

HCA INC/TN
Form 424B3
November 13, 2009

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Filed Pursuant to Rule 424(b)(3)

Registration Nos. 333-159511 and 333-159511-01 to 333-159511-184

HCA INC.

**SUPPLEMENT NO. 7 TO
MARKET MAKING PROSPECTUS DATED**

JULY 10, 2009

THE DATE OF THIS SUPPLEMENT IS NOVEMBER 12, 2009

On November 12, 2009, HCA Inc. filed the attached

Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

or

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

For the transition period from to

Commission file number 1-11239

HCA Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

75-2497104

*(I.R.S. Employer
Identification No.)*

One Park Plaza

Nashville, Tennessee

(Address of principal executive offices)

37203

(Zip Code)

(615) 344-9551

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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Indicate by check mark whether the registrant is a large accelerated filer, an 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. (Check one):

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	Outstanding at October 31, 2009
Voting common stock, \$.01 par value	94,636,900 shares

HCA INC.

Form 10-Q
September 30, 2009

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HCA INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
Unaudited
(Dollars in millions)

	Quarter		Nine Months	
	2009	2008	2009	2008
Revenues	\$ 7,533	\$ 7,002	\$ 22,447	\$ 21,109
Salaries and benefits	3,013	2,883	8,880	8,563
Supplies	1,206	1,141	3,627	3,463
Other operating expenses	1,184	1,147	3,410	3,396
Provision for doubtful accounts	910	819	2,583	2,520
Equity in earnings of affiliates	(53)	(41)	(182)	(170)
Depreciation and amortization	354	350	1,067	1,062
Interest expense	510	497	1,487	1,521
Losses (gains) on sales of facilities		(50)	8	(90)
Impairment of long-lived assets	3	44	16	53
	7,127	6,790	20,896	20,318
Income before income taxes	406	212	1,551	791
Provision for income taxes	132	76	480	233
Net income	274	136	1,071	558
Net income attributable to noncontrolling interests	78	50	233	161
Net income attributable to HCA Inc.	\$ 196	\$ 86	\$ 838	\$ 397

See accompanying notes.

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HCA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(Dollars in millions)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 443	\$ 465
Accounts receivable, less allowance for doubtful accounts of \$5,926 and \$5,435	3,499	3,780
Inventories	745	737
Deferred income taxes	1,099	914
Other	515	405
	6,301	6,301
Property and equipment, at cost	24,389	23,714
Accumulated depreciation	(13,038)	(12,185)
	11,351	11,529
Investments of insurance subsidiary	1,371	1,422
Investments in and advances to affiliates	855	842
Goodwill	2,596	2,580
Deferred loan costs	436	458
Other	1,210	1,148
	\$ 24,120	\$ 24,280

LIABILITIES AND STOCKHOLDERS DEFICIT

Current liabilities:		
Accounts payable	\$ 1,199	\$ 1,370
Accrued salaries	954	854
Other accrued expenses	1,316	1,282
Long-term debt due within one year	635	404
	4,104	3,910
Long-term debt	25,279	26,585
Professional liability risks	1,097	1,108
Income taxes and other liabilities	1,782	1,782
Equity securities with contingent redemption rights	147	155

Stockholders deficit:

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Common stock \$.01 par; authorized 125,000,000 shares; outstanding 94,614,500 shares in 2009 and 94,367,500 shares in 2008	1	1
Capital in excess of par value	204	165
Accumulated other comprehensive loss	(505)	(604)
Retained deficit	(8,979)	(9,817)
Stockholders' deficit attributable to HCA Inc.	(9,279)	(10,255)
Noncontrolling interests	990	995
	(8,289)	(9,260)
	\$ 24,120	\$ 24,280

See accompanying notes.

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HCA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
Unaudited
(Dollars in millions)

	2009	2008
Cash flows from operating activities:		
Net income	\$ 1,071	\$ 558
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities	(2,136)	(2,420)
Provision for doubtful accounts	2,583	2,520
Depreciation and amortization	1,067	1,062
Income taxes	(485)	(379)
Losses (gains) on sales of facilities	8	(90)
Impairment of long-lived assets	16	53
Amortization of deferred loan costs	60	59
Pay-in-kind interest	58	
Share-based compensation	21	25
Other	52	27
Net cash provided by operating activities	2,315	1,415
Cash flows from investing activities:		
Purchase of property and equipment	(915)	(1,115)
Acquisition of hospitals and health care entities	(42)	(76)
Disposition of hospitals and health care entities	39	185
Change in investments	113	30
Other	(2)	4
Net cash used in investing activities	(807)	(972)
Cash flows from financing activities:		
Issuance of long-term debt	2,979	4
Net change in revolving credit facilities	(1,125)	530
Repayment of long-term debt	(3,050)	(775)
Distributions to noncontrolling interests	(254)	(141)
Payment of debt issuance costs	(68)	
Other	(12)	(10)
Net cash used in financing activities	(1,530)	(392)
Change in cash and cash equivalents	(22)	51
Cash and cash equivalents at beginning of period	465	393
Cash and cash equivalents at end of period	\$ 443	\$ 444

Interest payments	\$ 1,154	\$ 1,380
Income tax payments, net	\$ 965	\$ 612

See accompanying notes.

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HCA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Merger, Recapitalization and Reporting Entity

On November 17, 2006, HCA Inc. completed its merger (the *Merger*) with Hercules Acquisition Corporation, pursuant to which the Company was acquired by Hercules Holding II, LLC (*Hercules Holding*), a Delaware limited liability company owned by a private investor group comprised of affiliates of Bain Capital Partners (*Bain*), Kohlberg Kravis Roberts & Co. (*KKR*), Merrill Lynch Global Private Equity (*MLGPE*) (each a *Sponsor*) and of Citigroup Inc. and Bank of America Corporation (the *Sponsor Assignees*), by affiliates of HCA founder, Dr. Thomas F. Frist Jr., (the *Frist Entities*, and together with the Sponsors and the Sponsor Assignees, the *Investors*), and by members of management. The Merger, the financing transactions related to the Merger and other related transactions are collectively referred to in this quarterly report as the *Recapitalization*. The Merger was accounted for as a recapitalization in our financial statements, with no adjustments to the historical basis of our assets and liabilities. As a result of the Recapitalization, our outstanding capital stock is owned by the Investors, certain members of management and key employees. On April 29, 2008, we registered our common stock pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, thus subjecting us to the reporting requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended. Our common stock is not traded on a national securities exchange.

Basis of Presentation

HCA Inc. is a holding company whose affiliates own and operate hospitals and related health care entities. The term *affiliates* includes direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners. At September 30, 2009, these affiliates owned and operated 155 hospitals, 97 freestanding surgery centers and facilities which provided extensive outpatient and ancillary services. Affiliates of HCA are also partners in joint ventures that own and operate eight hospitals and eight freestanding surgery centers which are accounted for using the equity method. The Company's facilities are located in 20 states and England. The terms *HCA*, *Company*, *we*, *our* or *us*, as used in this quarterly report on Form 10-Q, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. In accordance with Accounting Standards Codification (*ASC*) 810, *Consolidation* (*ASC 810*), references in this report to net income attributable to HCA Inc. and stockholders' deficit attributable to HCA Inc. do not include noncontrolling interests (previously known as minority interests), which we now report separately. The implementation of ASC 810 also results in the cash flow impact of distributions to and certain other transactions with noncontrolling interests that were previously classified within operating activities, being classified within financing activities. Such treatment is consistent with the view that under ASC 810 transactions between HCA Inc. and noncontrolling interests are considered to be equity transactions. The presentation and disclosure provisions of ASC 810 have been applied retrospectively for all periods presented.

We evaluated all events or transactions that occurred after September 30, 2009, through November 12, 2009, the date we issued these financial statements. During this period we did not have any material subsequent events that required recognition or disclosure in the September 30, 2009 financial statements.

The majority of our expenses are cost of revenue items. Costs that could be classified as general and administrative would include our corporate office costs, which were \$39 million and \$41 million for the quarters ended September 30, 2009 and 2008, respectively, and \$116 million and \$124 million for the nine months ended

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HCA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of Presentation (continued)

September 30, 2009 and 2008, respectively. Operating results for the quarter and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in our current report dated August 14, 2009 on Form 8-K/A for the year ended December 31, 2008.

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 INCOME TAXES

At September 30, 2009, we were contesting before the Appeals Division of the Internal Revenue Service (IRS), certain claimed deficiencies and adjustments proposed by the IRS in connection with its examination of the 2003 and 2004 federal income tax returns for HCA and 10 affiliates that are treated as partnerships for federal income tax purposes (affiliated partnerships). The disputed items include the timing of recognition of certain patient service revenues and our method for calculating the tax allowance for doubtful accounts.

Six taxable periods of HCA and its predecessors ended in 1997 through 2002 and the 2002 taxable year for six affiliated partnerships, for which the primary remaining issue is the computation of the tax allowance for doubtful accounts, were pending before the IRS Examination Division as of September 30, 2009.

The IRS began an audit of the 2005 and 2006 federal income tax returns for HCA and seven affiliated partnerships during 2008. During the quarter ended September 30, 2009, six of the seven partnership audits were resolved with no material impact on our results of operations or financial position.

Our liability for unrecognized tax benefits was \$609 million, including accrued interest of \$139 million, as of September 30, 2009 (\$625 million and \$156 million, respectively, as of December 31, 2008). Unrecognized tax benefits of \$223 million (\$264 million as of December 31, 2008) would affect the effective rate, if recognized. The liability for unrecognized tax benefits does not reflect deferred tax assets of \$72 million (\$81 million as of December 31, 2008) related to deductible interest and state income taxes or a refundable deposit of \$104 million, which is recorded in noncurrent assets. The provision for income taxes reflects interest expense of \$3 million and \$14 million related to taxing authority examinations for the quarters ended September 30, 2009 and 2008, respectively. The provision for income taxes reflects a \$31 million reduction in interest expense and interest expense of \$20 million related to taxing authority examinations for the nine months ended September 30, 2009 and 2008, respectively.

Depending on the resolution of the IRS disputes, the completion of examinations by federal, state or international taxing authorities, or the expiration of statutes of limitation for specific taxing jurisdictions, we believe it is reasonably possible our liability for unrecognized tax benefits may significantly increase or decrease within the next 12 months. However, we are currently unable to estimate the range of any possible change.

Table of Contents**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 3 INVESTMENTS OF INSURANCE SUBSIDIARY**

A summary of our insurance subsidiary's investments at September 30, 2009 and December 31, 2008 follows (dollars in millions):

	September 30, 2009			Fair Value
	Amortized Cost	Unrealized Amounts		
		Gains	Losses	
Debt securities:				
States and municipalities	\$ 713	\$ 36	\$ (2)	\$ 747
Auction rate securities	479		(6)	473
Asset-backed securities	45		(1)	44
Money market funds	254			254
	1,491	36	(9)	1,518
Equity securities:				
Preferred stocks	5		(2)	3
Common stocks	3	1		4
	8	1	(2)	7
	\$ 1,499	\$ 37	\$ (11)	1,525
Amount classified as current assets				(154)
Investment carrying value				\$ 1,371

	December 31, 2008			Fair Value
	Amortized Cost	Unrealized Amounts		
		Gains	Losses	
Debt securities:				
States and municipalities	\$ 808	\$ 20	\$ (23)	\$ 805
Auction rate securities	576		(40)	536
Asset-backed securities	51	1	(5)	47
Money market funds	226			226

	1,661	21	(68)	1,614
Equity securities:				
Preferred stocks	6		(1)	5
Common stocks	3			3
	9		(1)	8
	\$ 1,670	\$ 21	\$ (69)	1,622
Amount classified as current assets				(200)
Investment carrying value				\$ 1,422

At September 30, 2009 and December 31, 2008, the investments of our insurance subsidiary were classified as available-for-sale. Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income. At September 30, 2009 and December 31, 2008, \$100 million and \$119 million, respectively, of our investments were subject to restrictions included in insurance bond collateralization and assumed reinsurance contracts.

Table of Contents**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 3 INVESTMENTS OF INSURANCE SUBSIDIARY (continued)**

Scheduled maturities of investments in debt securities at September 30, 2009 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	\$ 313	\$ 313
Due after one year through five years	296	311
Due after five years through ten years	212	227
Due after ten years	146	150
	967	1,001
Auction rate securities	479	473
Asset-backed securities	45	44
	\$ 1,491	\$ 1,518

The average expected maturity of the investments in debt securities at September 30, 2009 was 3.7 years, compared to the average scheduled maturity of 12.2 years. Expected and scheduled maturities may differ because the issuers of certain securities have the right to call, prepay or otherwise redeem such obligations prior to the scheduled maturity date. The average expected maturities for our auction rate and asset-backed securities were derived from valuation models of expected cash flows and involved management's judgment. The average expected maturities for our auction rate and asset-backed securities at September 30, 2009 were 5.6 years and 6.2 years, respectively, compared to average scheduled maturities of 25.5 years and 25.4 years, respectively.

NOTE 4 LONG-TERM DEBT

A summary of long-term debt at September 30, 2009 and December 31, 2008, including related interest rates at September 30, 2009, follows (dollars in millions):

	September 30, 2009	December 31, 2008
Senior secured asset-based revolving credit facility (effective interest rate of 1.8%)	\$ 925	\$ 2,000
Senior secured revolving credit facility		50
Senior secured term loan facilities (effective interest rate of 6.5%)	9,032	12,002
Senior secured first lien notes (effective interest rate of 8.9%)	2,681	
Other senior secured debt (effective interest rate of 7.0%)	352	406

First lien debt	12,990	14,458
Senior secured cash-pay notes (effective interest rate of 9.7%)	4,500	4,200
Senior secured toggle notes (effective interest rate of 10.0%)	1,578	1,500
Second lien debt	6,078	5,700
Senior unsecured notes (effective interest rate of 7.2%)	6,846	6,831
Total debt (average life of six years, rates averaging 7.5%)	25,914	26,989
Less amounts due within one year	635	404
	\$ 25,279	\$ 26,585

Table of Contents**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 4 LONG-TERM DEBT (continued)**

During February 2009, we issued \$310 million aggregate principal amount of 97/8% senior secured second lien notes due 2017 at a price of 96.673% of their face value, resulting in \$300 million of gross proceeds. After the payment of related fees and expenses, we used the proceeds to repay outstanding indebtedness under our senior secured term loan facilities.

During April 2009, we issued \$1.500 billion aggregate principal amount of 81/2% senior secured first lien notes due 2019 at a price of 96.755% of their face value, resulting in \$1.451 billion of gross proceeds. After the payment of related fees and expenses, we used the proceeds to repay outstanding indebtedness under our senior secured term loan facilities.

During August 2009, we issued \$1.250 billion aggregate principal amount of 77/8% senior secured first lien notes due 2020 at a price of 98.254% of their face value, resulting in \$1.228 billion of gross proceeds. After the payment of related fees and expenses, we used the proceeds to repay outstanding indebtedness under our senior secured term loan facilities.

NOTE 5 FINANCIAL INSTRUMENTS*Interest Rate Swap Agreements*

We have entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates. These swap agreements involve the exchange of fixed and variable rate interest payments between two parties based on common notional principal amounts and maturity dates. Pay-fixed interest rate swaps effectively convert LIBOR indexed variable rate instruments to fixed interest rate obligations. The net interest payments, based on the notional amounts in these agreements, generally match the timing of the related liabilities. The notional amounts of the swap agreements represent amounts used to calculate the exchange of cash flows and are not our assets or liabilities. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. The interest payments under these agreements are settled on a net basis.

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at September 30, 2009 (dollars in millions):

	Notional Amount	Termination Date	Fair Value
Pay-fixed interest rate swap	\$ 500	March 2011	\$ (15)
Pay-fixed interest rate swaps	8,000	November 2011	(582)
Pay-fixed interest rate swaps (starting November 2011)	2,000	December 2016	(26)

During the next 12 months, we estimate \$367 million will be reclassified from other comprehensive income (OCI) to interest expense.

