscal years ended April 26, 2009, April 27, 2008 and April 29, 2007 reflect the consolidated operations of all of our subsidiaries. Fiscal year 2008 and 2007 results have been reclassified to reflect the classification of certain operations as discontinued. This includes our Coventry and Blue Chip Casino operations in the UK classified as discontinued operations in the fourth quarter of fiscal 2009 and our Vicksburg, Mississippi and the Bossier City, Louisiana properties which were sold on July 31, 2006.

Our fiscal year ends on the last Sunday in April. This fiscal year convention creates more comparability of our quarterly operations, by generally having an equal number of weeks (13) and weekend days (26) in each quarter. Periodically, this convention necessitates a 53-week year. The fiscal years ended April 26, 2009, April 27, 2008 and April 29, 2007 were 52-week years.

Table of Contents

ISLE OF CAPRI CASINOS, INC.
(In thousands)

	Net Revenues Fiscal Year Ended			Operating Income (Loss) Fiscal Year Ended		
(in thousands)	**April 26, 2009**	**April 27, 2008**	**April 29, 2007**	**April 26, 2009**	**April 27, 2008**	**April 29, 2007**
Mississippi						
Biloxi	$ 83,519	$ 90,586	$ 147,825	$ (7,952)	$ (3,538)	$ 26,948
Natchez	35,936	35,707	40,864	9,674	7,412	9,391
Lula	70,987	75,399	83,068	11,498	11,034	12,031
Mississippi Total	190,442	201,692	271,757	13,220	14,908	48,370
Louisiana						
Lakes Charles	152,112	159,470	168,540	22,041	20,623	19,868
Missouri						
Kansas City	74,435	75,630	82,269	10,369	8,121	7,258
Boonville	78,581	79,816	81,156	20,737	19,485	17,884
Caruthersville(1)	31,579	26,857		1,638	2,574	
Missouri Total	184,595	182,303	163,425	32,744	30,180	25,142
Iowa						
Bettendorf	91,657	92,429	87,699	20,090	18,967	17,120
Davenport	49,005	52,333	60,483	10,351	8,834	8,094
Marquette	29,875	32,968	37,593	3,704	4,380	4,802
Waterloo(2)	80,543	64,650		11,377	5,661	(36)
Iowa Total	251,080	242,380	185,775	45,522	37,842	29,980
Colorado						
Black Hawk/Colorado Central Station	123,382	144,521	153,718	16,588	30,811	27,894
Florida						
Pompano(2)	142,672	160,831	29,453	(8,324)	(7,442)	(10,370)
International						
Our Lucaya	10,969	15,548	16,777	(2,934)	(835)	7,192
Insurance Recoveries(3)	62,932	348	2,817	95,209	2,105	2,817
Valuation Charges(4)				(36,125)	(6,526)	(7,800)
Pre-opening(2)					(3,654)	(11,433)
Corporate and Other	458	597	233	(46,341)	(53,689)	(59,135)
From Continuing Operations	$ 1,118,642	$ 1,107,690	$ 992,495	$ 131,600	$ 64,323	$ 72,525

Note: The table excludes our Vicksburg, Bossier City and United Kingdom properties which have been classified as discontinued operations.

(1) Reflects results since the June 2007 acquisition effective date.

(2) Waterloo and Pompano opened for operations in June 2007 and April 2007, respectively. Pre-opening expenses related to these properties are included in pre-opening and other.

(3) Insurance recoveries include proceeds under insurance policies related to hurricanes, floods and insurable events. Fiscal year 2009 includes $92,179 of insurance proceeds from the final settlement of our Hurricane Katrina claim at our Biloxi property.

(4) Valuation charges for fiscal years 2009 and 2007 include goodwill and other intangible impairments of $18,269 and $7,800 related to our Black Hawk and Lula properties, respectively. Other valuation charges for fiscal 2009 and 2008 result from our decisions to discontinue certain development projects and included; $11,856 in fiscal year 2009 related to our Biloxi property and $6,000 for

Table of Contents

termination of a development project in Portland; and $6,526 in fiscal year 2008 related to Kansas City, Davenport and a former development project.

