

NEVADA GOLD & CASINOS INC
Form 10-Q
March 11, 2009

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 fiscal period ended January 31, 2009

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 1-15517

Nevada Gold & Casinos, Inc.

(Name of issuer in its charter)

Nevada
(State or other jurisdiction of Incorporation or organization)

88-0142032
(IRS Employer Identification No.)

50 Briar Hollow
Suite 500W
Houston, Texas
(Address of principal executive offices)

77027
(Zip Code)

Issuer's telephone number:

(713) 621-2245

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 any shorter period that the registrant was required to file the reports), and (2) has been subject to those filing requirements for the past 90 days. Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer 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

The number of common shares outstanding was 12,939,130 as of February 27, 2009.

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1.	Consolidated Financial Statements
	Consolidated Balance Sheets - January 31, 2009 (unaudited) and April 27, 2008 2
	Consolidated Statements of Operations – Three and Nine Month Periods Ended January 31, 2009 (unaudited) and January 27, 2008 (unaudited) 3
	Consolidated Statements of Cash Flows - Nine Month Periods Ended January 31, 2009 (unaudited) and January 27, 2008 (unaudited) 4
	Notes to Consolidated Financial Statements 5
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations 16
Item 3.	Quantitative and Qualitative Disclosures about Market Risk 20
Item 4.	Controls and Procedures 20
PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings 20
Item 1A.	Risk Factors 20
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 21
Item 3.	Defaults Upon Senior Securities 21
Item 4.	Submission of Matters to a Vote of Security Holders 21
Item 5.	Other Information 21
Item 6.	Exhibits 21

FORWARD-LOOKING STATEMENTS

Factors that May Affect Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Certain information included in this Form 10-Q and other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company or its representatives) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Statements that include the words “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “intend,” “plan,” or other words or expressions of similar meaning, may identify forward-looking statements. We have based these forward-looking statements on our current expectations about future events. Forward-looking statements include statements that reflect management’s beliefs, plans, objectives, goals, expectations, anticipations, intentions with respect to the financial condition, results of operations, future performance and the business of the Company, including statements relating to our business strategy and our current and future development plans. These statements may also involve other factors which are detailed in the “Risk Factors” and other sections of the Company’s Annual Report on Form 10-K for the year ended April 27, 2008 and other filings with the Securities and Exchange Commission.

Although we believe that the assumptions underlying these forward-looking statements are reasonable, any or all of the forward-looking statements in this report and in any other public statements that are made may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this report will be important in determining the Company’s future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this report or other public communications that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any further disclosures made on related subjects in the Company’s subsequent reports filed with the Securities and Exchange Commission should be consulted.

Part I. Financial Information

Item 1. Consolidated Financial Statements

Nevada Gold & Casinos, Inc.
Consolidated Balance Sheets

	January 31, 2009 (unaudited)	April 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,314,233	\$ 1,396,313
Restricted cash	10,000,000	13,014,000
Accounts receivable	35,892	2,313,593
Accounts receivable - affiliates	46,174	57,359
Prepaid expenses	195,857	369,025
Notes receivable, current portion	1,100,000	1,100,000
Other current assets	48,175	54,446
Total current assets	26,740,331	18,304,736
Investments in unconsolidated affiliates	—	154,969
Investments in development projects	669,740	2,407,562
Investments in development projects held for sale	3,437,932	3,437,932
Notes receivable, net of current portion	—	1,100,000
Notes receivable - affiliates, net of current portion	—	3,521,066
Notes receivable - development projects, net of current portion and allowances	1,700,000	16,510,200
Goodwill	5,462,918	5,462,918
Property and equipment, net of accumulated depreciation of \$2,304,264 and \$1,808,883 at January 31, 2009 and April 27, 2008, respectively	984,700	1,327,275
Deferred tax asset	3,386,970	1,885,726
Other assets	5,892,565	6,780,317
Total assets	\$ 48,275,156	\$ 60,892,701
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 535,935	\$ 1,097,277
Accrued interest payable	—	115,027
Other accrued liabilities	212,488	203,071
Taxes payable	273,054	3,911,475
Total current liabilities	1,021,477	5,326,850
Long-term debt, net of current portion	10,000,000	15,550,000
Other liabilities	47,627	56,505
Total liabilities	11,069,104	20,933,355
Commitments and contingencies	—	—
Stockholders' equity:	1,672,240	1,672,240

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Common stock, \$0.12 par value per share; 50,000,000 shares authorized; 13,935,330 shares issued and 12,939,130 shares outstanding at January 31, 2009 and April 27, 2008, respectively

Additional paid-in capital	19,263,052	19,092,706
Retained earnings	26,487,710	29,401,890
Treasury stock, 996,200 shares at January 31, 2009 and April 27, 2008, respectively, at cost	(10,216,950)	(10,216,950)
Accumulated other comprehensive income	—	9,460
Total stockholders' equity	37,206,052	39,959,346
Total liabilities and stockholders' equity	\$ 48,275,156	\$ 60,892,701

The accompanying notes are an integral part of these consolidated financial statements.

- 2 -

Nevada Gold & Casinos, Inc.
Consolidated Statements of Operations
(unaudited)