Cross Currency Swaps

The Company and certain subsidiaries have incurred obligations and entered into various intercompany transactions where such obligations are denominated in currencies, other than the functional currencies of the parties executing the trade. In order to mitigate the currency exposure risks and better match the cash flows of our obligations and intercompany transactions with cash flows from operations, we entered into various cross currency swaps. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

Table of Contents**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 5 FINANCIAL INSTRUMENTS (continued)***Cross Currency Swaps (continued)*

Certain of our cross currency swaps were not designated as hedges, and changes in fair value are recognized in results of operations. The following table sets forth our cross currency swap agreement not designated as a hedge at September 30, 2009 (amounts in millions):

	Notional Amount	Termination Date	Fair Value
Euro United States Dollar currency swap	411 Euro	December 2011	\$ 92

The following table sets forth our cross currency swap agreements, which have been designated as cash flow hedges, at September 30, 2009 (amounts in millions):

	Notional Amount	Termination Date	Fair Value
GBP United States Dollar currency swaps	100 GBP	November 2010	\$ (15)

Derivatives Results of Operations

The following tables present the effect on our results of operations of our interest rate and cross currency swaps for the nine months ended September 30, 2009 (dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss (Gain) Recognized in OCI on Derivatives, Net of Tax	Location of Loss Reclassified from Accumulated OCI into Operations	Amount of Loss Reclassified from Accumulated OCI into Operations
Interest rate swaps	\$ 139	Interest expense	\$ 242
Cross currency swaps	(7)	Interest expense	
	\$ 132		\$ 242

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Operations on Derivatives	Amount of Gain Recognized in Operations on Derivatives
Cross currency swaps	Other operating expense	\$ (9)

Credit-risk-related Contingent Features

We have agreements with each of our derivative counterparties that contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of September 30, 2009, we have not been required to post any collateral related to these agreements. If we had breached these provisions at September 30, 2009, we would have been required to settle our obligations under the agreements at their aggregate, estimated termination value of \$579 million.

NOTE 6 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are

Table of Contents**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 6 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)**

classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Cash Traded Investments

Our cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Certain types of cash traded instruments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include auction rate securities (ARS) and limited partnership investments. The transaction price is initially used as the best estimate of fair value.

Our wholly-owned insurance subsidiary had investments in municipal, tax-exempt ARS, that are backed by student loans, substantially guaranteed by the federal government, of \$473 million (\$478 million par value) at September 30, 2009. We do not currently intend to attempt to sell the ARS as the liquidity needs of our insurance subsidiary are expected to be met by other investments in its investment portfolio. These securities continue to accrue and pay interest semi-annually based on the failed auction maximum rate formulas stated in their respective Official Statements. During 2008 and the first nine months of 2009, certain issuers of our ARS redeemed \$93 million and \$95 million, respectively, of our securities at par value. The valuation of these securities involved management's judgment, after consideration of market factors and the absence of market transparency, market liquidity and observable inputs. Our valuation models derived a fair market value compared to tax-equivalent yields of other student loan backed variable rate securities of similar credit worthiness.

Derivative Financial Instruments

We have entered into interest rate and cross currency swap agreements to manage our exposure to fluctuations in interest rates and foreign currency risks. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates and implied volatilities. We incorporate

credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. We have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are significant to the overall valuation of our

Table of Contents**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 6 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)***Derivative Financial Instruments (continued)*

derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy at September 30, 2009.

The following table summarizes our assets and liabilities measured at fair value on a recurring basis as of September 30, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiary	\$ 1,525	\$ 256	\$ 794	\$ 475
Less amounts classified as current assets	(154)	(154)		
	1,371	102	794	475
Cross currency swap (Other assets)	92			92
Liabilities:				
Interest rate swaps (Income taxes and other liabilities)	623			623
Cross currency swaps (Income taxes and other liabilities)	15			15

The following table summarizes the activity related to the investments of our insurance subsidiary and our cross currency and interest rate swaps which have fair value measurements based on significant unobservable inputs (Level 3) during the nine months ended September 30, 2009 (dollars in millions):

	Investments of Insurance	Cross Currency	Interest Rate
--	--------------------------	----------------	---------------

	Subsidiary	Swaps	Swaps	Swaps
Asset (liability) balances at December 31, 2008	\$ 538	\$ 97	\$ (26)	\$ (657)
Realized gains and losses included in earnings		9		242
Unrealized gains (losses) included in other comprehensive income	35		11	(220)
Purchases, issuances and settlements	(98)	(14)		12
Asset (liability) balances at September 30, 2009	\$ 475	\$ 92	\$ (15)	\$ (623)

The estimated fair value of our long-term debt was \$25.111 billion and \$20.225 billion at September 30, 2009 and December 31, 2008, respectively, compared to carrying amounts aggregating \$25.914 billion and \$26.989 billion, respectively. The estimates of fair value are generally based upon the quoted market prices or quoted market prices for similar issues of long-term debt with the same maturities.

NOTE 7 CONTINGENCIES

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations or financial position in a given period.

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HCA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 CONTINGENCIES (continued)

We are subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interferenceLY: Times New Roman">Net income (loss)

\$	0.11
\$	(0.14)
)	
\$	0.40
\$	(0.01)
)	
Weighted average basic shares	30,346
	30,097
	30,384
	30,105
Weighted average diluted shares	31,053
	30,097
	31,228
	30,105

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Unearned Compen- sation	Retained Earnings	Accum. Other Compre- hensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, April 30, 2006	34,291	\$ 343	\$ 160,508	\$ (1,383)	\$ 165,156	\$ 220	\$ (42,156)	\$ 282,688
Net income	-	-	-	-	12,625	-	-	12,625
Unrealized loss on interest rate swap contracts net of income tax benefit of \$9	-	-	-	-	-	(13)	-	(13)
Foreign currency translation adjustments	-	-	-	-	-	1,301	-	1,301
Comprehensive income	-	-	-	-	-	-	-	13,913
Exercise of stock options, including income tax benefit of \$522	172	1	1,999	-	-	-	-	2,000
Issuance of deferred bonus shares from treasury stock	-	-	(429)	-	-	-	429	-
Deferred bonus expense	-	-	91	-	-	-	-	91
Stock compensation expense	-	-	3,517	-	-	-	-	3,517
Reclassification of unearned compensation due to the adoption of SFAS 123(R)	-	-	(1,383)	1,383	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	(5,533)	(5,533)
Balance, October 29, 2006	34,463	\$ 344	\$ 164,303	-	\$ 177,781	\$ 1,508	\$ (47,260)	\$ 296,676

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Six Months Ended	
	October 29, 2006	October 23, 2005
Operating activities:		
Net income	\$ 12,625	\$ (235)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,483	50,652
Amortization of deferred financing costs	1,294	1,661
Amortization of unearned compensation	-	232
Asset impairment	7,679	60,051
Deferred income taxes	(1,307)	(2,212)
Stock compensation expense	3,608	-
Gain on disposal of assets	(14,390)	-
Minority interest	1,618	3,948
Changes in operating assets and liabilities, net of dispositions:		
Accounts receivable	(7,135)	(713)
Insurance receivable	(22,502)	(70,196)
Income taxes, net	2,270	4,431
Prepaid expenses and other assets	(18,562)	(9,220)
Accounts payable and accrued liabilities	(21,094)	16,400
Net cash provided by/(used in) operating activities	(8,413)	54,799
Investing activities:		
Purchase of property and equipment	(166,089)	(108,659)
Purchase of intangibles	(4,000)	(5,775)
Purchase of short-term investments, net of sales	(324)	(2,922)
Proceeds from sales of assets	1,331	-
Proceeds from sale of assets held for sale	238,725	-
Insurance proceeds for hurricane damages	18,786	-
Restricted cash	(68,948)	(173)
Prepaid deposits and other	(5,274)	(7,128)
Payments on notes receivable	511	12
Net cash provided by/(used in) investing activities	14,718	(124,645)
Financing activities:		
Proceeds from debt	-	50,000
Borrowing from line of credit	200,252	10,000
Payments on line of credit	(196,400)	-
Principal payments on debt	(3,385)	(3,166)
Payment of deferred financing costs	-	(40)
Tax benefit of stock compensation expense	522	-
Purchase of treasury stock	(5,533)	(8,494)
Proceeds from exercise of stock options	1,478	949
Net cash provided by financing activities	(3,066)	49,249

Effect of foreign currency exchange rates on cash	24	(651)
Net decrease in cash and cash equivalents	3,263	(21,248)
Cash and cash equivalents at the beginning of period	121,193	146,743
Cash and cash equivalents at the end of the period	\$ 124,456	\$ 125,495

See notes to the unaudited consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)
(In thousands)

	Six Months Ended	
	October 29, 2006	October 23, 2005
Supplemental disclosure of cash flow information:		
Net cash payments for:		
Interest (net of capitalized interest)	\$ 46,723	\$ 41,859
Income taxes, net of refunds	19,955	(593)

See notes to the unaudited consolidated financial statements.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Background and Nature of Operations

Isle of Capri Casinos, Inc. (the “Company” or “Isle of Capri”) was incorporated in Delaware in February 1990. The Company is a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States and internationally. The Company wholly owns and operates nine casino gaming facilities in the United States located in Lake Charles, Louisiana; Lula, Biloxi and Natchez, Mississippi; Kansas City and Boonville, Missouri; and Bettendorf, Davenport and Marquette, Iowa. The Company also owns a 57% interest in, and receive management fees for operating two gaming facilities in Black Hawk, Colorado. One of these facilities in Black Hawk, Colorado operates under the name “Isle of Capri” and features the Company’s distinctive tropical island theme. The Company’s international gaming interests include a wholly owned casino in Freeport, Grand Bahama, a two-thirds ownership interest in casinos in Dudley and Wolverhampton, England and a wholly owned casino to be opened in the summer of 2007 in Coventry, England. The Company also wholly owns and operates a pari-mutuel harness racing facility in Pompano Beach, Florida.

On July 31, 2006, the Company closed the sale of Isle-Bossier City and Isle-Vicksburg. The financial position and results of these operations are presented as assets held for sale in the consolidated balance sheets and discontinued operations in the consolidated statements of operations, respectively, for all periods presented in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 144 (SFAS No. 144), “Accounting for the Impairment or Disposal of Long-Lived Assets.” For further discussion see Note 4.

On June 1, 2006, the Company notified its landlord of its decision to terminate its lease at Isle-Our Lucaya in Freeport, Grand Bahama. In the first fiscal quarter, the Company recorded approximately \$2.2 million in lease termination costs in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 146 (SFAS No. 146), “Accounting for Costs Associated with Exit or Disposal Activities.” This charge, included in marketing and administrative expenses, relates to the Company’s planned exit of the Isle-Our Lucaya operation by June 2007.

On May 11, 2005, the Company announced that the Iowa Racing and Gaming Commission awarded it a gaming license in Waterloo, Iowa. Construction is underway on a 35,000 square foot single level casino with 1,300 gaming positions, three restaurants, a 200-room hotel and 1,000 parking spaces. The project scope has recently been expanded and will also include a nightclub, a full service spa and a resort pool. The Company expects the property to open in late spring of 2007 at a total cost of \$175 million, which reflects an increase of \$35.5 million from previously anticipated costs resulting from the expanded scope of the project

In November 2004, voters in the State of Florida amended the state’s constitution to allow the voters of Miami-Dade and Broward counties (Broward County is the location of the Pompano Park Racetrack) to decide whether to approve slot machines in racetracks and jai alai frontons in their respective counties. Broward County voters passed their local referendum and Miami-Dade county voters rejected their referendum in March 2005.

On January 4, 2006, a Florida statute became effective allowing Pompano Park and three other pari-mutuel facilities in Broward County to offer slot machine gaming to patrons at these facilities. Although there are pari-mutuel facilities in numerous other counties in the State of Florida, slot machine gaming is only authorized in Broward County where Pompano Park is located. The Company is constructing a gaming facility including 1,500 slot machines, four restaurants and a feature bar at Pompano Park adjacent to the existing grandstand at a cost of \$167.0 million with slot machine gaming anticipated to commence in early calendar year 2007. The statute authorizes the Company to operate up to 1,500 slot machines at Pompano Park 365 days per year, 16 hours per day and requires Pompano Park to pay an annual license fee of \$3.0 million and gaming taxes equal to 50% of Pompano Park’s net slot machine revenue plus combined county and city taxes approximating an additional 3.5% on the first \$250 million of net slot machine revenue and 5% on net slot machine revenue over \$250 million. The Florida Department of Business and Professional

Regulation is administering the law and is now implementing rules and regulations for the operation of the slot machines.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Background and Nature of Operations (continued)

The Florida District Court of Appeal First District recently affirmed its earlier decision to reverse a lower court decision granting summary judgment in favor of Floridians for a Level Playing Field (FLPF), of which the Company is a member. Although the Court based its decision on different grounds than its earlier decision, the Court ruled that a trial is necessary to determine whether FLPF failed to obtain the required number of signatures to place the constitutional amendment on the ballot. However, the Court granted FLPF's request to certify FLPF's appeal of the Court's decision to the Supreme Court. The decision by the Supreme Court whether to accept the appeal at this stage of the litigation is discretionary. The Company believes that this decision is contrary to existing Florida law and if a trial were to be held, that FLPF would prevail on the merits and accordingly the Company is proceeding with the development. However, if FLPF is ultimately unsuccessful in the litigation, the statewide vote amending the Florida constitution to permit slot machines at pari-mutuels would be invalidated and the Company's right to operate slot machines at Pompano Park would be eliminated. The Company cannot assure you as to the outcome of this litigation.

On August 18, 2006, the Harrison County Planning Commission approved the Company's master plan for the previously announced 50-acre development in west Harrison County, Mississippi, which is approximately 20 miles from the Mississippi/Louisiana state border near Interstate 10. Preliminary plans call for the estimated \$300 million project to include a single level gaming facility with over 2,000 gaming positions, a 350-room hotel, four restaurants and a complement of additional resort amenities. The project remains in the preliminary planning stages, and is subject to certain significant conditions, including but not limited to the receipt of all necessary licenses, approvals and permits.

The Company continues to pursue the one stand-alone slot machine gaming license in Pittsburgh, Pennsylvania. During the second fiscal quarter of 2007, the Company received master plan approval from the City Planning Commission for its proposed project in Pittsburgh, Pennsylvania, and participated in a suitability hearing before the Pennsylvania Gaming Control Board. The proposed project, one of three before the PGCB, includes a \$450 million casino to be developed by the Company, a \$290 million multi-purpose arena to be funded by the Company and more than \$350 million in residential, office and retail development on the site of Mellon Arena to be developed and funded by a third party. The Company expects a licensure decision by late-December 2006.

The Company is postured to expand internationally with a revised agreement in connection with resort developer, Eighth Wonder's, proposal to build an integrated resort complex on Sentosa Island in Singapore. The revised agreement includes equity ownership in the resort complex by Melco PBL Entertainment, Eighth Wonder and Isle of Capri. Should Eighth Wonder be the successful bidder in the Sentosa Island request for proposal, Isle of Capri's equity contribution will be \$65 million for a 13.8% ownership interest. The Company will also receive a payment equal to 2% of casino gross revenues for a 15-year period. The proposal is one of three bidders for the project with a licensure decision expected in early-December 2006.

Interim Financial Information

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three and six months ended October 29, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending April 29, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended April 30, 2006.

Fiscal Year-End

The Company's fiscal year ends on the last Sunday in April. This fiscal year creates more comparability of the Company's quarterly operations, by generally having an equal number of weeks (13) and weekend days (26) in each fiscal quarter. Periodically, this system necessitates a 53-week year, as occurred in the fiscal year ended April 30, 2006. Fiscal 2007 commenced on May 1, 2006 and ends on April 29, 2007.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Discontinued operations relate to those of the Colorado Grande casino, located in Cripple Creek, Colorado, the Isle-Vicksburg, which is the Riverboat Gaming Corporation of Mississippi-Vicksburg located in Vicksburg, Mississippi and the Isle-Bossier City, which is the Louisiana Riverboat Gaming Partnership located in Bossier City, Louisiana. The financial position and result of these operations are presented as assets held for sale in the consolidated balance sheet as of April 30, 2006 and discontinued operations in the consolidated statements of operations, respectively, for all periods presented in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144.

In April 2006, the Company’s Board of Directors approved a plan to close the Isle-Our Lucaya facility in Freeport, Grand Bahama. Effective June 1, 2006, the Company notified its landlord of its decision to terminate the lease and the Company intends to cease operations by June 1, 2007 as required by its lease. The Company will continue to report the results of the Isle-Our Lucaya property as continuing operations until a probable sale of this facility is reached or operations are ceased, at which time, these results will be reported as discontinued operations.