Fiscal Year 2009 Compared to Fiscal Year 2008

Revenues

Revenues for the fiscal years 2009 and 2008 are as follows:

(in thousands)	Fiscal Year Ended April 26, 2009	April 27, 2008	Variance	Percentage Variance
Revenues:				
Casino	$ 1,066,162	$ 1,107,246	$ (41,084)	-3.7%
Rooms	46,380	49,498	(3,118)	-6.3%
Pari-mutuel, food, beverage and other	139,957	151,530	(11,573)	-7.6%
Hurricane and other insurance recoveries	62,932	348	62,584	N/M
Gross revenues	1,315,431	1,308,622	6,809	0.5%
Less promotional allowances	(196,789)	(200,932)	4,143	2.1%
Net revenues	$ 1,118,642	$ 1,107,690	10,952	1.0%

Casino Revenues Casino revenues decreased $41.1 million, or 3.7% in fiscal year 2009 compared to fiscal year 2008. We experienced a decrease in casino revenues at most of our properties primarily as a result of the continued deterioration in discretionary consumer spending in conjunction with poor economic conditions. Our Black Hawk properties' $24.2 million decline in casino revenues as compared to fiscal year 2008 also reflects the impact of a statewide smoking ban effective for Colorado casinos on January 1, 2008. The $8.4 million decrease in casino revenues at our Pompano slot facility also reflects the expansion of nearby competing Native American casinos. Decreases in our casino revenues were partially offset by increases in casino revenues of $20.5 million at our Waterloo and Caruthersville properties due to the casinos being opened for a full twelve months in fiscal 2009 compared to only ten and nine months, respectively, in fiscal 2008.

Rooms Revenue Rooms revenue decreased $3.1 million, or 6.3% in fiscal year 2009 compared to fiscal year 2008 primarily resulting from decreased occupancy and lower average room rates as a result of reduced consumer demand for rooms.

Pari-mutuel, Food, Beverage and Other Revenues Pari-mutuel, food, beverage and other revenues decreased $11.6 million, or 7.6% in fiscal year 2009 compared to fiscal year 2008 corresponding to an overall reduction in casino revenues and due to decreases in consumer spending caused by current economic conditions. Pari-mutuel commissions and fees earned at Pompano decreased $3.3 million, or 17.1% compared to the prior fiscal year due to decreases in wagering. These decreases were offset by increases at our Waterloo and Caruthersville properties due to the casinos being opened for a full twelve months in fiscal 2009 compared to only ten and nine months, respectively in fiscal 2008.

Promotional Allowances Promotional allowances, which are made up of complimentary revenues, cash points and coupons, are rewards that we give our loyal customers to encourage them to continue to patronize our properties. These allowances decreased by $4.1 million in fiscal year 2009 compared to fiscal year 2008 primarily due to a decrease in patrons. For fiscal year 2009 and 2008, promotional allowances as a percentage of casino revenues were 18.5% and 18.1%, respectively.

Table of Contents

Operating Expenses

Operating expenses for the fiscal years 2009 and 2008 are as follows:

(in thousands)	Fiscal Year Ended April 26, 2009	Fiscal Year Ended April 27, 2008	Variance	Percentage Variance
Operating expenses:				
Casino	$ 154,538	$ 154,263	$ 275	0.2%
Gaming taxes	270,882	286,746	(15,864)	-5.5%
Rooms	12,175	12,031	144	1.2%
Pari-mutuel, food, beverage and other	53,143	58,676	(5,533)	-9.4%
Marine and facilities	65,504	66,656	(1,152)	-1.7%
Marketing and administrative	263,164	279,009	(15,845)	-5.7%
Corporate and development	41,331	48,619	(7,288)	-15.0%
Valuation charges	36,125	6,526	29,599	453.6%
Hurricane and other insurance recoveries	(32,277)	(1,757)	(30,520)	N/M
Pre-opening		3,654	(3,654)	-100.0%
Depreciation and amortization	122,457	128,944	(6,487)	-5.0%
Total operating expenses	$ 987,042	$ 1,043,367	(56,325)	-5.4%

Casino Casino operating expenses increased nominally year over year. These expenses are primarily comprised of salaries, wages and benefits and other operating expenses of our casinos. Casino properties opened in fiscal year 2008 experienced a $7.6 million increase in year over year casino expenses while casino properties operating for both years experienced a $7.3 million reduction in casino expenses corresponding to an overall decrease in gaming revenues and management's increased focus on cost management.

Gaming Taxes State and local gaming taxes decreased by $15.9 million, or 5.5%, in fiscal year 2009 compared to fiscal year 2008. This reduction in gaming taxes is primarily a result of a 3.7% decrease in casino gaming revenue and changes in gaming revenues among states with differing gaming tax rates and refund of a $1.9 million in gaming taxes at our Pompano facility following an agreement reached with the State of Florida regarding the interpretation of the gaming tax calculation based on gaming taxes paid since Pompano's opening.