	Three Months Ended		Nine Months Ended	
	January 31, 2009	January 27, 2008	January 31, 2009	January 27, 2008
Revenues:				
Casino	\$ 1,181,539	\$ 1,446,103	\$ 4,176,153	\$ 5,141,177
Food and beverage	264,292	271,979	1,117,568	1,100,990
Other	11,693	18,258	38,643	87,564
Management and consulting fees	243,382	—	243,382	40,174
Gross revenues	1,700,906	1,736,340	5,575,746	6,369,905
Less promotional allowances	(330,455)	(324,061)	(1,087,286)	(1,113,602)
Net revenues	1,370,451	1,412,279	4,488,460	5,256,303
Expenses:				
Casino	401,371	492,417	1,382,509	1,452,603
Food and beverage	94,507	124,636	507,092	529,999
Marketing and administrative	550,190	708,357	1,909,347	2,208,425
Facility	85,824	92,671	270,878	276,292
Corporate expense	857,440	1,259,687	2,936,036	4,009,416
Legal expense	75,979	156,814	175,108	595,875
Depreciation and amortization	162,685	175,059	511,028	579,439
Impairment of unconsolidated affiliate	—	—	—	100,000
Impairment of note receivable and related interest	—	2,361,702	—	2,361,702
Write-off of project development cost	11,580	—	1,215,383	—
Other	25,786	15,574	77,489	39,897
Total operating expenses	2,265,362	5,386,917	8,984,870	12,153,648
Operating loss	(894,911)	(3,974,638)	(4,496,410)	(6,897,345)
Non-operating income (expenses):				
Earnings (loss) from unconsolidated affiliates	—	917,947	(7,863)	4,061,415
Gain on sale of unconsolidated affiliate	430,510	39,208,732	430,510	40,505,155
Gain (loss) on sale of assets	—	(15,207)	(27,123)	3,779
Gain on settlement of development project	—	—	—	14,500
Interest income	112,885	479,277	904,951	1,510,638
Interest expense	(323,514)	(1,155,977)	(1,123,433)	(3,419,507)
Amortization of loan issue costs	(32,209)	(303,247)	(96,056)	(645,487)
Income (loss) before income tax (expense) benefit	(707,239)	35,156,887	(4,415,424)	35,133,148
Income tax (expense) benefit				
Current	—	(8,219,205)	—	(8,257,121)
Deferred	240,461	16,957	1,501,244	16,957
Total income tax (expense) benefit	240,461	(8,202,248)	1,501,244	(8,240,164)
Net income (loss)	\$ (466,778)	\$ 26,954,639	\$ (2,914,180)	\$ 26,892,984
Per share information:				
Net income (loss) per common share - basic	\$ (0.04)	\$ 2.08	\$ (0.23)	\$ 2.08
Net income (loss) per common share - diluted	\$ (0.04)	\$ 2.08	\$ (0.23)	\$ 2.08

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Basic weighted average number of common shares outstanding	12,939,130	12,939,130	12,939,130	12,939,130
Diluted weighted average number of common shares outstanding	12,939,130	12,939,130	12,939,130	12,946,398

The accompanying notes are an integral part of these consolidated financial statements.

Nevada Gold & Casinos, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended	
	January 31, 2009	January 27, 2008
Cash flows from operating activities:		
Net income (loss)	\$ (2,914,180)	\$ 26,892,984
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	503,573	579,439
Amortization of capitalized development costs	7,455	—
Loss (gain) on sale and abandonment of assets	27,123	(3,779)
Write-off of development costs	1,215,383	—
Impairment of notes receivable	—	1,502,537
Impairment of interest receivable	—	859,165
Impairment of unconsolidated affiliate	—	100,000
Gain on settlement of development project	—	(14,500)
Stock-based compensation	170,346	395,261
Amortization of deferred loan issuance costs	96,055	641,488
Distributions from unconsolidated affiliates	3,917	2,555,000
(Earnings) loss from unconsolidated affiliates	7,863	(4,061,415)
Gain on sale of unconsolidated affiliates	(430,510)	(40,505,155)
Deferred income tax benefit	(1,501,244)	(16,957)
Changes in operating assets and liabilities:		
Receivables and other assets	2,939,358	(1,785,109)
Accounts payable and accrued liabilities	(816,953)	(401,921)
Income tax payable	(3,638,421)	8,219,234
Net cash used in operating activities	(4,330,235)	(5,043,728)
Cash flows from investing activities:		
Capitalized development costs	(716,033)	(2,170,923)
Advances on development projects held for sale	—	(3,979)
Investment in unconsolidated affiliate	(25,000)	—
Purchase of property and equipment	(167,038)	(158,564)
Net proceeds from sale of property and equipment	—	7,000
Net proceeds from sale of assets held for sale	4,601,104	—
Collections of notes receivable	1,100,000	—
Proceeds from the sale of unconsolidated affiliates	16,000,000	66,810,073
Proceeds from the sale of development projects	—	784,258
Investment in certificate of deposit	—	(14,000)
Release of (investment in) restricted cash	3,014,000	(11,950,000)
Net cash provided by investing activities	23,807,033	53,303,865
Cash flows from financing activities:		
Payments on capital lease	(8,878)	—
Repayment on term loans	(5,550,000)	(46,014,622)
Borrowings on credit facilities	—	2,500,000
Proceeds from note payable	—	2,000,000
Deferred loan issuance costs	—	(225,000)
Net cash used in financing activities	(5,558,878)	(41,739,622)

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Net increase in cash and cash equivalents	13,917,920	6,520,515
Cash and cash equivalents at beginning of period	1,396,313	2,803,560
Cash and cash equivalents at end of period	\$ 15,314,233	\$ 9,324,075
Supplemental cash flow information:		
Cash paid for interest	\$ 1,233,699	\$ 3,498,078
Income tax payments	\$ 3,638,421	\$ 37,916
Non-cash investing and financing activities:		
Indemnification of guaranty liability	\$ —	\$ 4,610,000
Issuance of stock options in settlement of severance obligation	\$ —	\$ 199,587
Issuance of note receivable to purchasers of unconsolidated affiliate	\$ —	\$ 2,200,000
Reversal of deferred interest income	\$ —	\$ 239,532
Unrealized (loss) gain on marketable securities	\$ (9,460)	\$ 2,000

The accompanying notes are an integral part of these consolidated financial statements.

Nevada Gold & Casinos, Inc.

Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

The interim financial information included herein is unaudited. However, the accompanying consolidated financial statements include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly our Consolidated Balance Sheets at January 31, 2009 and April 27, 2008, Consolidated Statements of Operations for the three and nine month periods ended January 31, 2009 and January 27, 2008, and Consolidated Statements of Cash Flows for the nine month periods ended January 31, 2009 and January 27, 2008. Although we believe the disclosures in these financial statements are adequate to make the interim information presented not misleading, certain information relating to our organization and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to Securities and Exchange Commission rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended April 27, 2008 and the notes thereto included in our Annual Report on Form 10-K. The results of operations for the three and nine months ended January 31, 2009 are not necessarily indicative of the results expected for the full year.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period and disclosure of contingent liabilities. On an ongoing basis, we evaluate our estimates, including those related to bad debts, investments, intangible assets and goodwill, property, plant and equipment, income taxes, insurance, employment benefits and contingent liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Certain reclassifications have been made to conform prior year financial information to the current period presentation. Those reclassifications did not impact working capital, total assets, total liabilities, net loss or stockholders' equity.