2. Summary of Significant Accounting Policies**New Pronouncements**

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109,” which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that a company recognize the impact of a tax position in its financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective in the first quarter of fiscal 2008, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact, if any, of adopting FIN 48 on its financial statements, and such impact cannot be reasonably estimated at this time.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*” (“SFAS No. 157”), to define fair value and establish a framework for measuring fair value in generally accepted accounting principles (“GAAP”) and to expand disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements. Prior to this Statement, there were different definitions of fair value and limited guidance for applying those definitions in GAAP. A single definition of fair value, together with a framework for measuring fair value, should result in increased consistency and comparability in fair value measurements. The expanded disclosures about the use of fair value to measure assets and liabilities should provide users of financial statements with better information about the extent to which fair value is used to measure recognized assets and liabilities, the inputs used to develop the measurements and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods with those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact, if any, of adopting SFAS No. 157 on its financial statements, and such impact cannot be reasonably estimated at this time.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Stock-Based Compensation

Effective May 1, 2006, the Company adopted the Financial Accounting Standards Board SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123(R)), using the modified prospective method, thus, results for the prior period have not been restated.

As a result of adopting SFAS 123(R), the Company recognized \$1.6 million and \$3.5 million for stock option expense for the three and six months ended October 29, 2006, respectively, which is included in marketing and administrative expense in the Consolidated Statements of Operations for the three and six months ended October 29, 2006. The total income tax benefit recognized was approximately \$0.2 million and \$0.6 million for the three and six months ended October 29, 2006, respectively. The incremental expense, net of income tax benefit, for stock options decreased diluted earnings per share by \$0.04 and \$0.09 for the three and six months ended October 29, 2006, respectively. As of October 29, 2006, there was \$11.5 million in unrecognized stock compensation costs, related to unvested options, which the Company will expense over the remaining vesting period, approximately 5 years with a weighted average period of 3.8 years.

For periods prior to May 1, 2006, the Company applied the recognition and measurement principles of APB 25 and related Interpretations in accounting for the Company's three stock-based employee compensation plans. No stock-based employee compensation expense was reflected in net income related to stock option grants as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company recognized a tax benefit from the exercise of certain stock options. The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had adopted SFAS No. 123(R) for the three and six months ended October 23, 2005.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Stock-Based Compensation (continued)

	Three Months Ended October 23, 2005	Six Months Ended October 23, 2005
(In thousands, except per share data)		
Loss from continuing operations	\$ (5,531)	\$ (2,236)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,119)	(2,141)
Pro forma loss before discontinued operations	\$ (6,650)	\$ (4,377)
Income from discontinued operations	1,312	2,001
Pro forma net loss	\$ (5,338)	\$ (2,376)
Earnings (loss) per share: Basic		
As Reported		
Loss from continuing operations	\$ (0.18)	\$ (0.07)
Income from discontinued operations	0.04	0.07
Net loss	\$ (0.14)	\$ (0.01)
Earnings (loss) per share: Basic		
Pro Forma		
Loss from continuing operations	\$ (0.22)	\$ (0.15)
Income from discontinued operations	0.04	0.07
Net loss	\$ (0.18)	\$ (0.08)
Earnings (loss) per share: Diluted		
As Reported		
Loss from continuing operations	\$ (0.18)	\$ (0.07)
Income from discontinued operations	0.04	0.07
Net loss	\$ (0.14)	\$ (0.01)
Earnings (loss) per share: Diluted		
Pro Forma		
Loss from continuing operations	\$ (0.22)	\$ (0.15)
Income from discontinued operations	0.04	0.07
Net loss	\$ (0.18)	\$ (0.08)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following range of assumptions:

Six Months Ended	Risk-Free Interest Rate	Original Expected Life	Expected Volatility	Expected Dividends
October 29, 2006	4.69 %	5.85 years	52.5 %	None
October 23, 2005	4.00 - 4.56 %	6.26 - 6.51 years	54.45 - 55.8%	None

ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Stock-Based Compensation (continued)

Additionally, under the Company's Deferred Bonus Plan, the Company issues non-vested stock to eligible officers and employees. The Company amortizes the fair value of the non-vested stock ratably over the vesting period of five years.

The following table presents the number and weighted average grant-date fair value of shares granted, vested and forfeited during the three months ended October 29, 2006 and July 30, 2006:

	Number of Shares	Weighted Average Fair Value
Non-vested stock at May 1, 2006	121,069	\$ 19.60
Options granted	-	-
Options vested	(3,405)	17.65
Options forfeited	(3,251)	20.05
Non-vested stock at July 30, 2006	114,413	19.64
Options granted	-	-
Options vested	(7,669)	20.44
Options forfeited	(3,969)	20.62
Non-vested stock at October 29, 2006	102,775	\$ 19.54

Under the Company's 1992, 1993 and 2000 Stock Option Plans, as amended, a maximum of 1,058,750, 4,650,000 and 3,500,000 options, respectively, are reserved for issuance and may be granted to directors, officers and employees. The plans provide for the issuance of incentive stock options and nonqualified options which have a maximum term of 10 years and are, generally, exercisable in yearly installments ranging from 20% to 25%, commencing one year after the date of grant. The Company has 724,233 shares available for future issuance under its equity compensation plans as of October 29, 2006.

Stock options outstanding are as follows:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding options at May 1, 2006	2,932,100	\$ 15.85	
Options granted	3,999	24.49	
Options exercised	(50,600)	4.10	
Options forfeited	(29,800)	18.49	
Outstanding options at July 30, 2006	2,855,699	16.04	
Options granted	627,900	25.01	
Options exercised	(119,789)	11.08	
Options forfeited	(140,300)	17.28	
Outstanding options at October 29, 2006	3,223,510	\$ 17.91	\$ 22,000,456
Outstanding exercisable options at October 29, 2006	1,731,260	\$ 13.86	\$ 18,815,161

The total intrinsic value of options exercised was \$2.4 million during the six months ended October 29, 2006. Upon the exercise of options, the Company issues new shares. The weighted average fair value of options granted during the three and six months ended October 29, 2006 was \$13.65.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Stock-Based Compensation (continued)

The following table summarizes information about stock options outstanding at October 29, 2006:

Ranges of Exercise Prices	Number Outstanding	Options Outstanding		Weighted Average Exercise Price	Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Number Exercisable	Weighted Average Exercise Price
\$ 2.61 - \$ 5.22	185,929	1.6	years	\$3.13	185,929	\$3.13
5.22 - 7.84	318,985	4.8	years	6.50	318,985	6.50
7.84 - 10.45	140,422	2.9	years	10.25	140,422	10.25
10.45 - 13.06	39,173	1.9	years	12.38	39,173	12.38
13.06 - 15.67	525,335	4.8	years	15.35	457,735	15.32
15.67 - 18.28	7,827	3.0	years	17.75	7,827	17.75
18.28 - 20.90	1,092,838	7.4	years	20.36	475,738	20.40
20.90 - 23.51	26,962	2.0	years	23.00	26,962	23.00
23.51 - 26.12	886,039	9.4	years	24.91	78,489	24.75
\$ 2.61 - 26.12	3,223,510	6.6	years	\$17.91	1,731,260	\$13.86

The weighted average remaining contractual life for options exercisable as of October 29, 2006 is 4.8 years.

4. Discontinued Operations

On February 14, 2006, the Company announced that it had entered into a definitive purchase agreement, dated February 13, 2006 to sell its properties in Bossier City, Louisiana and Vicksburg, Mississippi to privately owned Legends Gaming, LLC for \$240 million cash less the Company's portion of closing costs. The sales agreement includes a net working capital adjustment to the purchase price. The transaction closed in the second quarter of fiscal 2007, on July 31, 2006. Therefore, there were no assets held for sale on the consolidated balance sheet as of October 29, 2006. Assets held for sale on the consolidated balance sheet as of April 30, 2006 relates to \$42.8 million of fixed assets at Isle-Vicksburg and \$126.3 million of fixed assets and \$53.3 million of goodwill and other intangible assets at Isle-Bossier City.

Net revenues, pretax income from discontinued operations, income tax expense (benefit) on discontinued operations, gain on sale of discontinued operations, income tax expense on sale of discontinued operations and income from discontinued operations, which includes Isle-Vicksburg, Isle-Bossier City and Colorado Grande-Cripple Creek are summarized as follows:

	Discontinued Operations			
	Three Months Ended		Six Months Ended	
	October 29, 2006	October 23, 2005	October 29, 2006	October 23, 2005
	(In thousands)		(In thousands)	
Net revenues	\$ (77)	\$ 37,903	\$ 41,326	\$ 76,941
Pretax income from discontinued operations	\$ (115)	\$ 2,443	\$ 6,686	\$ 3,776
	\$ (18)	\$ 1,131	\$ 2,858	\$ 1,776

Income tax expense (benefit) from discontinued operations							
Gain on sale of discontinued operations	\$	13,752	\$	-	\$	13,752	\$ -
Income tax expense on sale of discontinued operations	\$	6,022	\$	-	\$	6,022	\$ -
Income from discontinued operations, net of income taxes	\$	7,633	\$	1,312	\$	11,558	\$ 2,001

For the three months ended October 29, 2006 and October 23, 2005, there was \$0 and \$2.9 million, respectively, additional net interest expense allocated to discontinued operations based on the ratio of net assets to be sold to the sum of total net assets of the Company plus the Company's debt that is not attributable to a particular operation. For the six months ended October 29, 2006 and October 23, 2005, additional net interest expense of \$3.2 million and \$5.7 million, respectively, has been allocated to discontinued operations based on the ratio of net assets to be sold to the sum of total net assets of the Company plus the Company's debt that is not attributable to a particular operation.

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 ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Hurricanes and Related Charges

On August 29, 2005, Hurricane Katrina struck the Gulf Coast of Mississippi and Louisiana, which resulted in significant damage to the Company's facility and its casino barge under construction in Biloxi, Mississippi. On December 26, 2005, the Company, using its existing facility, opened a casino as part of the land-based structure that was not severely damaged by the storm.

On September 22, 2005, Hurricane Rita struck the Gulf Coast of Louisiana and Texas, which caused damage to the casino and hotel facilities in Lake Charles, Louisiana. The property was closed for 16 days as a result but subsequently reopened on October 8, 2005.

On October 24, 2005, Hurricane Wilma struck Florida, causing damage to the Company's Pompano Park racing facility. The Property was closed until December 2, 2005.

The Company has insurance coverage related to damage from the three hurricanes for property damage incurred, property operating costs during the operational downtime of the hurricanes, incremental costs incurred related to hurricane damage and recovery activities and business interruption insurance for lost profits during the period directly related to the hurricanes. The Company believes it will receive proceeds from its insurance carrier related to all four types of losses the Company has sustained, and through October 29, 2006 has received advances of \$72.7 million, of which \$3.5 million was received in the second fiscal quarter of 2007 and \$18.8 was received in the six months ended October 29, 2006. The Company continues to negotiate with its insurers to settle the claim. The timeline for final settlement of the claim is not yet determinable.

During fiscal year 2006, the Company recognized asset impairments and losses of \$68.6 million based on assessments of damage at all its locations. During the first fiscal quarter of 2007, the Company recognized an additional \$0.5 million based on further assessments. The Company recognized an additional \$7.1 million in the second fiscal quarter of 2007. The Company has also incurred out-of-pocket costs directly related to the hurricanes and the property operating costs related to the period of closure caused by the hurricanes, of \$62.2 million during fiscal year 2006. The Company has incurred an additional \$15.0 million in the fiscal year 2007. The total amount of losses recognized and expenses incurred of \$153.5 million has been recorded as "Hurricane related charges, net" and has been offset by \$148.7 million, which the Company believes is probable that it will collect from its insurance carriers under its policy coverage. The remaining amount of \$4.8 million represents the Company's deductible portion of its claims, which was recorded during fiscal year 2006. As discussed, the Company has been receiving advances against its insurance claims from the applicable insurance carriers and believes it may ultimately collect more than the \$153.5 million of loss recognized in the income statement due to its replacement value coverage for its property damage and the lost profits component of its coverage. Any amounts in excess of the recorded loss will be recognized as gains by the Company when it and the insurance carriers agree to the final amounts to be paid to the Company for the losses sustained. The following table shows the activity flowing through the insurance accounts:

	Items Incurred as of October 29, 2006	
Property impairment	\$	76,239
Incremental costs incurred		77,245
Hurricane related charges		(4,776)
Insurance receivable, gross	\$	148,708
Insurance receipts		(72,692)

Insurance receivable, net	\$	76,016
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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Goodwill and Other Intangible Assets

There were no changes in the carrying amount of goodwill since April 30, 2006. Other intangible assets consist of the following:

	October 29, 2006		April 30, 2006
	(In thousands)		
Gaming licenses	\$ 57,224	\$	57,224
Trademarks and player database	17,565		17,565
Other intangible assets, net	\$ 74,789	\$	74,789

7. Long-Term Debt

	October 29, 2006		April 30, 2006
	(In thousands)		
Long-term debt consists of the following:			
7% Senior Subordinated Notes (described below)	\$ 500,000	\$	500,000
9% Senior Subordinated Notes (described below)	200,000		200,000
Senior Secured Credit Facility (described below)			
Variable rate term loan	295,000		296,500
Revolver	-		-
Isle-Black Hawk Senior Secured Credit Facility, non-recourse to Isle of Capri Casinos, Inc. (described below)			
Variable rate term loan Tranche C	188,100		189,050
Revolver	24,400		20,600
Isle-Black Hawk Special Assessment BID Bonds, non-recourse to Isle of Capri Casinos, Inc. (described below)	411		472
Blue Chip Credit Facility (4.75% at October 29, 2006) due January 2009; non-recourse to Isle of Capri Casinos, Inc. (described below)	6,885		6,563
Variable rate TIF Bonds due to City of Bettendorf (described below)	2,308		2,926
Variable rate General Obligation Bonds due to City of Davenport (described below)	1,505		1,675
Other	3,409		3,494
	1,222,018		1,221,280
Less current maturities	9,168		8,588
Long-term debt	\$ 1,212,850	\$	1,212,692

The following is a brief description of the Company's and its subsidiaries' borrowing arrangements. Certain of these arrangements contain financial covenants. The Company and its subsidiaries were in compliance with all covenants as of October 29, 2006 and April 30, 2006.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (continued)**7% Senior Subordinated Notes**

On March 3, 2004, the Company issued \$500.0 million of 7% Senior Subordinated Notes due 2014. The 7% Senior Subordinated Notes are guaranteed by all of the Company's significant domestic subsidiaries, excluding the subsidiaries that own and operate the Isle-Black Hawk and the Colorado Central Station-Black Hawk, and other subsidiaries as described more fully in Note 11. The 7% Senior Subordinated Notes are general unsecured obligations and rank junior to all existing and future senior indebtedness, equally with all existing and future senior subordinated debt, including the \$200 million in aggregate principal amount of the existing 9% Senior Subordinated Notes, and senior to any future subordinated indebtedness. Interest on the 7% Senior Subordinated Notes is payable semi-annually on each March 1 and September 1 through maturity. The 7% Senior Subordinated Notes are redeemable, in whole or in part, at the Company's option at any time on or after March 1, 2009, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest to the applicable redemption date, if redeemed during the 12-month period beginning on March 1 of the years indicated below:

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

Additionally, the Company may redeem a portion of the 7% Senior Subordinated Notes with the proceeds of specified equity offerings.

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

9% Senior Subordinated Notes

On March 27, 2002, the Company issued \$200.0 million of 9% Senior Subordinated Notes due 2012 (the "9% Senior Subordinated Notes"). The 9% Senior Subordinated Notes are guaranteed by all of the Company's significant domestic subsidiaries, excluding the subsidiaries that own and operate the Isle-Black Hawk and Colorado Central Station-Black Hawk, and other subsidiaries as described more fully in Note 11. The 9% Senior Subordinated Notes are general unsecured obligations and rank junior to all existing and future senior indebtedness, equally with all existing and future senior subordinated debt, including the \$500.0 million in aggregate principal amount of the existing 7% Senior Subordinated Notes and senior to any future subordinated indebtedness. Interest on the 9% Senior Subordinated Notes is payable semi-annually on each March 15 and September 15 through maturity. The 9% Senior Subordinated Notes are redeemable, in whole or in part, at the Company's option at any time on or after March 15, 2007, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest to the applicable redemption date, if redeemed during the 12-month period beginning on March 15 of the years indicated

below:

Year	Percentage
2007	104.500%
2008	103.000%
2009	101.500%
2010 and thereafter	100.000%

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (continued)**9% Senior Subordinated Notes (continued)**

The Company issued the 9% Senior Subordinated Notes under an indenture between the Company, the subsidiary guarantors and a trustee. The indenture, among other things, limits the ability of the Company and its restricted subsidiaries to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates or pay dividends on or repurchase its stock or its restricted subsidiaries' stock. The Company is also limited in its ability to issue and sell capital stock of its subsidiaries and in its ability to sell assets in excess of specified amounts or merge with or into other companies.