Pari-mutuel, Food, Beverage and Other Pari-mutuel, food, beverage and other expenses decreased $5.5 million, or 9.4%, in fiscal year 2009 as compared to fiscal year 2008. The reduction in food and beverage expenses corresponds to a reduction in overall food and beverage revenues with food and beverage expenses as a percentage of gross food and beverage revenues remaining consistent at approximately 37% in both fiscal year 2009 and 2008. These expenses consist primarily of the cost of goods sold, salaries, wages and benefits and other operating expenses of these departments. This decrease reflects the reductions in our food, beverage and other revenues. Pari-mutuel operating costs of Pompano decreased $3.0 million in fiscal year 2009 compared to fiscal year 2008. Such costs consist primarily of compensation, benefits, purses, simulcast fees and other direct costs of track operations. The decreases in current year as compared to prior year are a result of cost reductions related to our pari-mutuel operations.

Marine and Facilities These expenses include salaries, wages and benefits of the marine and facilities departments, operating expenses of the marine crews, maintenance of public areas, housekeeping and general maintenance of the riverboats and pavilions. Marine and facilities expenses decreased $1.2 million, or 1.7%, in fiscal year 2009 compared to fiscal year 2008 and is the result of headcount reductions and cost management.

Table of Contents

Marketing and Administrative These expenses include salaries, wages and benefits of the marketing and sales departments, as well as promotions, direct mail, advertising, special events and entertainment. Administrative expenses include administration and human resource department expenses, rent, professional fees, insurance and property taxes. The $15.8 million decrease in marketing and administrative expenses in fiscal year 2009 compared to fiscal year 2008, reflects our decision to reduce marketing costs to less profitable customer segments and to reduce our administrative costs.

Corporate and Development During fiscal year 2009, our corporate and development expenses were $41.3 million compared to $48.6 million for fiscal year 2008. This decrease in corporate and development expense reflects our continued efforts to reduce our corporate overhead and includes reductions of $3.5 million in professional and consulting services as well as reductions in other corporate expenses.

Depreciation and Amortization Depreciation and amortization expense decreased by $6.5 million, or 5.0%, in fiscal year 2009 compared to fiscal year 2008 primarily due to certain assets becoming fully depreciated during the current year.

Other Income (Expense), Income Taxes, Minority Interest and Discontinued Operations

Interest expense, interest income, loss on early extinguishment of debt, income tax (provision) benefit, minority interest and income from discontinued operations, net of income taxes for the fiscal years 2009 and 2008 are as follows:

	Fiscal Year Ended			
(in thousands)	**April 26, 2009**	**April 27, 2008**	**Variance**	**Percentage Variance**
Interest expense	$ (92,065)	$ (106,826)	$ 14,761	-13.8%
Interest income	2,112	3,293	(1,181)	-35.9%
Gain (loss) on early extinguishment of debt	57,693	(15,274)	72,967	-477.7%
Income tax (provision) benefit	(39,942)	21,288	(61,230)	-287.6%
Minority interest		(4,868)	4,868	-100.0%
Loss from discontinued operations, net of income taxes	(15,823)	(58,810)	42,987	-73.1%

Interest Expense Interest expense decreased $14.8 million, or 13.8%, in fiscal year 2009 compared to fiscal year 2008. This decrease is primarily attributable to a lower average debt balance resulting from the pay down of $142.7 million of our senior subordinated 7% notes and a $35.0 million repayment on our senior secured credit facility debt in February and March 2009, respectively, and a decrease in the interest rate on the variable interest rate components of our debt.

Interest Income During fiscal year 2009, our interest income decreased $1.2 million as compared to fiscal year 2008. The change in interest income reflects changes in our invested cash and marketable securities balances and lower interest rates.