Fiscal Year-End

On April 28, 2008, we changed our fiscal year to end on April 30th rather than the last Sunday in April. As a result, fiscal year 2009 began on April 28, 2008 and will end April 30, 2009. We believe this fiscal year creates more comparability to other companies in the casino industry and state revenue reporting. Fiscal year 2008 commenced on April 30, 2007 and ended on April 27, 2008. We believe that the three months ended January 31, 2009 and January 27, 2008 provide a meaningful comparison. There are no factors, seasonal or otherwise, that would impact the comparability of information or trends. References in this discussion to the third quarter 2009 represent the three months ended January 31, 2009. References to the third quarter 2008 represent the three months ended January 27, 2008.

Note 2. Critical Accounting Policies

Revenue Recognition

In accordance with gaming industry practice, we recognize casino revenues as the net win from gaming activities, which is the difference between gaming wins and losses. Casino revenues are net of accruals for anticipated payouts of progressive slot jackpots which are recorded as a progressive slot jackpot liability. Revenues from food, beverage, entertainment, and the gift shop are recognized at the time the related service or sale is performed or made.

The retail value of food and beverage and other services furnished to guests without charge is included in gross revenue and deducted as promotional allowances. We record the redemption of coupons and points for cash as a reduction of revenue. These amounts are included in promotional allowances in the accompanying consolidated statements of operations. The estimated cost of providing such complimentary services that is included in casino expense in the accompanying consolidated statements of operations was as follows:

	Three Months Ended		Nine Months Ended	
	January 31, 2009	January 27, 2008	January 31, 2009	January 27, 2008
Food and beverage	\$ 148,314	\$ 177,162	\$ 460,490	\$ 485,625
Other	1,845	3,793	4,850	7,605
Total cost of complimentary services	\$ 150,159	\$ 180,955	\$ 465,340	\$ 493,230

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157 “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The FASB has previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 (the Company’s fiscal year 2009), and interim periods within those years. The Company has assessed the effect of the implementation of this pronouncement on its financial statements and concluded that application of SFAS No. 157 does not materially change current practice.

Fair Value Option for Financial Assets and Liabilities

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115” (“SFAS No. 159”). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement, which is consistent with the FASB’s long-term measurement objectives for accounting for financial instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 (the Company’s fiscal year 2009). The Company has assessed the effect of implementation of this pronouncement on its financial statements and concluded that application of SFAS No. 159 does not materially change current practice.

New Accounting Pronouncements Issued But Not Yet Adopted

As of January 31, 2009, there were several accounting standards and interpretations that had not yet been adopted by us. Below is a discussion of significant standards that may impact us.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141(R)”). SFAS No. 141(R) establishes principles and requirements to recognize the assets acquired and liabilities assumed in an acquisition transaction and determines what information to disclose to investors regarding the business combination. SFAS No. 141(R) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning after December 15, 2008. The Company will assess the effect of the implementation of this pronouncement on the financial statements if a future acquisition occurs, but at this time, no material effect is expected.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards with respect to the disclosure of a noncontrolling ownership interest in the statement of financial position within equity, the presentation of the share of consolidated net income attributable to the parent and noncontrolling interest on the consolidated statement of income, the accounting treatment of changes in a parent’s ownership interest while the parent retains a controlling interest and the accounting for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company

currently has no noncontrolling ownership interests in consolidated subsidiaries and does not expect a material impact from SFAS No. 160 on its consolidated financial statements.

Note 3. Restricted Cash

During the three and nine months ended January 31, 2009, we maintained a Project Fund for future acquisitions. The Project Fund was \$13,000,000 as of April 27, 2008 and was reduced to \$10,000,000 on December 14, 2008. We pledged a \$14,000 Certificate of Deposit to secure an equivalent line of credit we issued to our Landlord related to our corporate office lease. The letter of credit matured on March 15, 2008 and the certificate of deposit matured on May 15, 2008 and was released to us at maturity.

Note 4. Investments in Unconsolidated Affiliates and Investments in Development Projects

We held investments in various unconsolidated affiliates which were accounted for using the equity method of accounting. Our principal equity method investee was a gaming development affiliate. Additionally, we had one equity method investee engaged in the operation of a restaurant franchise. Our net ownership interest, investments in and earnings (loss) from our unconsolidated affiliates are as follows:

Unconsolidated affiliates:	Net Ownership Interest				Equity in Earnings (Loss)			
	January 31,		April 27,		Three Months Ended January 31,		Nine Months Ended January 27,	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Percent)							
Isle of Capri - Black Hawk, L.L.C. (1)	—	—	—	—	—	—	—	—
American Racing and Entertainment, LLC (2)	—	—	—	—	—	—	—	—
Buena Vista Development Company, LLC (3)	—	40	—	154,969	—	(4,027)	(7,863)	(10,231)
Sunrise Land and Mineral Corporation (4)	—	—	—	—	—	4,237	—	51,401
Restaurant Connections International, Inc. (5)	56	34	—	—	—	—	—	—
Total investments in unconsolidated affiliates			\$ —	\$ 154,969				
Total earnings (loss) from unconsolidated affiliates					\$ —	\$ 917,947	\$ (7,863)	\$ 4,061,415

- (1) Separate financial statements for this entity are included herein.
- (2) Represented our equity investment in a racing and gaming development project. On June 14, 2007 we sold our membership to two of our partners.
- (3) This investment in a gaming development project was sold December 12, 2008. See Note 5.
- (4) This asset was sold as of January 8, 2008.
- (5) Investment in RCI was reduced to zero in fiscal year 2000. We increased our ownership from 34% to 56% effective May 16, 2008. The primary asset owned by RCI was sold on July 31, 2008. RCI was dissolved February 11, 2009. See Note 6.

We also hold investments in various development projects that we consolidate. Our net ownership interest and capitalized development costs in development projects are as follows:

Development Projects:	Net Ownership Interest		Capitalized Development Costs Investment	
	January 31,	April 27,	January 31,	April 27,
	2009	2008	2009	2008
	(Percent)			
Gold Mountain Development, L.L.C. (1)	100	100	\$ 3,437,932	\$ 3,437,932
Nevada Gold Vicksburg, LLC (2)	100	100	-	2,191,899
Other (3)			669,740	215,663

Total investments – development projects	\$ 4,107,672	\$ 5,845,494
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- (1) Acquisition and development costs incurred for 270 acres of real property in the vicinity of Black Hawk, Colorado.
- (2) Deposit and acquisition costs related to acquisition of Horizon Casino and Hotel in Vicksburg, Mississippi. Talks related to acquisition of Horizon Casino/Hotel in Vicksburg, Mississippi ended September 17, 2008. Refundable deposits were collected during the quarter ended January 31, 2009 and unrecoverable costs were written off as of October 31, 2008.
- (3) Refundable deposits and development costs incurred for other development projects.