Senior Secured Credit Facility

On February 4, 2005, the Company refinanced its senior secured credit facility. The refinanced facility provides for a \$400.0 million revolving credit facility maturing on February 4, 2010 and a \$250.0 million term loan facility maturing on February 4, 2011 (or February 6, 2012 if the Company elects to refinance its existing 9% Senior Subordinated Notes currently due March 2012). On August 3, 2005, the Company exercised its option for a delayed draw term loan for an additional \$50.0 million. The draw was accessed in anticipation of funding the Company's ongoing development projects. At the Company's and the lead arranger's mutual discretion, the Company may increase the revolver and/or term loan, in an aggregate amount up to \$200.0 million subject to certain conditions. The term loans are payable in quarterly installments beginning on March 31, 2005 and ending on February 4, 2011 unless extended as described above. The revolving credit facility may bear interest at the Company's option (1) the higher of 0.5% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 1.75% or (2) a rate tied to a LIBOR rate plus an applicable margin of up to 2.75%. The term loan may bear interest at the Company's option (1) the higher of 0.5% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 0.75% or (2) a rate tied to a LIBOR rate plus an applicable margin of 1.75%.

The Company is required to pay a commitment fee of 0.50% of the unused revolving facility.

The senior secured credit facility provides for certain covenants, including those of a financial nature. The senior secured credit facility is secured by liens on substantially all of the Company's assets and guaranteed by all of its restricted subsidiaries. As of October 29, 2006, the Company was in compliance with all covenants related to this facility.

The weighted average effective interest rate of total debt outstanding under the senior secured credit facility at October 29, 2006, was 7.44%.

At October 29, 2006, the Company had \$295 million outstanding under the senior secured term loan credit facility and no outstanding balance under the revolving credit facility.

Isle-Black Hawk Senior Secured Credit Facility

On October 24, 2005, Isle of Capri Black Hawk, L.L.C., a joint venture company that owns and operates two casinos in Black Hawk, Colorado, which is owned 57% by Isle of Capri Casinos, Inc. and 43% by a subsidiary of Nevada Gold & Casinos, Inc., entered into a \$240.0 million Second Amended and Restated Credit Agreement. The credit agreement, which amends and restates the Isle of Capri Black Hawk, L.L.C.'s existing credit agreement in its entirety, provides for a \$50.0 million revolving credit facility maturing the earlier of October 24, 2010 or such date as the term loan facility is repaid in full and a \$190.0 million term loan facility maturing on October 24, 2011. At the Isle of Capri

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

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (continued)**Isle-Black Hawk Senior Secured Credit Facility (continued)**

plus an applicable margin of 2.00%. The Isle of Capri Black Hawk, L.L.C is required to pay a commitment fee of 0.5% of the unused portion of the revolving facility. The credit agreement is secured by liens on substantially all of the Isle of Capri Black Hawk, L.L.C.'s assets. The credit agreement contains customary representations and warranties and affirmative and negative covenants and is non-recourse to the Company.

The Isle-Black Hawk senior secured credit facility as amended provides for certain covenants including those of a financial nature. The Isle-Black Hawk was in compliance with all of the covenants as of October 29, 2006. The Isle-Black Hawk senior secured credit facility is secured by liens on the Isle-Black Hawk's assets.

The weighted average effective interest rate of total debt outstanding under the Isle-Black Hawk Senior Secured Credit Facility at October 29, 2006, was 6.84%.

Interest Rate Swap Agreements

The Isle-Black Hawk has interest rate swap agreements with an aggregate notional value of \$80.0 million, or 42.5% of its variable rate term debt, outstanding under the Isle-Black Hawk's senior secured credit facility as of October 29, 2006. The swap agreements effectively convert portions of its variable rate debt to a fixed-rate basis until the fourth fiscal quarter of 2008, thus reducing the impact of interest rate changes on future interest expense. During the fiscal year 2006 and the fiscal quarter ended October 29, 2006, the swaps were not designated as effective hedges. Accordingly, the Company recognized \$0.3 million due to the change in the fair value of the instrument during the second fiscal quarter of 2007. The interest rate swap agreements terminate in fiscal 2008.

Isle-Black Hawk Special Assessment BID Bonds

In July 1998, the Black Hawk Business Improvement District (the "BID"), issued \$2.9 million in 6% bonds due on December 1, 2009. The proceeds from the sale of the bonds were used to fund road and utility improvements in the Special Improvement District 1997-1 (the "SID"), of which the Isle-Black Hawk is a member. The total costs of the improvements amounted to \$2.2 million with the excess proceeds being returned to the bondholders by the BID. The Isle-Black Hawk is responsible for 50% of this amount plus interest, which is non-recourse to the Isle of Capri Casinos, Inc. In April 2000, the Isle-Black Hawk made the first of twenty semi-annual payments of \$0.1 million in the form of special property tax assessments levied on the improvement project. This amount is calculated by amortizing \$1.1 million, or 50% of the net bond proceeds, over twenty periods at an interest rate of 6.25%. The difference between the bond rate of 6% and the 6.25% assessed is to cover administrative costs of the BID related to the issuance.

Blue Chip Credit Facility

Blue Chip PLC has an agreement with the Bank of Scotland to borrow up to £3.8 million (\$7.2 million as of October 29, 2006) to fund its casino development program. As of October 29, 2006, £3.6 million (\$6.9 million) is outstanding. The term loan is to be repaid in quarterly payments that commenced in July 2005, and is to be repaid in April 2009 should Blue Chip borrow the additional £0.2 million (\$0.3 million). If the additional funds are not borrowed, the loan will be repaid in January 2009. The interest rate is either, at Blue Chip's option, the Bank of Scotland's base rate or LIBOR plus a margin of 1.75%. This debt is non-recourse to the Company.

ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (continued)**Isle-Bettendorf TIF Bonds**

As part of the City of Bettendorf Development Agreement dated June 17, 1997, the City of Bettendorf issued \$9.5 million in tax incremental financing bonds (“TIF Bonds”), which was used by the Isle-Bettendorf to construct an overpass, parking garage, related site improvements and pay for disruption damages caused by construction of the overpass. To enable financing of the City of Bettendorf’s obligations, the Isle-Bettendorf will pay incremental property taxes on the developed property assessed at a valuation of not less than \$32.0 million until the TIF Bonds mature. In the event that the taxes generated by the project and other qualifying developments in the redevelopment district do not fund the repayment of the total TIF Bonds prior to their scheduled maturity, the Isle-Bettendorf will pay the City of Bettendorf \$0.25 per person for each person entering the boat until the remaining balance has been repaid.

Rhythm City - Davenport General Obligation Bonds

In 2002, the Isle-Davenport (Rhythm City) entered into an agreement with the City of Davenport whereby the City of Davenport has constructed a sky-bridge connecting to the Isle-Davenport’s facility, allowing safer access across the street and railroad tracks. In February 2004, the City of Davenport issued \$1.8 million in ten-year general obligation tax-exempt bonds at an average interest rate of 3.1% in connection with the Isle-Davenport’s portion of the cost of the sky-bridge. The Isle-Davenport is required to make annual payments of principal and interest to the City of Davenport to retire the bonds.

Lines of Credit

As of October 29, 2006, the Company had \$360.0 million of availability under its lines of credit and available term debt as compared to \$361.2 million at April 30, 2006.

8. Accumulated Comprehensive Income

Accumulated comprehensive income consists of the following:

	Unrealized gain (loss) on interest rate swaps	Foreign currency translation adjustment (In thousands)	Accumulated other comprehensive income
Balance, April 30, 2006	\$ -	\$ 220	\$ 220
Net change, First Quarter	(13)	645	632
Balance, July 30, 2006	\$ (13)	\$ 865	\$ 852
Net change, Second Quarter	-	656	656
Balance, October 29, 2006	\$ (13)	\$ 1,521	\$ 1,508

For the interest rate swap agreements in the first fiscal quarter of 2007, the fair value of the estimated interest differential between the applicable future variable rates and the interest rate swap agreement contracts, expressed in present value terms, totaled \$22 thousand and is recorded as a current liability. The \$13 thousand recorded to other

comprehensive income represents the fair value of the swaps, net of the income tax benefit of \$9 thousand.

As a result of the operations of the Company's international subsidiaries with functional currencies other than the U.S. dollar, a resulting currency translation adjustment is necessary. The assets and liabilities of the Company's international subsidiaries are translated using the exchange rate in effect at the balance sheet date, with the resulting translation adjustment recognized as accumulated other comprehensive income.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Contingencies

Lady Luck Gaming Corporation (now a wholly owned subsidiary of the Company) and several joint venture partners are defendants in a lawsuit brought by the country of Greece through its Minister of Tourism (now Development) and Finance. The action alleges that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. The payment the Company is alleged to have been required to make totals approximately 6.5 million Euros (which was approximately \$8.3 million as of October 29, 2006 based on published exchange rates). Although it is difficult to determine the damages being sought from the lawsuit, the action may seek damages up to that aggregate amount plus interest from the date of the action. The Athens Civil Court of First Instance granted judgment in the Company's favor and dismissed the lawsuit, but the Ministry appealed the matter and the appeal was heard before the Athens Appeal Court of First Instance. The Athens Appeal Court issued certified copies of judgments denying the Ministry's appeal. The Ministry elected to appeal this matter further to the Supreme Court. During October 2005, the Administrative Supreme Court remanded the matter back to the Athens Administrative Appeals Court for a hearing on the merits. The hearing took place during November 2006, and a decision is expected sometime during 2007. The civil matter was set for hearing before the Greek Supreme Court during May 2006; however, prior to the scheduled hearing date, the Greek Supreme Court reset the hearing for January 8, 2007. The hearing remains scheduled for this date, and the Company intends to continue a vigorous and appropriate defense to the claims asserted in this matter.

The Company is subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and is subject to cleanup requirements at certain of its facilities as a result thereof. The Company has not made, and does not anticipate making, material expenditures, nor does it anticipate incurring delays with respect to environmental remediation or protection. However, in part because the Company's present and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and that the Company will not experience material liabilities or delays.

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Earnings per Share of Common Stock

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	October 29, 2006	October 23, 2005	October 29, 2006	October 23, 2005
(In thousands, except per share data)				
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	\$ (4,248)	\$ (5,531)	\$ 1,067	\$ (2,236)
Discontinued operations:				
Gain from sale of discontinued operations, net of taxes	7,730	-	7,730	-
Income (loss) from discontinued operations	(97)	1,312	3,828	2,001
Net income (loss)	\$ 3,385	\$ (4,219)	\$ 12,625	\$ (235)
Denominator:				
Denominator for basic earnings (loss) per share - weighted - average shares				
	30,346	30,097	30,384	30,105
Effect of dilutive securities				
Employee stock options and nonvested restricted stock	707	-	844	-
Denominator for diluted earnings per share - adjusted weighted - average shares and assumed conversions				
	31,053	30,097	31,228	30,105
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.14)	\$ (0.18)	\$ 0.04	\$ (0.07)
Income (loss) from discontinued operations	0.25	0.04	0.38	0.07
Net income (loss)	\$ 0.11	\$ (0.14)	\$ 0.42	\$ (0.01)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.14)	\$ (0.18)	\$ 0.03	\$ (0.07)
Income (loss) from discontinued operations	0.25	0.04	0.37	0.07
Net income (loss)	\$ 0.11	\$ (0.14)	\$ 0.40	\$ (0.01)

The Company computed basic earnings per share by dividing net income by the weighted average number of shares outstanding for the period. The Company determined diluted earnings per share for the periods ending October 29, 2006 and October 23, 2005, as net income divided by the weighted average number of shares outstanding for the period, after applying the treasury method to determine any incremental shares associated stock options outstanding. Anti-dilutive stock options were excluded from the calculation of potential common shares. If the weighted average anti-dilutive shares were included for the three and six months ended October 29, 2006, the impact would have been a reduction of 308,239 shares and 54,040 shares, respectively. If the weighted average anti-dilutive shares were included for the three and six months ended October 23, 2005, the impact would have been a reduction of 281,053 shares and 267,067 shares, respectively.

Any options with an exercise price in excess of the average market price of the Company's common stock during the periods presented are not considered when calculating the dilutive effect of stock options for diluted earnings per share calculations.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information

Certain of the Company's subsidiaries have fully and unconditionally guaranteed the payment of all obligations under the Company's \$200.0 million 9% Senior Subordinated Notes due 2012 and \$500.0 million 7% Senior Subordinated Notes due 2014. The following tables present the consolidating condensed financial information of the parent company, guarantor subsidiaries and non-guarantor subsidiaries of the Isle of Capri Casinos, Inc., balance sheets as of October 29, 2006 and April 30, 2006, statements of operations for the three and six months ended October 29, 2006 and October 23, 2005 and statements of cash flows for the six months ended October 29, 2006 and October 23, 2005.

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATING CONDENSED GUARANTOR SUBSIDIARIES, NON-GUARANTOR SUBSIDIARIES,
AND PARENT COMPANY FINANCIAL INFORMATION
AS OF OCTOBER 29, 2006 AND APRIL 30, 2006 AND FOR
THE THREE AND SIX MONTHS ENDED OCTOBER 29, 2006 AND OCTOBER 23, 2005
UNAUDITED
(In thousands)

	Isle of Capri Casinos, Inc. (Parent Obligor)	(a) Guarantor Subsidiaries	(b) Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
As of October 29, 2006					
Balance Sheet					
Current assets	\$ 67,474	\$ 171,277	\$ 76,150	\$ (27,973)	\$ 286,928
Intercompany receivables	877,133	(228,761)	43,602	(691,974)	-
Investments in subsidiaries	288,209	276,354	(25,417)	(539,146)	-
Property and equipment, net	11,446	741,562	296,451	-	1,049,459
Other assets	87,333	361,045	49,211	(5,800)	491,789
Total assets	\$ 1,331,595	\$ 1,321,477	\$ 439,997	\$ (1,264,893)	\$ 1,828,176
Current liabilities	\$ 47,397	\$ 105,954	\$ 85,265	\$ (32,371)	\$ 206,245
Intercompany payables	-	557,932	132,647	(690,579)	-
Long-term debt,					
less current maturities	992,000	5,829	215,021	-	1,212,850
Other accrued liabilities	(2,972)	88,864	(524)	-	85,368
Minority interest	-	-	-	27,037	27,037
Stockholders' equity	295,170	562,898	7,588	(568,980)	296,676
Total liabilities and stockholders' equity	\$ 1,331,595	\$ 1,321,477	\$ 439,997	\$ (1,264,893)	\$ 1,828,176

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information (continued)

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
For the Three Months Ended October 29, 2006					
<u>Statement of Operations</u>					
Revenues:					
Casino	\$ -	\$ 201,815	\$ 47,422	\$ -	\$ 249,237
Rooms, food, beverage and other	98	40,893	12,350	(4,034)	49,307
Gross revenues	98	242,708	59,772	(4,034)	298,544
Less promotional allowances	-	43,595	11,722	-	55,317
Net revenues	98	199,113	48,050	(4,034)	243,227
Operating expenses:					
Casino	197	33,222	8,421	-	41,840
Gaming taxes	-	44,143	8,933	-	53,076
Rooms, food, beverage and other	11,329	78,092	26,378	(4,085)	111,714
Management fee expense (revenue)	(7,227)	7,200	27	-	-
Depreciation and amortization	374	19,271	4,336	-	23,981
Total operating expenses	4,673	181,928	48,095	(4,085)	230,611
Operating income (loss)	(4,575)	17,185	(45)	51	12,616
Interest expense, net	(6,432)	(8,433)	(4,307)	-	(19,172)
Minority interest	-	-	-	(547)	(547)
Equity in income (loss) of subsidiaries	3,771	109	(3,383)	(497)	-
Income (loss) from continuing operations before income taxes	(7,236)	8,861	(7,735)	(993)	(7,103)
Income tax expense (benefit)	3,135	(6,004)	14	-	(2,855)
Income (loss) from continuing operations	(10,371)	14,865	(7,749)	(993)	(4,248)
Gain on sale of discontinued operations, net of tax	-	7,730	-	-	7,730
Loss from discontinued operations, net of taxes	-	(97)	-	-	(97)
Net income (loss)	\$ (10,371)	\$ 22,498	\$ (7,749)	\$ (993)	\$ 3,385