Income Tax (Provision) Benefit Our income tax (provision) benefit from continuing operations and our effective income tax rate has been impacted by amount of annual taxable income (loss) for financial statement purposes as well as our percentage of permanent items in relation to such income or loss. Effective income tax rates were as follows:

	Fiscal Year Ended	
	April 26, 2009	**April 27, 2008**
Continuing operations	40.2%	39.1%
Total	41.7%	41.3%

Table of Contents

Fiscal Year 2008 Compared to Fiscal Year 2007

Revenues

Revenues for the fiscal years ended 2008 and 2007 are as follows:

(in thousands)	Fiscal Year Ended April 27, 2008	April 29, 2007	Variance	Percentage Variance
Revenues:				
Casino	$1,107,246	$1,007,523	$ 99,723	9.9%
Rooms	49,498	49,584	(86)	-0.2%
Pari-mutuel, food, beverage and other	151,530	147,036	4,494	3.1%
Hurricane and other insurance recoveries	348	2,817	(2,469)	-87.6%
Gross revenues	1,308,622	1,206,960	101,662	8.4%
Less promotional allowances	(200,932)	(214,465)	13,533	6.3%
Net revenues	$1,107,690	$ 992,495	115,195	11.6%

Casino Revenues Casino revenues increased $99.7 million, or 9.9%, compared to fiscal year 2007. Our increased casino revenues were primarily a result of the opening or acquisition of new casino properties in Caruthersville, Waterloo and Pompano, and increased casino revenues at Bettendorf driven by the opening of our new hotel in May 2007. Casino revenues from our new casino operations were $226.2 million for fiscal year 2008. Same property casino revenues decreased $119.2 million for fiscal year 2008. This included decreased casino revenues at Biloxi of $62.7 million for fiscal year 2008, due to increased competition and post-hurricane normalization, and at Lake Charles of $11.1 million for fiscal year 2008, due to post-hurricane normalization, and $11.5 million at our Black Hawk operations primarily due to planned reductions in our complimentary allowances and the impact of a state smoking ban at casinos effective January 2008.

Rooms Revenue Rooms revenue decreased $0.1 million, or 0.2%, for fiscal year 2008, compared to the fiscal year 2007. These revenues decreased in total at our Biloxi and Lula properties by $5.1 million for fiscal year 2008, primarily related to increased competition and post-hurricane normalization and the closure since October of over 170 rooms in Lula for repair. Rooms revenue increased $5.4 million in Iowa driven by the new hotel tower in Bettendorf and the opening of our Waterloo facility.

Pari-mutuel, Food, Beverage and Other Revenues Pari-mutuel, food, beverage and other revenues increased $4.5 million, or 3.1%, for fiscal year 2008, compared to fiscal year 2007. Our increased food, beverage and other revenues were primarily a result of the opening or acquisition of new casino properties in Caruthersville, Waterloo and Pompano. Considering the acquisition or opening of new properties for which our food, beverage and other revenues increased $21.3 million for fiscal year 2008, same property food beverage and other revenues decreased $18.4 million for fiscal year 2008. This included decreased food, beverage and other revenues at Biloxi of $9.2 million for fiscal year 2008, due to increased competition and post-hurricane normalization, and at Lake Charles of $4.1 million for fiscal year 2008, primarily due to the collection of $2.2 million in business interruption proceeds reflected in the prior year and post-hurricane normalization. Pari-mutuel commissions earned at Pompano for fiscal year 2008 decreased $0.9 million, or 4.5% compared to fiscal year 2007 due primarily to decreased wagering on simulcast races.

Promotional Allowances Promotional allowances, which are made up of complimentaries, cash points and coupons, are rewards that we give our loyal customers to encourage them to continue to patronize our properties. Promotional allowances decreased $13.5 million, or 6.3%, for fiscal year 2008,

Table of Contents

compared to fiscal year 2007. Considering the acquisition or opening of new properties for which our promotional allowances increased $19.7 million for fiscal year 2008, same property promotional allowances decreased $33.3 million for fiscal year 2008. Decreases in such promotional allowances reflect decreases in gross revenues at certain of our properties with Biloxi accounting for $18.2 million of the decrease for fiscal year 2008, due to increased competition and post-hurricane normalization. Our decision to reduce certain marketing incentives to our less profitable customer segments has also reduced our overall promotional allowances.