Isle of Capri - Black Hawk, L.L.C.

As of January 27, 2008, we sold our 43% interest in this equity investee and no longer have an ownership interest in the Isle of Capri Black Hawk, L.L.C. (“IC-BH”). We sold our ownership interest for \$64.6 million to our partner Isle of Capri Casinos, Inc. (“Isle”). Isle is now 100% operating owner. The separate IC-BH consolidated balance sheet as of January 27, 2008 and consolidated statements of income for the three and nine months ended January 27, 2008 are as follows:

Isle of Capri-Black Hawk, L.L.C.
Consolidated Balance Sheet
(unaudited)

	January 27, 2008 (in thousands)
Assets	
Current assets:	
Cash and cash equivalents	\$ 13,691
Accounts receivable – trade, net	358
Accounts receivable - member	41
Deferred income taxes	317
Inventories	1,234
Note receivable - member	-
Prepaid expenses and other	1,796
Total current assets	17,437
Property and equipment, net	227,558
Deferred financing costs, net of accumulated amortization	1,615
Deferred income taxes asset	8,319
Goodwill and other intangible assets	26,865
Prepaid deposits and other	337
Total assets	\$ 282,131
Liabilities and members' equity	
Current liabilities:	
Current maturities of long-term debt	\$ 2,037
Accounts payable – trade	1,663
Accounts payable – related	10,027
Accrued liabilities:	
Interest	1,162
Payroll and related expenses	3,819
Property, gaming and other taxes	4,942
Progressive jackpot and slot club awards	2,034
Other	407
Total current liabilities	26,091
Long-term liabilities:	
Long-term debt, less current maturities	183,970
Deferred income tax liability	2,284
Other long-term liabilities	1,071
Total long-term liabilities	187,325
Total liabilities	213,416
Members' equity	68,715
Total liabilities and members' equity	\$ 282,131

Isle of Capri-Black Hawk, L.L.C.
Consolidated Statements of Income
(unaudited)

	Three Months Ended January 27, 2008 (in thousands)	Nine Months Ended January 27, 2008 (in thousands)
Revenues		
Casino	\$ 36,293	\$ 120,453
Rooms	2,174	7,349
Food, beverage and other	4,255	13,339
Gross revenues	42,722	141,141
Less promotional allowances	(9,197)	(29,090)
Net revenues	33,525	112,051
Operating expenses		
Casino	5,190	15,964
Gaming taxes	7,090	23,336
Rooms	393	1,448
Food, beverage and other	701	2,350
Facilities	1,954	5,514
Marketing and administrative	7,660	24,917
Management fees	1,596	5,307
Depreciation and amortization	3,997	11,965
Total operating expenses	28,581	90,801
Operating income	4,944	21,250
Interest expense, net	(3,474)	(10,918)
Income before income taxes	1,470	10,332
Income tax benefit	611	988
Net income	\$ 2,081	\$ 11,320

American Racing and Entertainment, L.L.C.

On June 14, 2007, we sold our 15.67% membership interest in American Racing to our partners, Southern Tier Acquisition II LLC (“Southern Tier”) and Oneida Entertainment, LLC (“Oneida”). We will receive three payments totaling \$4.3 million for our membership interest: \$2.1 million cash was received upon closing, \$1.1 million was received in June 2008 and \$1.1 million is due in June 2009. The notes bear interest of 5% per annum. The transaction also included the July 12, 2007 release of a certificate of deposit of approximately \$1.1 million pledged by us on behalf of American Racing.

Summarized financial information for the period from April 1, 2007 to June 14, 2007 for American Racing and Entertainment, LLC is presented below:

	For the Period April 1, 2007 to June 14, 2007
Gross revenue	\$ 18,497,243

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Total expenses	21,852,185
Minority interest	(212,625)
Net loss	\$ (3,142,317)

- 9 -

Note 5. Notes Receivable

Notes Receivable

Southern Tier Acquisition, LLC and Oneida Entertainment, LLC

On June 14, 2007, we sold our membership interest of American Racing to two of our former partners, Southern Tier and Oneida. At January 31, 2009, we have notes receivable from Southern Tier and Oneida which total \$1,100,000. The notes bear interest of 5% per annum. Principal payments of \$1,100,000 were received in June, 2008 and the remaining principal is due June 14, 2009. Unpaid interest is payable in full on June 14, 2009.

Notes Receivable - Development Projects

At January 31, 2009, we had notes receivable, net of allowances, of \$1.7 million related to the development of gaming/entertainment projects, which were issued April 30, 2006. Effective November 25, 2008, through our wholly-owned subsidiary, Nevada Gold BVR, L.L.C., we sold our 40% interest in Buena Vista Development, LLC (BVD) to B.V. Oro, LLC (BVO) which is owned by our former partner and related parties for \$16 million cash and a \$4 million receivable from BVD which is due no later than two years after the opening of a gaming/entertainment facility to be built by BVD for the Buena Vista Rancheria of Me-Wuk Indians. This receivable bears interest at a rate of prime plus 1% and is guaranteed by BVO. In addition the Company is entitled to a 5% carried interest in the Class B membership interest. Effective November 25, 2008, the Company has no continuing rights or interests as a member of BVD.

On a quarterly basis, we review each of our notes receivable to evaluate whether collection is still probable. In our analysis, we review the economic feasibility and the current financial, legislative, and development status of the project. If our analysis indicates that the project is no longer economically feasible, the note receivable will be written down to its estimated fair value. During the third quarter of fiscal 2008, we determined that our ability to collect \$859,000 of accrued interest and \$1.5 million of the original \$3.2 million notes receivable from Big City Capital, LLC ("Big City Capital") had been impaired. As a result we established a \$1.5 million valuation allowance in regards to Big City Capital notes receivable and wrote off the accrued interest. Nine hundred thousand dollars (\$900,000) of the Big City Capital notes are guaranteed by an individual independent of us.

The repayment of these loans and accrued interest will be largely dependent upon the ability to obtain financing at each development project and/or the performance of each development project.