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information (continued)

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
	For the Six Months Ended October 29, 2006				
<u>Statement of Operations</u>					
Revenues:					
Casino	\$ -	\$ 430,260	\$ 96,597	\$ -	\$ 526,857
Rooms, food, beverage and other	52	86,426	24,861	(7,608)	103,731
Gross revenues	52	516,686	121,458	(7,608)	630,588
Less promotional allowances	-	90,596	22,797	-	113,393
Net revenues	52	426,090	98,661	(7,608)	517,195
Operating expenses:					
Casino	397	67,344	16,297	-	84,038
Gaming taxes	-	93,029	18,390	-	111,419
Rooms, food, beverage and other	23,249	159,565	55,644	(8,061)	230,397
Management fee expense (revenue)	(16,994)	17,049	(55)	-	-
Depreciation and amortization	821	38,106	8,556	-	47,483
Total operating expenses	7,473	375,093	98,832	(8,061)	473,337
Operating income (loss)	(7,421)	50,997	(171)	453	43,858
Interest expense, net	(11,677)	(17,914)	(8,689)	-	(38,280)
Minority interest	-	-	-	(1,618)	(1,618)
Equity in income (loss) of subsidiaries	30,310	2,949	(6,196)	(27,063)	-
Income (loss) from continuing operations before income taxes	11,212	36,032	(15,056)	(28,228)	3,960
Income tax expense (benefit)	12,342	(8,880)	(569)	-	2,893
Income (loss) from continuing operations	(1,130)	44,912	(14,487)	(28,228)	1,067
Gain on sale of discontinued operations, net of tax	-	7,730	-	-	7,730
Income from discontinued operations, net of taxes	-	3,828	-	-	3,828
Net income (loss)	\$ (1,130)	\$ 56,470	\$ (14,487)	\$ (28,228)	\$ 12,625

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information (continued)

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
For the Six Months Ended October 29, 2006					
Statement of Cash Flows					
Net cash provided by (used in)					
operating activities	\$ 115,838	\$ (113,515)	\$ 9,031	\$ (19,767)	\$ (8,413)
Net cash provided by (used in)					
investing activities	(97,677)	99,844	(16,054)	28,605	14,718
Net cash provided by (used in)					
financing activities	(5,033)	(866)	11,671	(8,838)	(3,066)
Effect of foreign currency exchange rates on					
cash and cash equivalents	-	-	24	-	24
Net increase (decrease) in cash and cash equivalents	13,128	(14,537)	4,672	-	3,263
Cash and cash equivalents at beginning of the period	29,193	67,632	24,368	-	121,193
Cash and cash equivalents at end of the period	\$ 42,321	\$ 53,095	\$ 29,040	\$ -	\$ 124,456

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
As of April 30, 2006					
Balance Sheet					
Current assets	\$ 47,103	\$ 385,105	\$ 56,762	\$ (12,826)	\$ 476,144
Intercompany receivables	980,029	(365,151)	70,539	(685,417)	-
Investments in subsidiaries	259,565	273,403	(19,221)	(513,747)	-
Property and equipment, net	5,801	649,862	282,765	-	938,428
Other assets	19,516	354,912	50,744	(5,800)	419,372
Total assets	\$ 1,312,014	\$ 1,298,131	\$ 441,589	\$ (1,217,790)	\$ 1,833,944
Current liabilities	\$ 38,651	\$ 125,821	\$ 76,150	\$ (16,768)	\$ 223,854
Intercompany payables	-	551,749	132,272	(684,021)	-
Long-term debt,					
less current maturities	993,500	6,692	212,500	-	1,212,692
Other accrued liabilities	(2,607)	93,687	(3,060)	-	88,020
Minority interest	-	-	-	26,690	26,690
Stockholders' equity	282,470	520,182	23,727	(543,691)	282,688
Total liabilities and stockholders' equity	\$ 1,312,014	\$ 1,298,131	\$ 441,589	\$ (1,217,790)	\$ 1,833,944

ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information (continued)

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
For the Three Months Ended October 23, 2005					
<u>Statement of Operations</u>					
Revenues:					
Casino	\$ -	\$ 166,464	\$ 49,008	\$ -	\$ 215,472
Rooms, food, beverage and other	11	32,239	10,232	(2,855)	39,627
Gross Revenues	11	198,703	59,240	(2,855)	255,099
Less promotional allowances	-	34,901	10,159	-	45,060
Net revenues	11	163,802	49,081	(2,855)	210,039
Operating expenses:					
Casino	139	26,275	7,497	-	33,911
Gaming taxes	-	39,373	9,319	-	48,692
Rooms, food, beverage and other	11,247	64,379	23,769	(3,098)	96,297
Management fee expense (revenue)	(7,147)	7,259	(112)	-	-
Depreciation and amortization	297	17,468	3,883	-	21,648
Total operating expenses	4,536	154,754	44,356	(3,098)	200,548
Operating income	(4,525)	9,048	4,725	243	9,491
Interest expense, net	(3,878)	(10,408)	(3,110)	-	(17,396)
Minority interest	-	-	-	(1,892)	(1,892)
Equity in income (loss) of subsidiaries	1,329	(4,304)	(1,049)	4,023	-
Income (loss) from continuing operations before					
Income taxes	(7,074)	(5,664)	566	2,374	(9,797)
Income taxes	(2,855)	(1,131)	(280)	-	(4,266)
Income (loss) from continuing operations	(4,219)	(4,533)	846	2,374	(5,531)
Income from discontinued operations, net of taxes	-	1,312	-	-	1,312
Net income (loss)	\$ (4,219)	\$ (3,221)	\$ 846	\$ 2,374	\$ (4,219)

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information (continued)

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
For the Six Months Ended October 23, 2005					
<u>Statement of Operations</u>					
Revenues:					
Casino	\$ -	\$ 360,248	\$ 99,509	\$ -	\$ 459,757
Rooms, food, beverage and other	94	71,490	21,968	(5,878)	87,674
Gross Revenues	94	431,738	121,477	(5,878)	547,431
Less promotional allowances	-	74,271	20,625	-	94,896
Net revenues	94	357,467	100,852	(5,878)	452,535
Operating expenses:					
Casino	249	58,009	15,625	-	73,883
Gaming taxes	-	84,246	18,768	-	103,014
Rooms, food, beverage and other	21,146	137,250	46,630	(6,246)	198,780
Management fee expense (revenue)	(15,147)	15,301	(154)	-	-
Depreciation and amortization	632	35,012	7,604	-	43,248
Total operating expenses	6,880	329,818	88,473	(6,246)	418,925
Operating income	(6,786)	27,649	12,379	368	33,610
Interest expense, net	(5,399)	(22,655)	(5,758)	-	(33,812)
Minority interest	-	-	-	(3,948)	(3,948)
Equity in income (loss) of subsidiaries	12,020	(4,831)	(2,111)	(5,078)	-
Income (loss) from continuing operations before					
Income taxes	(165)	163	4,510	(8,658)	(4,150)
Income taxes	70	(1,775)	(209)	-	(1,914)
Income (loss) from continuing operations	(235)	1,938	4,719	(8,658)	(2,236)
Income from discontinued operations, net of taxes	-	2,059	(58)	-	2,001
Net income (loss)	\$ (235)	\$ 3,997	\$ 4,661	\$ (8,658)	\$ (235)

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
For the Six Months Ended October 23, 2005					
<u>Statement of Cash Flows</u>					
Net cash provided by (used in)					
operating activities	\$ (48,360)	\$ 89,215	\$ 19,022	\$ (5,078)	\$ 54,799
Net cash provided by (used in)					

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investing activities	(13,736)	(84,677)	(31,593)	5,361	(124,645)
Net cash provided by (used in)					
financing activities	41,041	(719)	9,210	(283)	49,249
Effect of foreign currency					
exchange rates on					
cash and cash equivalents	-	-	(651)	-	(651)
Net increase (decrease) in cash and					
cash equivalents	(21,055)	3,819	(4,012)	-	(21,248)
Cash and cash equivalents at					
beginning of the period	53,584	57,661	35,498	-	146,743
Cash and cash equivalents at					
end of the period	\$ 32,529	\$ 61,480	\$ 31,486	\$ -	\$ 125,495

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Consolidating Condensed Financial Information (continued)

- (a) The following subsidiaries of the Company are guarantors of the 7% Senior Subordinated Notes and the 9% Senior Subordinated Notes: Riverboat Corporation of Mississippi; Riverboat Services, Inc.; CSNO, L.L.C.; St. Charles Gaming Company, Inc.; IOC Holdings, L.L.C.; Grand Palais Riverboat, Inc.; LRGP Holdings, L.L.C.; P.P.I, Inc.; Isle of Capri Casino Colorado, Inc.; IOC-Coahoma, Inc.; IOC-Natchez, Inc.; IOC-Lula, Inc.; IOC-Boonville, Inc.; IOC-Kansas City, Inc.; Isle of Capri Bettendorf, L.C.; Isle of Capri Marquette, Inc.; IOC-Davenport, Inc.; LL Holding Corporation; IOC-St. Louis County, Inc.; IOC-Black Hawk County, Inc.; IOC-PA, L.L.C.; IOC-City of St. Louis, L.L.C.; and IOC-Manufacturing, Inc. Each of the subsidiaries' guarantees is joint and several with the guarantees of the other subsidiaries.
- (b) The following subsidiaries are not guarantors of the 7% Senior Subordinated Notes and the 9% Senior Subordinated Notes: Isle of Capri Black Hawk, L.L.C.; Isle of Capri Black Hawk Capital Corp.; IOC Holdings Colorado, Inc.; CCSC/Blackhawk, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; Blue Chip Casinos, PLC; Isle of Capri of Jefferson County, Inc.; Casino Parking, Inc.; Isle of Capri-Bahamas, Ltd.; ASMI Management, Inc.; IOC Development Company, L.L.C.; Casino America, Inc.; ICC Corp.; International Marco Polo Services, Inc.; IOC, L.L.C.; Isle of Capri of Michigan L.L.C.; Isle of Capri Bettendorf Marina Corp.; Water Street Redevelopment Corporation; IOC Services, L.L.C.; Louisiana Horizons, L.L.C.; Capri Air, Inc.; Lady Luck Gaming Corp.; Lady Luck Gulfport, Inc.; Lady Luck Vicksburg, Inc.; Lady Luck Biloxi, Inc.; Lady Luck Central City, Inc.; Pompano Park Holdings, L.L.C.; Casino America of Colorado, Inc.; JPLA Pelican, L.L.C.; IOC-Cameron, L.L.C.; Isle of Capri Casinos Limited, Isle of Capri Casinos Pittsburgh, Inc. and Capri Insurance Corporation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto, and our audited consolidated financial statements, notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended April 30, 2006, included in our Annual Report on Form 10-K for such period as filed with the U.S. Securities and Exchange Commission. The results shown herein are not necessarily indicative of the results to be expected in any future periods. This discussion contains forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) based on current expectations which involve risks and uncertainties. Actual results and the timing of events could differ materially from the forward-looking statements as a result of a number of factors. For a discussion of the material factors that could cause actual results to differ materially from the forward-looking statements, you should read "Risk Factors" in our Annual Report on Form 10-K as updated.

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 and internationally. We continue to investigate developing new locations, purchasing existing operations and expanding our current properties. These activities require capital-intensive investments that have long-term return potential. 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 Freeport, Grand Bahama Island. We also operate a harness racing track in Florida. Additionally, we have a controlling interest in casino investments in Dudley and Wolverhampton, England.

The following table reflects our consolidated net revenues and operating income by state:

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Three Months Ended			
	October 29, 2006	October 23, 2005	Variance	Variance \$%
Net revenues:				
Mississippi	\$ 67,163	\$ 40,613	\$ 26,550	65.4%
Louisiana	39,952	27,844	12,108	43.5%
Missouri	40,229	39,354	875	2.2%
Iowa	47,530	51,640	(4,110)	(8.0%)
Colorado	39,502	39,633	(131)	(0.3%)
International	4,303	6,371	(2,068)	(32.5%)
Corporate and other	4,548	4,584	(36)	(0.8%)
Total net revenues	\$ 243,227	\$ 210,039	\$ 33,188	15.8%
Operating income:				
Mississippi	\$ 10,980	\$ 2,956	\$ 8,024	271.4%
Louisiana	3,554	(427)	3,981	n/a
Missouri	5,189	6,040	(851)	(14.1%)
Iowa	7,066	9,015	(1,949)	(21.6%)
Colorado	6,062	9,352	(3,290)	(35.2%)
International	(2,071)	(1,386)	(685)	(49.4%)
Corporate and other	(15,265)	(16,059)	794	4.9%
Operating income	\$ 15,515	\$ 9,491	\$ 6,024	63.5%

Note: Excludes Isle-Vicksburg, Isle-Bossier City and Colorado Grande-Cripple Creek which have been classified as discontinued operations

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Six Months Ended			
	October 29, 2006	October 23, 2005	Variance	Variance \$%
Net revenues:				
Mississippi	\$ 152,545	\$ 94,292	\$ 58,253	61.8%
Louisiana	84,619	67,428	17,191	25.5%
Missouri	81,060	79,713	1,347	1.7%
Iowa	98,044	105,785	(7,741)	(7.3%)
Colorado	79,117	78,989	128	0.2%
International	11,412	15,440	(4,028)	(26.1%)
Corporate and other	10,398	10,888	(490)	(4.5%)

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Total net revenues	\$	517,195	\$	452,535	\$	64,660	14.3%
Operating income:							
Mississippi	\$	34,881	\$	7,459	\$	27,422	367.6%
Louisiana		9,635		3,818		5,817	152.4%
Missouri		10,242		12,295		(2,053)	(16.7%)
Iowa		17,090		21,210		(4,120)	(19.4%)
Colorado		13,297		18,646		(5,349)	(28.7%)
International		(5,313)		(865)		(4,448)	(514.2%)
Corporate and other		(33,075)		(28,953)		(4,122)	(14.2%)
Operating income	\$	46,757	\$	33,610	\$	13,147	39.1%

Note: Excludes Isle-Vicksburg, Isle-Bossier City and Colorado Grande-Cripple Creek which have been classified as discontinued operations

Operating results for the second quarter of fiscal 2007 include several costs which have significantly increased as compared to the second quarter of fiscal 2006. These costs include an increase of approximately \$4.5 million in property insurance expense over the prior year second quarter, which was allocated across all operating properties. This increase is expected to continue through fiscal 2007. We also recorded approximately \$1.6 million of stock compensation expense in the second quarter of fiscal 2007 related to the adoption of FASB Statement No. 123(revised 2004) "Share-Based Payment" (SFAS 123(R)). These costs will also be recurring. We recorded approximately \$1.7 million of relocation costs related to moving its corporate headquarters to St. Louis, Missouri. Further office relocation costs will be recorded in the third fiscal quarter of 2007 and will end with the completion of the office relocation. The stock compensation expense and office relocation costs are reflected in the Marketing and administrative expense line item.

In Mississippi, our three continuing operations contributed 27.6% of net revenues. Isle-Biloxi's net revenues were up from the prior year period principally because of the new and upgraded land-based casino and the prior year closure due to Hurricane Katrina. Operating income at the property was also up significantly over the same quarter in fiscal 2006 due to reduced competition in the market. Isle-Natchez experienced decreases in both net revenues and operating income primarily resulting from the reopening of the casinos on the Gulf Coast. Isle-Lula's net revenues increased slightly. Operating income at the property increased due to more efficient management of expenses.

In Louisiana, the Isle-Lake Charles contributed 16.4% of net revenues. Isle-Lake Charles experienced an increase in net revenues and operating income, compared to the prior year period, primarily due to the closure of a competitor in the market and the closure of the Isle-Lake Charles between September 22, 2005 and October 8, 2005.