Operating Expenses

Operating expenses for the fiscal years 2008 and 2007 are as follows:

	Fiscal Year Ended			
(in thousands)	**April 27, 2008**	**April 29, 2007**	**Variance**	**Percentage Variance**
Operating expenses:				
Casino	$ 154,263	$ 156,496	$ (2,233)	-1.4%
Gaming taxes	286,746	209,971	76,775	36.6%
Rooms	12,031	9,811	2,220	22.6%
Pari-mutuel, food, beverage and other	58,676	46,188	12,488	27.0%
Marine and facilities	66,656	59,834	6,822	11.4%
Marketing and administrative	279,009	264,501	14,508	5.5%
Corporate and development	48,619	56,938	(8,319)	-14.6%
Valuation charges	6,526	7,800	(1,274)	-16.3%
Hurricane and other insurance recoveries	(1,757)		(1,757)	100.0%
Pre-opening	3,654	11,433	(7,779)	-68.0%
Depreciation and amortization	128,944	96,998	31,946	32.9%
Total operating expenses	$ 1,043,367	$ 919,970	123,397	13.4%

Casino Casino operating expenses decreased $2.2 million, or 1.4%, for fiscal year 2008 compared to fiscal year 2007. Considering the acquisition or opening of new properties for which our casino expenses increased $22.9 million for fiscal year 2008, same property casino expenses decreased $25.1 million for fiscal year 2008. Overall casino expenses for fiscal year 2008 compared to fiscal year 2007, decreased in proportion to casino revenue from 15.8% to 13.9%.

Gaming Taxes State and local gaming taxes increased $76.8 million, or 36.6%, for fiscal year 2008, as compared to the prior fiscal year. Considering the acquisition or opening of new properties for which our gaming taxes increased $91.8 million for fiscal year 2008, same property gaming taxes decreased $15.0 million for fiscal year 2008. This decrease in same property gaming taxes for the comparative fiscal years 2008 and 2007 corresponds to the reductions in gaming revenues. The effective rate for gaming taxes as a percentage of gaming revenue increased from 20.8% to 25.9% for the fiscal year 2008, due to an increase in the mix of gaming revenues derived from our Pompano, Florida casino with a higher gaming tax rates, partially offset by decreased gaming revenues in Mississippi.

Rooms Rooms expense increased $2.2 million, or 22.6% for fiscal year 2008 as compared to fiscal year 2007. Rooms expense reflects increased room capacity due to the opening of the Waterloo property hotel and the Bettendorf property hotel expansion. These expenses directly relate to the cost of providing hotel rooms. A reduction in complimentary hotel rooms provided to our customers also increases our rooms expense as the cost of rooms expense allocated to casino expense is reduced.

Pari-mutuel, Food, Beverage and Other Pari-mutuel, food, beverage and other expenses increased $12.5 million, or 27.0% in fiscal year 2008 as compared to fiscal year 2007. Same property food, beverage and other expenses decreased $2.5 million for fiscal year 2008. This decrease in same property food, beverage and other expenses for fiscal year 2008, reflects reductions in our food, beverage and other revenues. Pari-mutuel operating costs of the Pompano property increased $1.5 million for fiscal year 2008 compared to fiscal year 2007. Such costs consist primarily of compensation, benefits, purses, simulcast fees and other direct costs of track operations.

Marine and Facilities These expenses include salaries, wages and benefits of the marine and facilities departments, operating expenses of the marine crews, maintenance of public areas, housekeeping and general maintenance of the riverboats and pavilions. Marine and facilities expenses increased $6.8 million, or 11.4%, in fiscal year 2008. Same property marine and facilities expenses decreased $3.4 million for fiscal year 2008. This decrease in same property marine and facilities expenses for fiscal year 2008 as compared to fiscal year 2007 is primarily the result of staff reductions and labor cost management.

Marketing and Administrative These expenses include salaries, wages and benefits of the marketing and sales departments, as well as promotions, direct mail, advertising, special events and entertainment. Administrative expenses include administration and human resource department expenses, rent, professional fees and property taxes. Marketing and administrative expenses increased $14.5 million, or 5.5%, in fiscal year 2008 compared to fiscal year 2007. Same property marketing and administrative expenses decreased $28.3 million for fiscal year 2008. This decrease in same property marketing and administrative expenses for fiscal year 2008 reflects our decision to reduce marketing costs to less profitable customer marketing segments and to reduce our administrative costs.

Corporate and Development During fiscal year 2008, our corporate and development expenses were $48.6 million compared to $56.9 million for fiscal year 2007. This overall decrease in corporate and development expenses is due primarily to a $10.0 million decrease in development expense as fiscal year 2007 included $11.8 million in development expenses primarily associated with opportunities in Pittsburgh and Singapore.

Depreciation and Amortization Depreciation and amortization expense for fiscal year 2008 increased $31.9 million, or 32.9% due primarily to our hotel expansion at our Bettendorf property, the acquisition of Caruthersville, the opening of our Waterloo property, and the opening of the slot gaming facility at our Pompano property. Depreciation and amortization expense at our new casino properties increased by $28.3 million compared to fiscal year 2007.