Note 6. Assets Held for Sale

On May 12, 2008, the Company entered into a settlement agreement with Clay County Holdings, Inc. ("CCH"), Service Interactive, Inc. ("SI") and Restaurant Connections, International ("RCI"). The settlement agreement terminated CCH and SI's respective debts to the Company, which combined totaled approximately \$4.6 million, and dismissed our collection lawsuits against CCH and SI in the District Courts of Harris County, Texas. In exchange, RCI issued a promissory note in the amount equal to the combined principal and interest owed to the Company by CCH and SI, CCH cancelled the promissory note from RCI in the amount of \$4 million and RCI issued a new note to CCH in amount of \$57,000. In addition, the Company increased its ownership in RCI from 34% to 56% and appointed a majority of the Board of Directors. On July 31, 2008, RCI sold its principle asset, International Restaurant of Brazil, for \$5.5 million. On August 12, 2008, the Company received \$4.7 million from RCI as payment in full of the outstanding note and accrued interest. Remaining RCI assets are immaterial and therefore have not been consolidated as of January 31, 2009. RCI was dissolved on February 11, 2009.

Note 7. Long-Term Debt

Our long-term financing obligations are as follows:

	January 31, 2009	April 27, 2008
\$15.55 million promissory note, 10% interest, maturing June 30, 2010	\$ 10,000,000	\$ 15,550,000
Less: current maturities	-	-
Total long-term financing obligations	\$ 10,000,000	\$ 15,550,000

- 10 -

The \$15.55 million promissory note matures June 30, 2010. The interest rate on the note is fixed for the term at 10%. On December 15, 2008, we repaid \$5.55 million from the funds of the BVD sale. On March 5, 2009, we repaid \$4.0 million of the promissory note from restricted cash held in the project fund.

Note 8. Stock-Based Compensation

Adoption of SFAS 123(R)

Effective May 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), using the modified prospective transition method. Under this transition method, share-based compensation cost recognized in the three and nine months ended January 31, 2009 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of May 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (b) compensation cost for all share-based payments granted subsequent to May 1, 2006, based on the grant date fair value estimated using the Black-Scholes option pricing model. We recognize compensation expense for stock option awards and time-based restricted stock awards on a straight-line basis over the requisite service period of the award (or to an employee's eligible retirement date, if earlier). Performance-based restricted stock awards are recognized as compensation expense based on the fair value of our common stock on the date of grant, the number of shares ultimately expected to vest and the vesting period. We did not grant any stock options during the three months ended January 31, 2009. For the nine months ended January 31, 2009 we granted 5,000 stock options of which 1,666 immediately vested, 1,667 vest in one year with the remaining 1,667 vesting two years from issuance. Total share-based compensation expense included in our Consolidated Statements of Operations for the three and nine months ended January 31, 2009 and January 27, 2008 are presented in the following table:

	Three Months Ended January 31, 2009	Nine Months Ended January 31, 2009	Three Months Ended January 27, 2008	Nine Months Ended January 27, 2008
Stock options	\$ 32,919	\$ 170,346	\$ 170,225	\$ 395,261
Less: Related tax benefit	-	-	-	-
Total share-based compensation expense, net of tax	\$ 32,919	\$ 170,346	\$ 170,225	\$ 395,261

SFAS No. 123(R) requires that cash flows resulting from the benefits of tax deductions in excess of recognized compensation cost be classified as financing cash flows.

Information about our share-based plans

Our 1999 Stock Option Plan, as amended (the "Stock Option Plan") which expired on January 18, 2009, was discretionary and provided for the granting of awards, including options for the purchase of our common stock and for the issuance of stock appreciation rights, restricted and/or unrestricted common stock and performance stock awards to our directors, officers, employees and independent contractors. The number of shares of common stock reserved for issuance under the Stock Option Plan was 3,250,000 shares, and at January 31, 2009, no shares were available for grant. The plan was administered by the Compensation Committee (the "Committee") of the Board of Directors. The Committee had discretion under the plan regarding the vesting and service requirements, exercise price and other conditions, in all cases subject to certain limits, including:

- The incentive stock option plan allowed for the issuance of up to 3.25 million stock options

- For stock options, the exercise price of the award must equal the fair market value of the stock on the date of grant, and the maximum term of such an award is ten years

The Committee had only awarded stock options and restricted stock under the plan. Our practice had been to issue new shares upon the exercise of stock options. Stock option rights granted prior to fiscal year 2006 under the plan generally have 5-year terms and are fully vested and exercisable immediately. Subsequent option rights granted generally have 3, 5 or 10 year terms and are exercisable in three or five equal annual installments, with some option grants providing for immediate vesting for a portion of the grant.

On March 3, 2009, the Company filed a definitive proxy statement pursuant to Section 14(a) of the Securities and Exchange Act of 1934 to notify shareholders of a special meeting to be held on April 14, 2009, to approve the Company's proposed 2009 Equity Incentive Plan.

- 11 -

A summary of activity under the Company's share-based payment plans for the nine months ended January 31, 2009 is presented below:

	Shares (000's)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000's)
Outstanding at April 27, 2008	1,334,000	\$ 3.93		
Granted	5,000	1.14		
Exercised	-	-		
Forfeited or expired	(198,000)	9.88		
Outstanding at January 31, 2009	1,141,000	\$ 2.88	4.0	\$ -
Exercisable at January 31, 2009	745,993	\$ 3.55	4.1	\$ -

As of January 31, 2009, there was a total of \$102,512 of unamortized compensation related to stock, which cost is expected to be recognized over a weighted-average period of 1.1 years.

Compensation cost for stock options was based on the fair value of each award, measured by applying the Black-Scholes model on the date of grant, using the following weighted-average:

	Nine Months Ended	
	January 31, 2009	January 27, 2008
Expected volatility	87.8%	82.7%
Expected term	2.5	2.5
Expected dividend yield	-	-
Risk-free interest rate	2.35%	3.75%
Forfeiture rate	-	-

Expected volatility is based on historical volatility on the Company's stock. The expected term considers the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate is based on the rates in effect on the grant date for U.S. Treasury instruments with maturities matching the relevant expected term of the award.