In Missouri, our two properties contributed 16.5% of net revenues. Isle-Kansas City's net revenues were down due to a decreased gaming patron count attributable to the completion of competitors expansion projects in the market and increased marketing intensity by competitors. Isle-Boonville's net revenues and operating income increased due to an increase in marketing efforts and the opening of the new hotel.

In Iowa, our three casinos contributed 19.5% of net revenues. Combined, the our two Quad-City properties and the Isle-Marquette showed a decrease in both net revenues and operating income due to increased competition in the key feeder markets.

In Colorado, our two Black Hawk casino operations contributed 16.2% of net revenues. The decrease in net revenues was due to the opening of competitors' upgraded facilities. Operating income decreased primarily due to increased operating costs associated with the expanded facility and marketing expenses associated with the opening of competitors' expansion projects.

New development expenses increased compared to the second quarter of fiscal 2006 primarily due to increased expenses related to the pursuit of the casino license in Pittsburgh, Pennsylvania in the second fiscal quarter of 2007 as well as increased costs incurred relating to pursuit of the casino license in Singapore.

The decrease in corporate expenses is primarily due to prior year costs and reserves related to litigation matters and contributions we made in the prior year to Isle team member relief funds from Hurricane Katrina.

Operating results from the Colorado Grande-Cripple Creek, Colorado, Isle-Vicksburg, Mississippi and Isle-Bossier City, Louisiana have been classified as discontinued operations for both periods presented and thus are not included in the Operational Review by state discussed above.

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;
- 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 October 29, 2006, we had goodwill and other intangible assets with indefinite useful lives of \$371.1 million, representing 20.3% of total assets. Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), requires that goodwill and 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 intangible assets below their carrying value. We completed our annual impairment test as required under SFAS 142 in the fourth quarter of fiscal year 2006 and determined that goodwill and other indefinite-lived intangible assets were not impaired. 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. Changes in estimates or application of alternative assumptions and definitions could produce significantly different results.

Property and Equipment

At October 29, 2006, we had property and equipment of \$1,049.5 million, representing 57.4% 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. Costs incurred in connection with our “all properties other capital improvements,” program, as detailed in the “Liquidity and Capital Resources” section below, include individual capital expenditures related to the purchase of furniture and equipment and to the upgrade of hotel rooms, restaurants and other areas of our properties. 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 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. 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 and equipment, we make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

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 for these 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 total cost of claims incurred depends on future developments, such as increases in health care costs, in our opinion, recorded reserves are adequate to cover payment of future claims.

Insurance Accounting

We initially took an impairment charge of \$68.6 million based on assessments of damages at our locations affected by Hurricanes Katrina, Wilma and Rita in fiscal year 2006. During the first and second fiscal quarter of 2007, we recognized an additional \$0.5 million and \$7.1 million, respectively, based on further assessments. The impairment charge was offset by an insurance receivable for the amount we expect to recover from our insurance carriers. We have also incurred out-of-pocket costs directly related to the hurricanes and the property operating costs related to the period of closure caused by the hurricanes, of \$62.2 million during fiscal year 2006. We have incurred an additional \$15.0 million in the fiscal 2007. These amounts are included in the “hurricane related charges, net” in the accompanying statements of income. We have insurance coverage related to property damage, incremental costs and property operating expenses we incur due to damage caused by the hurricanes. The “hurricane related charges, net” account also includes the total anticipated recoveries expected from our insurance carriers of \$148.7 million related to the impairments recognized related to the damaged property, the incremental costs and property operating expenses that management believes are probable of collection. We have received \$72.7 million in advance payments from our insurance carriers through October 29, 2006. When our insurance carriers and we agree on the final amount of the insurance proceeds we are entitled to, we will also record any related gain in this account. Our insurance policies also provide coverage for the loss of profits caused by the storms. Any lost profit recoveries will be recognized when agreed to with the insurance carrier and will be reflected in the related properties’ revenues.

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.

The deferred tax assets and liabilities, as well as the need for a valuation allowance, are evaluated on a quarterly basis and adjusted if necessary. We use forecasted future operating results and consider enacted tax laws and rates in determining if the valuation allowance is sufficient. We operate in multiple taxing jurisdictions and are therefore

subject to varying tax laws and potential audits, which could impact our assessments and estimates.

Contingencies

We are involved in various legal proceedings and have identified certain loss contingencies. We record liabilities related to these contingencies when it is determined that a loss is probable and reasonably estimable. These assessments are based on our knowledge and experience as well as the advice of legal counsel regarding current and past events. Any such estimates are also subject to future events, court rulings, negotiations between the parties and other uncertainties. If an actual loss differs from our estimate, or the actual outcome of any of the legal proceedings differs from expectations, operating results could be impacted.

We routinely face challenges from federal and other tax authorities regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. We record tax accruals for probable exposures associated with the various filing positions in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

Slot Club Awards

We reward our slot customers for their loyalty based on the dollar amount of play on slot machines. We accrue for these slot club awards based on an estimate of the value of the outstanding awards utilizing the age and prior history of redemptions. Future events such as a change in our marketing strategy or new competition could result in a change in the value of the awards.

Stock Based Compensation

For periods prior to May 1, 2006, we applied the recognition and measurement principles of APB 25 and related Interpretations in accounting for our three stock-based employee compensation plans. No stock-based employee compensation expense was reflected in net income related to stock option grants as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. We recognized a tax benefit from the exercise of certain stock options.

Effective May 1, 2006, we adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123(R)), using the modified prospective method, thus, results for the prior period have not been restated. The estimate of the fair value of the stock options is calculated using the Black-Scholes 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. As of October 29, 2006, there was \$11.5 million in unrecognized stock compensation costs that we will expense over the remaining vesting period, approximately 5.0 years.

Results of Operations

Our results of operations for the three and six months ended October 29, 2006, reflect the consolidated operations of all of our subsidiaries and include the following properties: the Isle-Lake Charles, the Isle-Biloxi, the Isle-Lula, the Isle-Natchez, the Isle-Kansas City, the Isle-Boonville, the Isle-Bettendorf, the Isle-Marquette, the Rhythm City-Davenport, the Isle-Black Hawk, the Colorado Central Station-Black Hawk, the Isle-Our Lucaya, Pompano Park, the Blue Chip-Dudley and the Blue Chip-Wolverhampton, which was closed on July 30, 2006. For the three and six months ended October 23, 2005, results have been reclassified to reflect Isle-Vicksburg, Isle-Bossier City and Colorado Grande-Cripple Creek as discontinued operations.

We believe that our historical results of operations may not be indicative of our future results of operations because of the substantial present and expected future increase in competition for gaming customers in each of our markets, as new gaming facilities open and existing gaming facilities expand or enhance their facilities. We also believe that our operating results are materially affected by declines in the economy and adverse weather.

Three Fiscal Months Ended October 29, 2006 Compared to Three Fiscal Months Ended October 23, 2005

Gross revenues for the fiscal quarter ended October 29, 2006 were \$298.5 million, which included \$249.2 million of casino revenue, \$13.3 million of room revenue, \$3.8 million of pari-mutuel commissions, and \$32.2 million of food, beverage and other revenue. This compares to gross revenues for the fiscal quarter ended October 23, 2005 of \$255.1 million, which included \$215.5 million of casino revenue, \$8.9 million of room revenue, \$3.8 million of pari-mutuel commissions and \$26.9 million of food, beverage and other revenue.

Casino revenue increased by \$33.8 million, or 15.7 %, compared to the fiscal quarter ended October 23, 2005. We saw a large increase in our revenues from Isle-Biloxi principally because of our new and upgraded land-based casino and the prior year closure due to Hurricane Katrina, as well as from the Isle-Lake Charles primarily due to the closure of a competitor in the market and Hurricane Rita. Additionally, Isle-Boonville's net revenues increased due to an increase in marketing efforts and the opening of the new hotel.

The increase in revenue from these properties offset reductions in revenue for Isle-Kansas City, our two Black Hawk casinos, and our three casinos in Iowa. These properties faced lower than expected growth in market revenues, increased marketing intensity by competitors, increased competition in the key feeder markets or the opening of competitor-upgraded facilities in those markets.

Room revenue increased \$4.4 million, or 49.5%, compared to the fiscal quarter ended October 23, 2005, primarily resulting from the increased capacity at Isle-Biloxi, the two hotels in Black Hawk and Isle-Boonville. Pari-mutuel commissions earned at Pompano Park in Florida for the fiscal quarter were up slightly. Food, beverage and other revenues increased by \$5.2 million, or 19.4%, primarily attributable to an increase at Isle-Biloxi resulting from our new and upgraded land-based casino and the prior year closure due to Hurricane Katrina.

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 increased by 22.8% in fiscal quarter ended October 29, 2006, as compared to the prior year quarter, in line with increased revenues. Promotional allowances decreased slightly in proportion to the casino revenue, 22.2% versus 20.9%.

Casino operating expenses increased \$7.9 million, or 23.4% in the quarter ended October 29, 2006 compared to the fiscal quarter ended October 23, 2005. These expenses are primarily comprised of salaries, wages and benefits and other operating expenses of the casinos. Casino operating expenses increased only slightly or 1.1% in proportion to casino revenue, primarily due to Isle-Biloxi's operating costs decrease of 4.3% with increased casino revenues of \$26.0 million

State and local gaming taxes increased \$4.4 million or 9.0%, in the fiscal quarter ended October 29, 2006 as compared to the fiscal quarter ended October 23, 2005 due primarily to the increase in gaming revenue. The effective rate for gaming taxes as a percentage of gaming revenue decreased from 22.6% to 21.7% due to a higher ratio of gaming revenues derived from lower rate states.

Room expenses increased \$0.3 million, or 12.0%, compared to the fiscal quarter ended October 23, 2005 as a result of increased room capacity due to the opening of the Boonville hotel and the reopening of the Biloxi hotel. These expenses directly relate to the cost of providing hotel rooms. Other costs of the hotels are shared with the casinos and are presented in their respective expense categories.

Pari-mutuel operating costs of Pompano Park in Florida decreased 4.0% in the current fiscal quarter as compared to our fiscal quarter ended October 23, 2005. Such costs consist primarily of compensation, benefits, purses, simulcast fees and other direct costs of track operations.

Food, beverage and other expenses increased \$0.9 million, or 13.3% over the fiscal quarter ended October 23, 2005. These expenses increased due to the increased sales and the upgraded product offerings at all of our properties. These expenses consist primarily of the cost of goods sold, salaries, wages and benefits and other operating expenses of these departments. Food, beverage and other expenses as a percentage of gross food, beverage and other revenues decreased from 24.4% for the fiscal quarter ended October 23, 2005, to 23.2% for the fiscal quarter ended October 29, 2006.

Marine and facilities expenses for the fiscal quarter ended October 29, 2006 increased \$1.8 million, or 12.2%, compared to our fiscal quarter ended October 23, 2005. These expenses include salaries, wages and benefits of the marine and facilities departments, operating expenses of the marine crews, insurance, maintenance of public areas, housekeeping and general maintenance of the riverboats and pavilions.

Marketing and administrative expenses increased \$11.2 million, or 16.4%, compared to our fiscal quarter ended October 23, 2005. Marketing 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, new development activities, professional fees and property taxes. The increase is primarily related to increased property insurance expense, stock compensation expense, corporate relocation expense and increased marketing spend.

Depreciation and amortization expense for the quarter increased \$2.3 million primarily due to new property additions at our Biloxi and two Black Hawk properties.

Net interest expense for the quarter increased \$1.8 million or 10.2% compared with our fiscal quarter ended October 23, 2005. This is attributable to the higher interest rates and higher debt balances on our senior secured credit facility partially offset by higher interest income.

We expense all developmental costs until we determine that ultimate licensure and operation is deemed probable. At that time, we evaluate the applicable costs and capitalize if appropriate.

All of our development plans are subject to obtaining permits, licenses and approvals from appropriate regulatory and other agencies and, in certain circumstances, negotiating acceptable leases. In addition, many of the plans are preliminary, subject to continuing refinement or otherwise subject to change.

Our effective tax rate from continuing operations for the three months ended October 29, 2006 was a benefit of 39.9% compared to a benefit of 43.5% for the three months ended October 23, 2005, which, in each case, includes an unrelated party's portion of the Colorado Central Station-Black Hawk's income taxes. The quarter ended October 29, 2006 does not include the gain related to the sale of the Isle-Vicksburg and Isle-Bossier City properties in our continuing operations. That gain is included in discontinued operations. Our effective tax rate from combining continuing and discontinued operations for the quarter ended October 29, 2006 was 48.2% compared to 42.6% for the quarter ended October 23, 2005. For each comparison, the change in effective rate over the comparable prior fiscal period is attributable to the effect of certain expenses related to the adoption of SFAS 123(R), and other permanent items on full-year projected pre-tax income.

Six Fiscal Months Ended October 29, 2006 Compared to Six Fiscal Months Ended October 23, 2005

Gross revenues for the fiscal six months ended October 29, 2006 were \$630.6 million, which included \$526.9 million of casino revenue, \$28.0 million of room revenue, \$8.8 million of pari-mutuel commissions, and \$67.0 million of food, beverage and other revenue. This compares to gross revenues for the six months ended October 23, 2005 of \$547.4 million, which included \$459.8 million of casino revenue, \$19.2 million of room revenue, \$9.0 million of pari-mutuel commissions and \$59.6 million of food, beverage and other revenue.

Casino revenue increased by \$67.1 million, or 14.6 %, compared to the fiscal six months ended October 23, 2005. Our revenues from Isle-Biloxi increased by \$57.2 million or 191.1% principally because of our new and upgraded land-based casino and the continuation of limited competition in the Biloxi market and the prior year closure due to Hurricane Katrina. In addition, the Isle-Lake Charles saw an increase of \$16.7 million in revenues or 24.4% primarily due to the closure of a competitor in the market and Hurricane Rita. The Isle-Boonville's revenues increased due to an increase in marketing efforts and the opening of the new hotel. The increase in revenue from these properties offset reductions in revenue for Isle-Kansas City, our two Colorado casinos and our three casinos in Iowa. These properties faced lower than expected growth in market revenues, increased marketing intensity by competitors, increased competition in the key feeder markets or the opening of competitor-upgraded facilities in those markets.

Room revenue increased \$8.8 million, or 45.9%, compared to the fiscal six months ended October 23, 2005, primarily resulting from the increased capacity at Isle-Biloxi, Black Hawk and Isle-Boonville. Pari-mutuel commissions earned at Pompano Park in Florida for the fiscal six months were down slightly by a total of \$(0.2) million, or (1.8)%. Food, beverage and other revenues increased by \$7.4 million, or 12.4%, primarily attributable to an increase at Isle-Biloxi resulting from an upgraded product and limited competition in the market.

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 increased by 19.5% in fiscal six months ended October 29, 2006, as compared to the prior year period. Promotional allowances remained flat in proportion to the casino revenue at 21.5%.

Casino operating expenses increased \$10.2 million, or 13.7% in the fiscal six months ended October 29, 2006 compared to the fiscal six months ended October 23, 2005. These expenses are primarily comprised of salaries, wages and benefits and other operating expenses of the casinos. Casino operating expenses, as a percent of casino revenue, remained flat at 16.1%, primarily due to Isle Biloxi's operating costs decrease of 6.3% with increased casino revenues of \$57.2 million offset by higher costs at other properties.

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State and local gaming taxes increased \$8.4 million or 8.2%, in the fiscal six months ended October 29, 2006 as compared to the fiscal six months ended October 23, 2005 due primarily to the increase in gaming revenue. The rate for taxes as a percentage of gaming revenue decreased from 22.4% to 21.3% due to a higher ration of gaming revenues derived from lower rate states.

Room expenses increased \$0.4 million, or 8.7%, compared to the fiscal six months ended October 23, 2005 as a result of increased room capacity at Biloxi, Boonville and Black Hawk. These expenses directly relate to the cost of providing hotel rooms. Other costs of the hotels are shared with the casinos and are presented in their respective expense categories.

Pari-mutuel operating costs of Pompano Park in Florida decreased 3.1% for the fiscal six months ended October 29, 2006 as compared to the fiscal six months ended October 23, 2005. Such costs consist primarily of compensation, benefits, purses, simulcast fees and other direct costs of track operations.

Food, beverage and other expenses increased \$2.4 million, or 16.8% over the fiscal six months ended October 23, 2005. These expenses increased due to the increased sales and the upgraded product offerings at all of our properties. These expenses consist primarily of the cost of goods sold, salaries, wages and benefits and other operating expenses of these departments. Food, beverage and other expenses as a percentage of gross food, beverage and other revenues increased from 23.9% for the fiscal six months ended October 23, 2005, to 24.8% for the fiscal six months ended October 29, 2006.