Other Income (Expense), Income Taxes, Minority Interest and Discontinued Operations

Interest expense, interest income, loss on early extinguishment of debt, income tax (provision) benefit, minority interest and income from discontinued operations, net of income taxes for the fiscal years 2008 and 2007 are as follows:

	Fiscal Year Ended			
(in thousands)	**April 27, 2008**	**April 29, 2007**	**Variance**	**Percentage Variance**
Interest expense	$(106,826)	$(88,058)	$(18,768)	21.3%
Interest income	3,293	7,132	(3,839)	-53.8%
Loss on early extinguishment of debt	(15,274)		(15,274)	100.0%
Income tax (provision) benefit	21,288	(2,837)	24,125	-850.4%
Minority interest	(4,868)	(3,568)	(1,300)	36.4%
Income (loss) from discontinued operations, net of income taxes	(58,810)	10,169	(68,979)	-678.3%

Table of Contents

Interest Expense Interest expense increased $18.8 million for fiscal year 2008 compared to fiscal year 2007. This increase is primarily attributable to higher debt balances under our senior secured credit facility to fund acquisitions, and property and equipment additions.

Interest Income During fiscal year 2008, our interest income was $3.3 million compared to $7.1 million for fiscal year 2007. The change in interest income reflects changes in our invested cash and marketable securities balances and lower interest rates.

Income Tax (Provision) Benefit Our income tax (provision) benefit from continuing operations and our effective income tax rate has been impacted by amount of annual taxable income (loss) for financial statement purposes as well as our percentage of permanent items in relation to such income or loss. Effective income tax rates were as follows:

	Fiscal Year Ended	
	April 27, 2008	**April 29, 2007**
Continuing operations	39.1%	-33.8%
Total	41.3%	108.2%

Liquidity and Capital Resources

Cash Flows from Operating Activities During fiscal year 2009, we provided $190.6 million in cash flows from operating activities compared to providing $133.4 million during fiscal year 2008. The increase in cash flows from operating activities is primarily due to improvements in net income which included $60.0 million in pretax business interruption insurance proceeds from our Hurricane Katrina settlement at our Biloxi property and collection of $20.9 million of income tax refunds.

Cash Flows used in Investing Activities During fiscal year 2009 we used $27.9 million for investing activities compared to using $302.4 million during fiscal year 2008. Significant investing activities for fiscal year 2009 included purchases of property and equipment of $58.6 million primarily offset by the collection of property related insurance proceeds of $32.2 million. During fiscal year 2008, our significant investing activities included the acquisition of the 43% minority interest in our Black Hawk, Colorado casino properties for $64.8 million, the acquisition of our Caruthersville casino for $43.3 million and purchases of property and equipment of $190.5 million.

Cash Flows used by Financing Activities During fiscal year 2009 our net cash flows used by financing activities were $157.2 million primarily comprised of:

- Repayment of $43.7 million of our senior secured term loans;
- Repayment of $18.5 million of our revolving credit agreement;
- Payment of $82.8 million and retire $142.7 million in principal amount of our 7% senior subordinated notes; and
- Repayment of other long-term liabilities of $11.4 million.

During fiscal year ended 2008 our net cash flows from financing activities were $72.5 million primarily comprised of:

- Borrowings under our senior secured credit facility used to:

  i. extinguish and repay the February 2005 senior secured credit facility including revolving loans and term loans totaling $503.5 million;

  ii. Repay and retire our $200.0 million, 9% Senior Subordinated notes plus a call premium of $9.0 million; and

Table of Contents

iii. fund our $64.8 million acquisition of the 43% minority interest in our Black Hawk, Colorado casino properties and repay and retire approximately $195 million of indebtedness under our former Black Hawk credit facility.

Payments of deferred financing costs of $8.9 million primarily associated with our new senior secured credit facility.

Proceeds from the exercise of stock options of $5.7 million.

Availability of Cash and Additional Capital At April 26, 2009, we had cash and cash equivalents and marketable securities of $114.2 million. As of April 26, 2009, we had $112.0 million in revolving credit and $825.7 million in term loans outstanding under our senior secured credit facility. Our net line of credit availability at April 26, 2009 was approximately $348.1 million.

Capital Expenditures and Development Activities Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive.