Note 9. Comprehensive Income

Comprehensive income (loss) consists of the following:

	Three Months Ended		Nine Months Ended	
	January 31, 2009	January 27, 2008	January 31, 2009	January 27, 2008
Net income (loss)	\$ (466,778)	\$ 26,954,639	\$ (2,914,180)	\$ 26,892,984
Other comprehensive income (loss)				
Unrealized gain (loss) on securities available for sale, net of tax	—	—	(9,460)	2,000
Comprehensive income (loss)	\$ (466,778)	\$ 26,954,639	\$ (2,923,640)	\$ 26,894,984

Note 10. Computation of Earnings Per Share

The following is presented as a reconciliation of the numerators and denominators of basic and diluted earnings per share computations, in accordance with SFAS No. 128:

- 12 -

	Three Months Ended		Nine Months Ended	
	January 31, 2009	January 27, 2008	January 31, 2009	January 27, 2008
Numerator:				
Basic and Diluted:				
Net income (loss) available to common stockholders	\$ (466,778)	\$ 26,954,639	\$ (2,914,180)	\$ 26,892,984
Denominator:				
Basic weighted average number of common shares outstanding	12,939,130	12,939,130	12,939,130	12,939,130
Dilutive effect of common stock options and warrants	—	—	—	7,268
Diluted weighted average number of common shares outstanding	12,939,130	12,939,130	12,939,130	12,946,398
Loss per share:				
Net income (loss) per common share - basic	\$ (0.04)	\$ 2.08	\$ (0.23)	\$ 2.08
Net income (loss) per common share - diluted	\$ (0.04)	\$ 2.08	\$ (0.23)	\$ 2.08

For the three and nine months ended January 31, 2009 and January 27, 2008, potential dilutive common shares issuable under options of 1,141,000 and 1,662,732, respectively, were not included in the calculation of diluted earnings per share as they were below the closing market price as of January 31, 2009, and therefore anti-dilutive.

At January 31, 2009 and January 27, 2008, due to the current market value of the Company's common stock, the Company had 0 and 7,268 of common stock equivalents that were deemed to be dilutive.

Note 11. Segment Reporting

We operate in two business segments (i) gaming and (ii) non-gaming. The gaming segment for the three and nine months ended January 31, 2009 consists of Colorado Grande Casino and Buena Vista Development. For the three months ended January 27, 2008, the gaming segment also includes IC-BH and Route 66 Casinos. For the nine months ended January 27, 2008 the gaming segment also included American Racing through June 14, 2007.

Summarized financial information for our reportable segments is shown in the following table. The "non-gaming" column includes corporate-related items, results of insignificant operations, and segment profit (loss) and income and expenses not allocated to reportable segments.

	As of and for the Three Months Ended		
	January 31, 2009		
	Gaming	Non-Gaming	Totals
Net revenue	\$ 1,370,451	\$ —	\$ 1,370,451
Segment loss	(706,467)	(772)	(707,239)
Segment assets	15,946,486	3,627,467	19,573,953
Depreciation and amortization	161,433	1,252	162,685
Additions to property and equipment	—	—	—
Interest expense, net (includes amortization)	242,838	—	242,838
Income tax benefit	240,199	262	240,461

	As of and for the Three Months Ended		
	January 27, 2008		
	Gaming	Non-Gaming	Totals
Net revenue	\$ 1,412,279	\$ —	\$ 1,412,279
Segment income before income taxes	35,153,102	3,785	35,156,887
Segment assets	37,790,295	3,749,503	41,539,798
Equity investment:			
Route 66 Casinos, L.L.C.	4,509,183	—	4,509,183
Buena Vista Development Company, L.L.C	160,937	—	160,937
Depreciation and amortization	173,172	1,887	175,059
Additions to property and equipment	39,050	—	39,050
Interest expense, net (includes amortization)	979,947	—	979,947
Income tax expense	(8,201,365)	(883)	(8,202,248)
Earnings from Isle of Capri-Black Hawk, L.L.C.	917,737	—	917,737
Loss from Buena Vista Development Company, L.L.C.	(4,027)	—	(4,027)
Earnings from Sunrise Land and Mineral Corporation	—	4,237	4,237

As of and for the Nine Months Ended
January 31, 2009

	Gaming	Non-Gaming	Totals
Net revenue	\$ 4,488,460	\$ —	\$ 4,488,460
Segment loss	(4,404,765)	(10,659)	(4,415,424)
Segment assets	15,946,486	3,627,467	19,573,953
Depreciation and amortization	506,857	4,171	511,028
Additions to property and equipment	167,038	—	167,038
Interest expense, net (includes amortization)	314,538	—	314,538
Income tax benefit	1,497,620	3,624	1,501,244
Loss from Buena Vista Development Company, L.L.C.	(7,863)	—	(7,863)

As of and for the Nine Months Ended
January 27, 2008

	Gaming	Non-Gaming	Totals
Net revenue	\$ 5,222,498	\$ 33,805	\$ 5,256,303
Segment income before income taxes	35,092,454	40,694	35,133,148
Segment assets	37,790,295	3,749,503	41,539,798
Equity investment:			
Route 66 Casinos, L.L.C.	4,509,183	—	4,509,183
Buena Vista Development Company, L.L.C	160,937	—	160,937
Depreciation and amortization	572,972	6,467	579,439
Additions to property and equipment	158,564	—	158,564
Interest expense, net (includes amortization)	2,554,356	—	2,554,356
Income tax expense	8,230,620	9,544	8,240,164
Earnings from Isle of Capri-Black Hawk, L.L.C.	4,860,613	—	4,860,613
Loss from Buena Vista Development Company, L.L.C.	(10,231)	—	(10,231)
Loss from American Racing and Entertainment, L.L.C.	(840,368)	—	(840,368)
Earnings from Sunrise Land and Mineral Corporation	—	51,401	51,401

Reconciliation of reportable segment assets to our consolidated totals is as follows:

January 31,
2009

Total assets for reportable segments	\$ 19,573,953
Cash and restricted cash not allocated to segments	25,314,233
Deferred Tax Asset	3,386,970
Total assets	\$ 48,275,156

Note 12. Other Assets

Other assets consist of the following at January 31, 2009 and April 27, 2008, respectively:

	January 31, 2009	April 27, 2008
Accrued interest receivable	\$ 112,867	\$ 4,904,564
American Heritage settlement agreement	1,597,183	1,597,183
BVO receivable (see Note 5)	4,000,000	—
Deferred loan issue cost, net	182,515	278,570
Other assets	\$ 5,892,565	\$ 6,780,317

Note 13. Commitments and Contingencies

We rent office space in Houston, Texas, under a non-cancelable operating lease which expires on March 31, 2011. Also, we lease (through our wholly-owned subsidiary, Colorado Grande Enterprises, Inc.) a portion of a building in Cripple Creek, Colorado, and an adjacent parking lot, for use in connection with the Colorado Grande Casino facilities. We lease this property at an annual rent of the greater of \$144,000 or 5% of Colorado Grande-Cripple Creek's adjusted gross gaming revenues, as defined, with an annual cap of \$400,000. This lease is for an initial term of sixteen years with an option to renew for fifteen years with the final option period concluding January 31, 2021. On July 7, 2005, we exercised the option to extend the lease to January 2021. On April 1, 2008, we extended the lease to January 2033 at a flat annual rate of \$400,000 from February 2021 through January 2033.