Marine and facilities expenses for the fiscal six months ended October 29, 2006 increased \$3.1 million, or 11.0%, compared to the fiscal six months ended October 23, 2005. These expenses include salaries, wages and benefits of the marine and facilities departments, operating expenses of the marine crews, insurance, maintenance of public areas, housekeeping and general maintenance of the riverboats and pavilions.

Marketing and administrative expenses increased \$24.3 million, or 17.0%, compared to the fiscal six months ended October 23, 2005. Marketing 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, new development activities, professional fees and property taxes. The increase is primarily related to increased property insurance expense, stock compensation expense, corporate relocation expense and increased marketing spend.

Depreciation and amortization expense for the fiscal six months ended October 29, 2006 increased \$4.2 million primarily due to new property additions at our Colorado and Biloxi properties.

Net interest expense for the quarter increased \$4.5 million or 13.2% compared with the fiscal six months ended October 23, 2005. This is attributable to the higher interest rates and higher debt balances on our senior secured credit facility partially offset by higher interest income.

We expense all developmental costs until we determine that ultimate licensure and operation is deemed probable. At that time, we evaluate the applicable costs and capitalize if appropriate.

All of our development plans are subject to obtaining permits, licenses and approvals from appropriate regulatory and other agencies and, in certain circumstances, negotiating acceptable leases. In addition, many of the plans are preliminary, subject to continuing refinement or otherwise subject to change.

Our effective tax rate from continuing operations for the fiscal six months ended October 29, 2006 was 73.1% compared to 46.1% for the fiscal six months ended October 23, 2005, which, in each case, includes an unrelated party's portion of the Colorado Central Station-Black Hawk's income taxes. The fiscal six months ended October 29,

2006 does not include the gain related to the sale of our Vicksburg and Bossier City properties in our continuing operations. That gain is included in discontinued operations. Our effective tax rate from combining continuing and discontinued operations for the fiscal six months ended October 29, 2006 was 48.3% compared to 44.0% for the fiscal six months ended October 23, 2005. For each comparison, the change in effective rate over the comparable prior fiscal period is attributable to the effect of certain expenses related to the adoption of SFAS 123(R), and other permanent items on full-year projected pre-tax income.

Liquidity and Capital Resources

At October 29, 2006, we had cash and cash equivalents and marketable securities of \$142.5 million compared to \$138.9 million at April 30, 2006, the end of our last fiscal year. Of this \$3.6 million increase, \$3.3 million is a decrease in cash and cash equivalents and is the net result of \$8.4 million net used by operating activities, \$14.7 million net cash provided by investing activities and \$3.0 million net cash used in financing activities. The Company also had \$69.0 million of restricted cash as of October 29, 2006 related to proceeds from the sale of discontinued operations held in escrow for a possible tax-free exchange transaction. An exchange transaction would allow us to defer federal income taxes on the gain on the sale. In addition, as of October 29, 2006, we had \$360.0 million of capacity under lines of credit and available term debt which consisted of \$334.4 million in unused credit capacity under the revolving loan commitment on our senior secured credit facility, \$21.6 million of unused credit capacity under the Isle-Black Hawk's senior secured credit facility (limited to use by the Isle-Black Hawk) and \$4.0 million under other lines of credit and available term debt. During the six months ended October 29, 2006, we had net payments on our senior secured credit facility of \$1.5 million and the Isle-Black Hawk made net borrowings \$2.9 million under the Isle-Black Hawk's senior secured credit facility. We believe that existing cash, cash flow from operations and available borrowings under our lines of credit will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future.

Investing Activities

We made cash expenditures of \$166.1 million for property and equipment during the six months ended October 29, 2006. Included in the \$166.1 million was \$41.9 million in construction costs related to the Isle-Biloxi casino reconstruction following Hurricane Katrina, which we expect to recover from insurance. The following table reflects expenditures and accruals for property and equipment on major projects approved by the Board of Directors for which we are committed as of October 29, 2006 and projected expenditures for these projects. The amounts in the table do not include any expenditures and accruals prior to the beginning of fiscal 2006.

<u>Property</u>	<u>Project</u>	Actual		Remaining	
		Fiscal Year Ended 4/30/06 (1)	6 months Ended 10/29/06 (1) (dollars in millions)	Fiscal Year Ending 4/29/07 (1)	Thereafter (3)
Isle-Bettendorf	Construct hotel	\$ 6.5	\$ 14.9	\$ 19.1	\$ 4.5
Isle-Davenport	Construct hotel	0.3	0.1	7.7	34.9
Isle-Pompano	Construct casino	12.3	21.6	133.1	-
Isle-Waterloo	Construct casino & hotel	5.2	23.0	68.7	78.1
Isle - Kansas City	Expansion & public improvements	1.1	0.4	0.9	82.6
Coventry	Construct leasehold improvements	18.1	14.4	21.1	-
West Harrison County	Construct hotel & casino	-	1.3	6.0	292.7
Other properties (2)	IGT Advantage program	12.1	6.6	7.5	-
All	Slot programs	20.2	12.8	11.1	4.4
All		86.0	27.2	22.8	19.4

	Other capital improvements							
Total	\$	161.8	\$	122.3	\$	298.0	\$	516.6
Discontinued Operations (4)	\$	12.3	\$	1.9	\$	-	\$	-

(1) Excludes: destroyed Isle-Biloxi casino barge of \$36.8 million in fiscal 2006 and \$0.2 million in fiscal 2007; Isle-Biloxi temporary casino of \$37.9 million in fiscal 2006 and \$41.7 million in fiscal 2007 related to construction costs at the Isle-Biloxi casino hurricane reconstruction, which we expect to recover from insurance proceeds.

(2) Includes: Isle-Biloxi, Isle-Natchez, Isle-Lula, Isle-Lake Charles and Colorado Central Station

(3) The timing of these projects is discussed below

(4) Discontinued Operations consist of Isle-Vicksburg and Isle-Bossier City

We have signed a development agreement with the City of Bettendorf pursuant to which we agreed to construct a new 250-room Isle hotel, additional parking, a Kitt's Kitchen restaurant, and an expansion of the existing buffet. The City of Bettendorf agreed to construct a 50,000 square foot convention center adjacent to our facility, which will be managed by Isle-Bettendorf. The cost of our portion of this project is approximately \$45.0 million, and the new hotel is scheduled to open in the late spring of 2007.

In June 2005, we agreed to a \$43.0 million project with the City of Davenport in which we are building a 180-room hotel and rooftop restaurant, and the City of Davenport constructing a 500+ space parking ramp and providing funding to realign our casino with the new hotel facility. This project is currently scheduled to open 18-20 months after all permits and approvals are received.

In November 2004, voters in the State of Florida amended the state's constitution to allow the voters of Miami-Dade and Broward counties (Broward County is the location of the Pompano Park Racetrack) to decide whether to approve slot machines in racetracks and jai alai frontons in their respective counties. Broward County voters passed their local referendum and Miami-Dade county voters rejected their referendum in March 2005.

On January 4, 2006, a Florida Statute became effective allowing Pompano Park and three other pari-mutuel facilities in Broward County to offer slot machine gaming to patrons at these facilities. Although there are pari-mutuel facilities in numerous other counties in the State of Florida, slot machine gaming is only authorized in Broward County where Pompano Park is located. We are constructing a slot machine and entertainment area at Pompano Park adjacent to the existing grandstand at a cost of \$167.0 million with slot machine gaming anticipated to commence in early 2007. This represents an increase of approximately \$26.5 million compared to previously announced costs as a result of increased insurance, construction costs and additional architectural and engineering fees. The statute authorizes Pompano Park to install and operate up to 1,500 slot machines at its facility 365 days per year, 16 hours per day and requires Pompano Park to pay an annual license fee of \$3 million and gaming taxes equal to 50% of Pompano Park's net slot machine revenue plus combined county and city taxes of approximately an additional 3.5% on the first \$250 million of net slot machines revenue and 5% on net slot machine revenue over \$250 million. The Florida Division administering the law is now implementing rules and regulations for the operation of the slot machines.

Florida District Court of Appeal First District recently affirmed its earlier decision to reverse a lower court decision granting summary judgment in favor of Floridians for a Level Playing Field (FLPF), of which we are a member. Although the Court based its decision on different grounds than its earlier decision, the Court ruled that a trial is necessary to determine whether FLPF failed to obtain the required number of signatures to place the constitutional amendment on the ballot. However, the Court granted FLPF's request to certify FLPF's appeal of the Court's decision to the Supreme Court. The decision by the Supreme Court whether to accept the appeal at this stage of the litigation is discretionary. We believe that this decision is contrary to existing Florida law and if a trial were to be held, that FLPF would prevail on the merits and accordingly we are proceeding with the development. However, if FLPF is ultimately unsuccessful in the litigation, the statewide vote amending the Florida constitution to permit slot machines at pari-mutuels would be invalidated and our right to operate slot machines at Pompano Park would be eliminated. We cannot assure you as to the outcome of this litigation.

On May 11, 2005, we announced that the Iowa Racing and Gaming Commission awarded us a gaming license in Waterloo, Iowa. Construction is underway on a 35,000 square foot single level casino with 1,300 gaming positions, three restaurants, a 200-room hotel and 1,000 parking spaces. The project scope has recently been expanded and will also include a nightclub, a full service spa and a resort pool. The Company expects the property to open in late spring of 2007 at a total cost of \$175 million, which reflects an increase of \$35.5 million from previously anticipated costs resulting from the expanded scope of the project. As of October 29, 2006, we have spent \$28.2 million on this project.

We have postponed our previously announced expansion project in Kansas City, Missouri due to current bridge construction on Interstate 35. When the construction nears completion, we will reconsider this expansion project. As

of October 29, 2006, we have spent \$1.5 million on this project.

As announced in December 2003, we entered into an agreement to develop and operate an Isle of Capri-themed casino, subject to obtaining a license, in a commercial leisure complex currently under development in Coventry, England. In fiscal year 2005, Isle was granted a gaming license to open the Coventry casino under the current legislation (Gaming Act 1968). Total project costs are estimated to be approximately \$62 million. Project costs for the leased space include design, architectural, mechanical and electrical build-out, construction and equipment. As of October 29, 2006, we have spent \$40.9 million on the Coventry project and expect to spend the remainder over the next nine months. Completion of the casino at the RICOH™ Arena Coventry is estimated to be in mid-calendar year 2007.

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On August 18, 2006, the Harrison County Planning Commission approved our master plan for the previously announced 50-acre development at west Harrison County, Mississippi. Preliminary plans call for the estimated \$300 million project to include a single level gaming facility with over 2,000 gaming positions, a 350-room hotel, four restaurants and a complement of additional resort amenities. The project remains in the preliminary planning stages, and is subject to certain significant conditions, including, but not limited to, the receipt of all necessary licenses, approvals and permits. We consider it very probable that this project will receive all the necessary approvals, permits and licenses.

In May 2005, we signed a casino management and related development and option agreements with resort developer Eighth Wonder to manage the casino included in Eighth Wonder's proposal for a new integrated resort complex in Singapore should Eighth Wonder be selected to develop such complex. During the second quarter of 2007, we announced a revised agreement in connection with resort developer Eighth Wonder's proposal to build an integrated resort complex on Sentosa Island in Singapore. The proposal is one of three for the project with a licensure decision expected in early-December 2006. The revised agreement includes equity ownership in the resort complex by Melco PBL Entertainment, Eighth Wonder and us. We will own a 13.8 percent interest for an investment of \$65 million. Additionally, we will receive a payment equal to 2% of casino gross revenues for a 15-year period. During the fiscal quarter ended October 23, 2005, we paid and expensed a \$4.0 million payment to Eighth Wonder pursuant to the terms of these agreements.

On October 29, 2004, we loaned \$5.0 million to Florida Gaming Corporation ("Florida Gaming"). Interest accrues on the unpaid principal balance of the loan at an annual rate of 6.0% and is paid in arrears on the first day of each fiscal quarter. The loan is secured by a pledge of all of the issued and outstanding shares of capital stock of Florida Gaming Centers, Inc. ("FGC"), a wholly owned subsidiary of Florida Gaming. The entire unpaid principal amount of the loan and unpaid interest thereon is payable on the earlier of (1) the sale of all or any material portion of the assets of, or all or any substantial equity interest in FGC, or (2) December 31, 2008. Concurrently with the loan, Florida Gaming and FGC entered into a letter agreement with us pursuant to which Florida Gaming and FGC gave us exclusive negotiating rights with respect to the acquisition of all or substantially all of FGC's Miami jai alai business for a period ending no later than December 31, 2008.

We signed a joint development agreement with Lemieux Group LP that includes a provision for us to fund a \$290 million new multi-purpose arena and pursue a gaming license for 3,000 slot machines in Pittsburgh, Pennsylvania in our \$450 million casino. The new multi-purpose arena and gaming facility are part of a larger billion-dollar effort known as Pittsburgh First to redevelop the Lower Hill and Uptown Districts in conjunction with the Pittsburgh Penguins and a development partner. We has received master plan approval from the City Planning Commission for its proposed project, as well as participated in a suitability hearing before the Pennsylvania Gaming Control Board (PGCB). This proposal is one of three competing applications under consideration by the Pennsylvania Gaming Control Board for a single license with a decision expected late-December 2006. If the license is granted to the us, we anticipate that the construction of the project would begin shortly thereafter with a temporary casino also a possibility. Due to the uncertainty of the timing of the Gaming Control Board, license grant date, the final design of the gaming facility and the timing of obtaining the necessary permits, we have not included this project in the above table.

On March 15, 2004, we announced that we had been selected by the Illinois Gaming Board as the successful bidder in a federal bankruptcy court auction for the 10th Illinois gaming license previously issued to Emerald Casinos, Inc. This process was conducted pursuant to an agreement approved by, among other parties, the Illinois Attorney General. We bid \$518.0 million to acquire by merger the stock of a company in bankruptcy that owns the license. The plan of reorganization, pursuant to which the merger would be consummated, has been confirmed by the federal bankruptcy court. The merger remains subject to certain conditions, including a finding of suitability and final approval by the Illinois Gaming Board as well as certain other conditions. The entire matter also is the subject of ongoing litigation to which we are not a party. The Illinois Attorney General has raised issues with regard to the appropriateness of the Village of Rosemont as a host community and the Illinois Gaming Board's selection of our bid. In addition, in 2006

the Illinois Gaming Board, based on a recommendation by an administrative law judge following a hearing, revoked the license issued to Emerald on the basis of Emerald's past conduct (which revocation has been stayed pending the outcome of litigation). For the reasons set forth above, among others, we believe that our ability to obtain the gaming license and open a gaming facility in Rosemont has been subjected to added uncertainty. There can be no assurance that we will ultimately acquire the license.

The other capital improvements at all of our properties consists of numerous capital expenditures related to the purchase of furniture and equipment and the upgrade of hotel rooms, restaurants and other areas of our properties.

We expense all developmental costs until we determine that ultimate licensure and operation is deemed probable. At that time, we evaluate the applicable costs and capitalize if appropriate.

All of our development plans are subject to obtaining permits, licenses and approvals from appropriate regulatory and other agencies and, in certain circumstances, negotiating acceptable leases. In addition, many of the plans are preliminary, subject to continuing refinement or otherwise subject to change.

Financing Activities

During the six fiscal months ended October 29, 2006, we used \$3.0 million in cash primarily in the following financing activities:

- We made net borrowings under the Isle-Black Hawk's senior secured credit facility of \$2.9 million.
- We recognized a tax benefit of stock compensation expense of \$0.5 million.
- We received proceeds from the exercise of stock options of \$1.5 million.
- We repurchased 255,721 shares of our common stock at an average price of \$21.21 per share for an aggregate of \$5.5 million.
- We made net payments on our senior secured credit facility and other debt of \$1.5 million.
- We made net payments on other property debt of \$0.9 million.