In fiscal 2010 we expect to invest approximately $40 million in maintenance capital expenditures. Additionally, we have identified approximately $60 million in projects primarily focused on refreshing our hotel room inventory as well as additional improvements to our Black Hawk and Lake Charles properties. The timing an amount of these capital expenditures will be determined as we gain more clarity as to improvement of economic and local market conditions, cash flows from our continuing operations and availability of cash under our senior secured credit facility.

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

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured credit facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to: obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;

Table of Contents

- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and

- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.

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

Goodwill and Other Intangible Assets At April 26, 2009, we had goodwill and other intangible assets of $396.7 million, representing 22.2% of total assets. Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), requires goodwill and other intangible assets with indefinite useful lives be tested for impairment annually or more frequently if an event occurs or circumstances change that may reduce the fair value of our goodwill and other intangible assets below their carrying value. For properties with goodwill and/or other intangible assets with indefinite lives, this test requires the comparison of the implied fair value of each property to carrying value. The implied fair value includes estimates of future cash flows that are based on reasonable and supportable assumptions and represent our best estimates of the cash flows expected to result from the use of the assets and their eventual disposition and by a market approach based upon valuation multiples for similar companies. Changes in estimates or application of alternative assumptions and definitions could produce significantly different results.

During the fourth quarter of each fiscal year, we engage an independent third party valuation firm to conduct annual impairment testing under SFAS 142. As a result of our annual impairment test, we recorded an impairment charge of $18.3 million to write-down goodwill and indefinite lived intangible assets at Black Hawk during fiscal 2009 and a $7.8 million write-down of goodwill at Lula during fiscal year 2007.

Property and Equipment At April 26, 2009, we had property and equipment, net of accumulated depreciation of $1,177.5 million, representing 66.1% of total assets. We capitalize the cost of property and equipment. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are based on the nature of the assets as well as our current operating strategy. Future events such as property expansions, new competition, changes in technology and new regulations could result in a change in the manner in which we are using certain assets requiring a change in the estimated useful lives of such assets.

Impairment of Long-lived Assets We evaluate long-lived assets for impairment using Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. In assessing the recoverability of the carrying value of property, equipment and other long-lived assets, we make assumptions regarding future cash flows and residual values. If these estimates or the related assumptions are not achieved or change in the future, we may be required to record an impairment loss for these assets. In evaluating impairment of long-lived assets for newly opened operations, estimates of future cash flows and residual values may require some period of actual results to provide the basis for an opinion of future cash flows and residual values used in the determination of an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Table of Contents

During the fourth quarter of fiscal 2009, we recorded a charge of $1.4 million to reduce our Blue Chip assets held for sale to their estimated fair value less the cost to sell.

During the fourth quarter of fiscal year 2008, we engaged an independent third party valuation firm to conduct an appraisal of our long-lived assets associated with our Coventry, England due to the continuation of losses from operations, a review of expected future operating trends and the current fair values of our long-lived assets in Coventry. Based upon this appraisal, we recorded an impairment charge of $78.0 million relating to the write-down of long-lived assets at our Coventry, England operations as of the end of fiscal 2008.

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

Income Tax Assets and Liabilities We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires that we recognize a current tax asset or liability for the estimated taxes payable or refundable based upon application of the enacted tax rates to taxable income in the current year. Additionally, we are required to recognize a deferred tax liability or asset for the estimated future tax effects attributable to temporary differences. Temporary differences occur when differences arise between: (a) the amount of taxable income and pretax financial income for a year and (b) the tax basis of assets or liabilities and their reported amounts in financial statements. SFAS 109 also requires that any deferred tax asset recognized must be reduced by a valuation allowance for any tax benefits that, in our judgment and based upon available evidence, may not be realizable.

As of April 30, 2007, we adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 requires that tax positions be assessed using a two-step process. A tax position is recognized if it meets a "more likely than not" threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts, and are classified as current Other accrued liabilities or long-term Other long-term liabilities based on the time until expected payment.

We recognize 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.

Stock Based Compensation We apply the FASB Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123(R)). The estimate of the fair value of the stock options is calculated using the Black-Scholes-Merton option-pricing model. This model requires the use of various assumptions, including the historical volatility, the risk free interest rate, estimated expected life of the grants, the estimated dividend yield and estimated rate of forfeitures. Total stock option expense is included in the expense category corresponding to the employees' regular compensation in the accompanying consolidated statements of operations.

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