We continue to pursue additional development opportunities that may require, individually and in the aggregate, significant commitments of capital, extensions of credit, up-front payments to third parties and guarantees by the Company of third-party debt.

We indemnified our officers and directors for certain events or occurrences while the director or officer is or was serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification obligations is unlimited; however, we have a Directors and Officers Liability Insurance policy that limits our exposure and enables us to recover a portion of any future amounts paid, provided that such insurance policy provides coverage.

Note 14. Legal Proceedings

The Company is not currently involved in any legal proceedings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis ("MD&A") should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in Item 1 of this Quarterly Report and with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report for the year ended April 27, 2008 filed on Form 10-K with the Securities and Exchange Commission.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements. We prepare these financial statements in conformity with U.S. generally accepted accounting principles. As such, we are required to make certain estimates, judgments and assumptions that affect the reported

amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented and disclosure of contingent liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments. On an on-going basis, we evaluate our estimates; however, actual results may differ from these estimates under different assumptions or conditions. There have been no material changes or developments in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our Annual Report for the year ended April 27, 2008 filed on Form 10-K with the Securities and Exchange Commission.

- 16 -

Executive Overview

We were formed in 1977 and since 1994, have primarily been a gaming company involved in financing, developing, owning and operating commercial gaming projects and financing and developing Native American owned gaming projects. Our gaming facility operations are located in the United States of America ("U.S."), specifically in the state of Colorado. Historically, we have relied upon our equity investment in IC-BH for the majority of our earnings and cash flow. On April 25, 2005, we acquired the Colorado Grande Casino from IC-BH. In addition, we previously owned a 40% interest in American Racing, which developed racing facilities which offer harness racing and VLTs to its gaming customers in upstate New York. Our interest decreased to 15.67% due to lack of liquidity to meet certain cash call commitments. On June 14, 2007, we sold our membership interest in American Racing. On January 27, 2008 we sold our 43% equity investment in ICBH. Our business strategy will continue to focus on gaming projects but with a greater emphasis on owning and operating gaming establishments. If we are successful, our future revenues, costs and profitability can be expected to increase. Our net revenues were \$1.37 million and \$1.41 million for the three months ended January 31, 2009 and January 27, 2008, respectively.

When compared to the three months and nine month periods ended January 27, 2008, the three month period ended January 31, 2009 was impacted by the following items:

- Elimination of earnings in our unconsolidated affiliate, IC-BH;
- Elimination of losses in our unconsolidated affiliate, American Racing;
- Gain on the sale of our 40% interest in BVD;
- Decreased earnings from the Colorado Grande Casino;
- Management fees from SunCruz ; and
- Reduced corporate, legal and interest expenses.

COMPARISON OF THE THREE MONTHS ENDED JANUARY 31, 2009 AND JANUARY 27, 2008

Net revenues. Net revenues decreased 3%, or \$42,000, for the three month period ended January 31, 2009 compared to the period ended January 27, 2008. Net casino revenues from the Colorado Grande decreased approximately \$285,000 due to Colorado implementing a smoking ban effective January 1, 2008, the addition of a new casino in our market as of June, 2008, and the general economic downturn. In November, 2008, the state passed a bet limit initiative which will allow \$100 gaming limits, craps, roulette and 24 hour gaming, subject to local vote. Cripple Creek voters passed the initiative on December 16, 2008. The approval of the bet limit initiative by local voters requires the Colorado regulatory agencies to write rules and regulations pertaining to the changes. As a result it is anticipated that implementation of the bet limit initiative will not occur before July 2009. Offsetting the casino revenue decrease, we earned management fees of \$243,000 from Ocean Casinos as a result of signing a management agreement November 11, 2008. The agreement extends through December 31, 2010. Our promotional allowances increased 2.0%, or \$6,000 for the three month period ended January 31, 2009 compared to the period ended January 27, 2008.

Total operating expenses. Total operating expenses decreased 58% or \$3,100,000, for the three month period ended January 31, 2009 compared to the period ended January 27, 2008. This was primarily due to the \$2.4 million impairment of notes receivable and accrued interest related to a development project during the three months ended January 27, 2008. The remainder included decreased marketing expenses of \$158,000 due to the temporary downturn

of casino business at the Colorado Grande, \$81,000 decrease in legal expense as the result of lower legal costs related to litigation, and \$402,000 lower corporate expense due to our continued efforts to reduce staffing and expenses, which includes a \$272,000 reduction in payroll due to staff reductions and stock options expenses as well as an \$118,000 reduction in professional and audit fees.

Earnings from unconsolidated affiliates. Earnings from unconsolidated affiliates decreased 100.00%, or \$918,000, for the three month period ended January 31, 2009 compared to the three month period ended January 27, 2008. The decrease is primarily due to the sales of our interest in IC-BH in January, 2008 and American Racing in June 2007. We are currently not recording any earnings from unconsolidated affiliates after the sale of our interest in Buena Vista in December, 2008.

Interest income (expense), net. Interest income (expense), net, consists of a net balance of interest expense and amortization of loan issue cost, offset by interest income from our various notes receivable and investments. Interest expense decreased 72%, or \$832,000, for the three month period ended January 31, 2009 compared to the three month period ended January 27, 2008. The decrease is primarily due to a significantly lower weighted average debt balance. Interest income decreased 76%, or \$366,000, for the three month period ended January 31, 2009 compared to the three month period ended January 27, 2008. The decrease is primarily due to our decision to write off the note to LaJolla Development as of the end of fiscal 2008, after August 12, 2008 no longer recording interest on the RCI note, and only accruing interest for \$4 million on the BVD receivable versus the \$14.8 million note previously. Amortization of loan issue cost was \$32,000 and \$303,000 for the three month periods ended January 31, 2009 and January 27, 2008, respectively.