As of October 29, 2006, we had \$360.0 million of capacity under lines of credit and available term debt consisting of \$334.4 million in unused credit capacity under the revolving loan commitment on our senior secured credit facility, \$21.6 million of unused credit capacity under the Isle-Black Hawk senior secured credit facility (limited to use by the Isle-Black Hawk), and \$4.0 million of available credit under other lines of credit. The revolving loan commitment is a variable rate instrument based on, at our option, LIBOR or our lender's prime rate plus the applicable interest rate spread, and is effective through February 2011. Our lines of credit are also at variable rates based on our lender's prime rate and are subject to annual renewal. There is no assurance that these sources will in fact provide adequate funding for the expenditures described above or that planned 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. As a result, limitations on our capital resources could delay or cause us to abandon certain plans for capital improvements at our existing properties and/or development of new properties. 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.

Recently Issued Accounting Standards

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that a company recognize the impact of a tax position in its financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective in the first quarter of fiscal 2008, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact, if any, of adopting FIN 48 on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157"), to define fair value and establish a framework for measuring fair value in generally accepted accounting principles ("GAAP") and to expand disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. Prior to this Statement, there were different definitions of fair value and limited guidance for applying those definitions in GAAP. A single definition of fair value, together with a framework for measuring fair value, should result in increased consistency and comparability in fair value measurements. The expanded disclosures about the use of fair value to measure assets and liabilities should provide users of financial statements with better information about the extent to which fair value is used to measure recognized assets and

liabilities, the inputs used to develop the measurements and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods with those fiscal years. Early adoption is permitted. We are currently evaluating the impact, if any, of adopting FASB No. 157 on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For quantitative and qualitative disclosures about market risk, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the fiscal year ended April 30, 2006. Our exposures to market risk have not changed materially since April 30, 2006.

ITEM 4. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of October 29, 2006, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of October 29, 2006.

CHANGES IN INTERNAL CONTROLS

During the fiscal quarter ended October 29, 2006, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Lady Luck Gaming Corporation (now our wholly owned subsidiary) and several joint venture partners are defendants in a lawsuit brought by the country of Greece through its Minister of Tourism (now Development) and Finance. The action alleges that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. The payment we are alleged to have been required to make aggregates approximately 6.5 million Euros (which was approximately \$8.3 million as of October 29, 2006, based on published exchange rates). Although it is difficult to determine the damages being sought from the lawsuit, the action may seek damages up to that aggregate amount plus interest from the date of the action. The Athens Civil Court of First Instance granted judgment in our favor and dismissed the lawsuit, but the Ministry appealed the matter and the appeal was heard before the Athens Appeal Court of First Instance. The Athens Appeal Court issued certified copies of judgments denying the Ministry's appeal. The Ministry elected to appeal this matter further to the Supreme Court. During October 2005, the Administrative Supreme Court remanded the matter back to the Athens Administrative Appeals Court for a hearing on the merits. The hearing took place during November 2006, and a decision is expected sometime during 2007. The civil matter was set for hearing before the Greek Supreme Court during May 2006; however prior to the scheduled hearing date, the Greek Supreme Court reset the hearing for January 8, 2007. The hearing remains scheduled for this date.

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.

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 1A. RISK FACTORS

Set forth below is an update to the risk factor in our Annual Report on Form 10-K for the fiscal year ended April 30, 2006 entitled "We are subject to extensive regulation from gaming authorities that could adversely affect us."

The Florida District Court of Appeal First District recently affirmed its earlier decision to reverse a lower court decision granting summary judgment in favor of Floridians for a Level Playing Field (FLPF), of which we are a member. Although the Court based its decision on different grounds than its earlier decision, the Court ruled that a trial is necessary to determine whether FLPF failed to obtain the required number of signatures to place the constitutional amendment on the ballot. However, the Court granted FLPF's request to certify FLPF's appeal of the Court's decision to the Supreme Court. The decision by the Supreme Court whether to accept the appeal at this stage of the litigation is discretionary. We believe that this decision is contrary to existing Florida law and if a trial were to be held, that FLPF would prevail on the merits and accordingly we are proceeding with the development. However, if FLPF is ultimately unsuccessful in the litigation, the statewide vote amending the Florida constitution to permit slot machines at pari-mutuels would be invalidated and our right to operate slot machines at Pompano Park would be

eliminated. We cannot assure you as to the outcome of this litigation.

In addition to the foregoing, you should consider each of the factors set forth in our Annual Report, as well as the other information in the Annual Report and this Quarterly Report in evaluating our business and our prospects. The factors described in our Annual Report 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. If any of the risks actually occur, our business and financial results could be harmed. In that case, the trading price of our common stock could decline.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

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

<u>Period</u>	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)
July 31, 2006 to August 27, 2006	-	\$ -	-	1,620,902
August 28, 2006 to September 30, 2006	255,721	21.21	255,721	1,365,181
October 1, 2006 to October 29, 2006	-	-	-	1,365,181
Total	255,721	\$ 21.21	255,721	1,365,181

(1) We have purchased our common stock under a share repurchase program. The program was announced on October 25, 2002 and allows for the repurchase of up to 1,500,000 shares. On October 7, 2005 the board also approved the repurchase of an additional 1,500,000 shares. To date, we have purchased 1,634,819 shares of our common stock under the two programs. The current program has no approved dollar amounts, nor expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS SUBJECT TO A VOTE OF SECURITY HOLDERS.Annual Meeting of Stockholders

The Annual Meeting of Stockholders was held on October 26, 2006, at which the following matter was submitted to a vote of the stockholders:

To elect eight persons to the Board of Directors

At the Annual Meeting of Stockholders, each of the following individuals was elected to serve as a director of the Company until his successor is elected and qualified or until his earlier death, resignation, removal or disqualification:

Name	Number Voted	For	Withheld
Bernard Goldstein	29,410,834	24,757,909	4,652,925
Robert S. Goldstein	29,410,834	24,807,430	4,603,404
Alan J. Glazer	29,410,834	29,014,641	396,193
Emanuel Crystal	29,410,834	28,459,709	951,131
W. Randolph Baker	29,410,834	29,015,204	395,630
Jeffrey D. Goldstein	29,410,834	24,776,520	4,634,314
John G. Brackenbury	29,410,834	25,529,772	3,881,062

Shaun R. Hayes	29,410,834	29,049,991	360,843
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ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISLE OF CAPRI CASINOS, INC.

Dated: November , 2006

/s/DONN R. MITCHELL, II

Donn R. Mitchell, II
Senior Vice President and Chief Financial
Officer

INDEX TO EXHIBITS

- 3.1A Certificate of Incorporation of Casino America, Inc. (1)
- 3.1B Amendment to Certificate of Incorporation of Casino America, Inc. (2)
- 3.2A By-laws of Casino America, Inc. (1)
- 3.2B Amendments to By-laws of Casino America, Inc., dated February 7, 1997 (3)
- 4.1 Indenture, dated as of March 3, 2004, among Isle of Capri Casinos, Inc., the subsidiary guarantors named therein and U.S. Bank National Association, as Trustee (4)
- 4.2 Indenture, dated as of March 27, 2002 among Isle of Capri Casinos, Inc., the subsidiary guarantors named therein and State Street Bank and Trust Company, as trustee (5)
- 4.3 Rights Agreement, dated as of February 7, 1997, between Casino America, Inc. and Norwest Bank Minnesota, N.A., as rights agent (6)
- 10.1 Casino America, Inc. description of Employee Bonus Plan (7)
- 10.2 Director's Option Plan (8)
- 10.3 Biloxi Waterfront Project Lease dated as of April 9, 1994 by and between the City of Biloxi, Mississippi and Riverboat Corporation of Mississippi (9)
- 10.4 First Amendment to Biloxi Waterfront Project Lease (Hotel Lease), dated as of April 26, 1995, by and between Riverboat Corporation of Mississippi (10)
- 10.5 Amended and Restated Lease, dated as of April 19, 1999, among Port Resources, Inc. and CRU, Inc., as landlords and St. Charles Gaming Company, Inc., as tenant (11)
- 10.6 Amended Casino America, Inc. 1992 Stock Option Plan (12)
- 10.7 Amended Casino America, Inc. 1993 Stock Option Plan (13)
- 10.8 Lease of property in Coahoma, Mississippi dated as of November 16, 1993 by and among Roger Allen Johnson, Jr., Charles Bryant Johnson and Magnolia Lady, Inc. (5)
- 10.9 Addendum to Lease dated as of June 22, 1994 by and among Roger Allen Johnson, Jr., Charles Bryant Johnson and Magnolia Lady, Inc. (14)
- 10.10 Second addendum to Lease dated as of October 17, 1995 by and among Roger Allen Johnson, Jr., Charles Bryant Johnson and Magnolia Lady, Inc. (14)
- 10.11 Amended and Restated Operating Agreement of Isle of Capri Black Hawk, L.L.C., dated as of July 29, 1997, between Casino America of Colorado, Inc. and Blackhawk Gold, Ltd. as amended (5)
- 10.12 Development Agreement dated as of June 17, 1997, between City of Bettendorf, Lady Luck Bettendorf, Lady Luck Quad Cities, Inc. and Bettendorf Riverboat Development, LC (5)
- 10.13 Operator's Contract, dated as of December 28, 1989, between Riverboat Development Authority and the Connelley Group, LP, as amended on February 9, 1990, March 1, 1990, January 1, 1991, September 30, 1994 and March 1, 1998 (5)

- 10.14 Isle of Capri Casinos, Inc. 2000 Long-Term Stock Incentive Plan (15)
- 10.15 Isle of Capri Casinos, Inc. Deferred Bonus Plan (15)
- 10.16 Employment Agreement dated as of January 1, 2002 between Isle of Capri Casinos, Inc. and Allan B. Solomon (5)
- 10.17 Employment Agreement dated as of January 1, 2002 between Isle of Capri Casinos, Inc. and Timothy M. Hinkley (5)
- 10.18 Employment Agreement dated as of January 1, 2002 between Isle of Capri Casinos, Inc. and Bernard Goldstein (5)
- 10.19 Third Amended and Restated Credit Agreement, dated as of February 4, 2005, among Isle of Capri Casinos, Inc., the lenders listed therein, Canadian Imperial Bank of Commerce, as administrative agent and issuing lender, Deutsche Bank Trust Company Americas and Wells Fargo Bank, N.A., as co-syndication agents, Calyon New York Branch and the CIT/Group/Equipment Financing, Inc., as co-documentation agents and CIBC World Markets Corp., as lead arranger (16)
- 10.20 Isle of Capri Casinos, Inc.'s 2005 Deferred Compensation Plan (17)

INDEX TO EXHIBITS (continued)

- 10.21 Isle of Capri Casinos, Inc.'s 1995 Deferred Compensation Plan (17)
- 10.22 Isle of Capri Casinos, Inc.'s 2005 Non-employee Director Deferred Compensation Plan (17)
- 10.23 Employment Agreement dated as of January 1, 2005 between Isle of Capri Casinos, Inc. and Robert F. Griffin (17)
- 10.24 Isle of Capri Casinos, Inc. Master Retirement Plan (18)
- 10.25 Second Amended and Restated Credit Agreement, dated as of October 24, 2005, by and among Isle of Capri Black Hawk, L.L.C., Canadian Imperial Bank of Commerce, as administrative agent, the credit support parties named therein and certain other lenders party from time to time thereto (19)
- 10.27 Employment Agreement, dated October 7, 2005, between Isle of Capri Casinos, Inc. and Robert Goldstein (21)
- 10.28 Employment Agreement, dated January 13, 2006 between Isle of Capri Casinos, Inc. and Donn R. Mitchell II (22)
- 10.29 Purchase Agreement, dated February 13, 2006, by and among Legends Gaming, LLC, Legends Gaming of Mississippi, LLC, Legends Gaming of Louisiana-1, LLC, Legends Gaming of Louisiana-2, LLC, Isle of Capri Casinos, Inc., Riverboat Corporation of Mississippi - Vicksburg, Louisiana Riverboat Gaming Partnership, CSNO, L.L.C., LRGP Holdings, L.L.C. and IOC Holdings, L.L.C (23)
- 10.30 Consulting Agreement, dated as of March 23, 2006, by and between John G. Brackenbury and Isle of Capri Casinos, Inc. (24)
- 10.31 Point Cadet Compromise and Settlement Agreement, dated August 15, 2002, by and between the Secretary of State of the State of Mississippi, the City of Biloxi, Mississippi, the Board of Trustees of State Institutions of Higher Learning and Isle of Capri Casinos, Inc. and Riverboat Corporation of Mississippi.
- 10.32 First Amendment to Ground Lease, made and entered into effective June 14, 2006, by and between Family Lands L.P. and IOC Mississippi, Inc.
- 10.33 Ground Lease, made and entered into effective May 5, 2006, by and between Family Lands L.P. and IOC Mississippi, Inc.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a - 14(a) under the Securities Exchange Act of 1934, filed under Exhibit 31 of Item 601 of Regulation S-K.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a - 14(a) under the Securities Exchange Act of 1934, filed under Exhibit 31 of Item 601 of Regulation S-K.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) filed under Exhibit 32 of Item 601 of Regulation S-K.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) filed

under Exhibit 32 of Item 601 of Regulation S-K.

- (1) Filed as an exhibit to Casino America, Inc.'s Registration Statement on Form S-1 filed September 3, 1993, as amended (Reg. No. 33-68434), and incorporated herein by reference.
- (2) Filed as an exhibit to Casino America, Inc.'s Proxy Statement for the fiscal year ended April 26, 1998 (File No. 0-20538) and incorporated herein by reference.
- (3) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 1997 (File No. 0-20538) and incorporated herein by reference.
- (4) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Registration Statement on Form S-4 filed on May 12, 2004 (File No. 333-115419) and incorporated herein by reference.

INDEX TO EXHIBITS (continued)

- (5) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Amendment No. 1 to Registration Statement on Form S-4 filed on June 19, 2002 (File No. 333-88802) and incorporated herein by reference.
- (6) Filed as an exhibit to Casino America, Inc.'s Current Report on Form 8-K filed on February 14, 1997 (File No. 0-20538) and incorporated herein by reference.
- (7) Filed as an exhibit to Casino America, Inc.'s Annual Report on form 10-K for the fiscal year ended April 30, 1993 (File No. 0-20538) and incorporated herein by reference.
- (8) Filed as an exhibit to Casino America, Inc.'s Registration Statement on Form S-8 filed June 30, 1994 (File No. 33-80918) and incorporated herein by reference.
- (9) Filed as an exhibit to Casino America, Inc.'s Annual Report on Form 10-K for fiscal year ended April 30, 1994 (File No. 0-20538) and incorporated herein by reference.
- (10) Filed as an exhibit to Casino America, Inc.'s Annual Report on Form 10-K for fiscal year ended April 30, 1995 (File No. 0-20538) and incorporated herein by reference.
- (11) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 25, 1999 (File No. 0-20538) and incorporated herein by reference.
- (12) Filed as an exhibit to Casino America, Inc.'s Proxy Statement for the fiscal year ended April 30, 1996 (File No. 0-20538) and incorporated herein by reference.
- (13) Filed as an exhibit to Casino America, Inc.'s Proxy Statement for the fiscal year ended April 27, 1997 (File No. 0-20538) and incorporated herein by reference.
- (14) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 30, 2000 (File No. 0-20538) and incorporated herein by reference.
- (15) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Proxy Statement for the fiscal year ended April 30, 2000 (File No. 0-20538) and incorporated herein by reference.
- (16) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Current Report on Form 8-K filed on February 10, 2005 (File No. 0-20538) and incorporated herein by reference.
- (17) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended January 23, 2005 (File No. 0-20538) and incorporated herein by reference.
- (18) Filed as an exhibit to Isle of Capri Casinos, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 24, 2005 (File No. 0-20538) and incorporated herein by reference
- (19) Filed as an exhibit to Isle of Capri Casino, Inc.'s Current Report on Form 8-K filed on October 28, 2005 (File No. 0-20538) and incorporated herein by reference.
- (21) Filed as an exhibit to Isle of Capri Casino, Inc.'s Current Report on Form 8-K filed on January 6, 2006 (File No. 0-20538) and incorporated herein by reference.
- (22)

Filed as an exhibit to Isle of Capri Casino, Inc.'s Current Report on Form 8-K filed on January 19, 2006 (File No. 0-20538) and incorporated herein by reference.

(23) Filed as an exhibit to Isle of Capri Casino, Inc.'s Current Report on Form 8-K filed on February 17, 2006 (File No. 0-20538) and incorporated herein by reference.

(24) Filed as an exhibit to Isle of Capri Casino, Inc.'s Current Report on Form 8-K filed on March 29, 2006 (File No. 0-20538) and incorporated herein by reference.