Net income (loss). Net income (loss) was (\$467,000) and \$27,000,000 for the three month periods ended January 31, 2009 and January 27, 2008, respectively. The decrease of \$27.5 million is primarily related to the \$39.2 million pre-tax gain on the sale of ICBH, elimination of \$0.9 million of earnings from IC-BH, an income tax benefit of \$0.2 million versus a tax expense of \$8.2 million all offset by reduced corporate and legal expenses of \$0.5 million, and net interest expense of \$0.7 million. The effective tax rate for the three month periods ended January 31, 2009 and January 27, 2008 was a benefit of (34.0%) and 23.3%, respectively. The decrease in the effective tax rate is due to our pretax loss for the three months ended January 31, 2009.

COMPARISON OF THE NINE MONTHS ENDED JANUARY 31, 2009 AND JANUARY 27, 2008

Net revenues. Net revenues decreased 14.6%, or \$768,000, for the nine month period ended January 31, 2009 compared to the nine month period ended January 27, 2008. Net casino revenues from the Colorado Grande decreased \$971,000 due to Colorado implementing a smoking ban effective January 1, 2008, the addition of a new casino in our market as of June, 2008, and the general economic downturn. In November, 2008, a bet limit initiative which will allow \$100 gaming limits, craps, roulette and 24 hour gaming, subject to local vote. Cripple Creek voters passed the initiative on December 16, 2008. The approval of the bet limit initiative by local voters requires the Colorado regulatory agencies to write rules and regulations pertaining to the changes. As a result it is anticipated that implementation of the bet limit initiative will not occur before July 2009. This was offset by an increase in management fees of \$203,000 for the nine month period ended January 31, 2009 compared to the prior year.

Total operating expenses. Total operating expenses decreased 26.1% or \$3,169,000, for the nine month period ended January 31, 2009, compared to the nine month period ended January 27, 2008. During the nine months ended January 31, 2009, operating expenses, excluding write-offs, decreased \$1,922,000 due to our continued efforts to reduce staffing and expenses. The primary areas decreased have been corporate expenses by \$1,073,000, legal expenses by \$421,000 and marketing expenses by \$300,000.

Earnings (loss) from unconsolidated affiliates. Earnings (loss) from unconsolidated affiliates decreased 100.1%, or \$4.1 million, for the nine month period ended January 31, 2009 compared to the nine month period ended January 27, 2008. This is due primarily to the sale of ICBH in January, 2008 and American Racing in June 2007.

Interest income (expense), net. Interest expense, net consists of a net balance of interest expense and amortization of loan issue cost, offset by interest income. Interest expense decreased 67.2%, or \$2.3 million, for the nine month period ended January 31, 2009 compared to the nine month period ended January 27, 2008. The decrease is primarily due to a lower weighted average debt balance. Interest income decreased 40.1%, or \$606,000, for the nine month period ended January 31, 2009 compared to the nine month period ended January 27, 2008. The decrease is primarily due to our decision to write off the \$1.5 million note receivable due from the La Jolla Development at the end of fiscal 2008, the collection of the \$4.6 million note from RCI in August 2008, and only accruing interest for \$4 million on the BVD receivable versus the \$14.8 million note previous. Amortization of loan issue costs was \$96,000 and \$645,000 for the nine month periods ended January 31, 2009 and January 27, 2008, respectively.

Net income (loss). Net income (loss) was \$(2.9 million) and \$26.9 million for the nine month periods ended January 31, 2009 and January 27, 2008, respectively. The decrease of \$30 million is primarily related to the recording of a pre-tax \$40.5 million gain on the sale of ICBH in January 2008 and American Racing in June 2007, decreased casino earnings of \$0.6 million, elimination of \$4.1 million of earnings from IC-BH and American Racing, all offset by \$1.5 million of reduced corporate and legal expenses, reduced net interest expense of \$2.3 million, and recording a \$1.5 million tax benefit versus an \$8.2 million tax expense for the nine month periods ended January 31, 2009 and January 27, 2008, respectively.

Liquidity and Capital Resources

Historical Cash Flows

The following table sets forth our consolidated net cash provided by (used in) operating, investing and financing activities for the nine month periods ended January 31, 2009 and January 27, 2008:

	Nine Months Ended	
	January 31, 2009	January 27, 2008
Net cash provided by (used in):		
Operating activities	\$ (4,330,235)	\$ (5,043,728)
Investing activities	23,807,033	53,303,865
Financing activities	(5,558,878)	(41,739,622)

Operating activities. Net cash used in operating activities during the nine month period ended January 31, 2009 decreased by \$0.7 million compared to the nine month period ended January 27, 2008. The improvement is mainly due to improved operating results excluding non-recurring gains on sales and write offs or impairment of assets..

Investing activities. Net cash provided by investing activities during the nine month period ended January 31, 2009 decreased by \$29.5 million compared to the nine month period ended January 27, 2008. The decrease of funds provided is primarily due to our prior year receipt of \$66.8 million from the sales of ICBH and American Racing offset by the establishment of the \$13 million Project Fund compared to \$16 million received from the sale of BVD, \$4.6 million from the sale of RCI, \$1.1 million received from the notes on the sale of American Racing, and \$3 million from the maturity of restricted cash, and the \$1 million certificate of deposit that was released in the American Racing sale.

Financing activities. Net cash used in financing activities during the nine month period ended January 31, 2009 decreased \$36.2 million compared to the nine months ended January 27, 2008. This is primarily due to the prior year repayment of \$46 million of credit facility and other term loans compared to \$5.6 million repaid in the current year. We incurred no new debt during the nine months ended January 31, 2009. The Company did not make any loans to affiliates during the nine months ended January 31, 2009.

Future Sources and Uses of Cash

We expect that our future liquidity and capital requirements will be affected by:

- earnings from consulting and management services;
- earnings from owned casino operations;
- disposition of non-gaming related assets;
- debt service requirements;
- capital requirements related to acquisitions;
- capital requirements related to expansion of existing casino facility;
- obtaining funds via long-term debt instruments;
- working capital requirements; and
- raising capital through equity offerings.

At January 31, 2009, outstanding indebtedness was \$10 million which is not due until June 30, 2010. On March 5, 2009, we repaid \$4.0 million of the indebtedness from restricted cash held in the project fund. Historically, tax distributions from IC-BH, distributions from Dry Creek Casino, L.L.C. of our portion of the credit enhancement fees from River Rock Casino and loan repayments from affiliates have been sufficient to satisfy our current debt obligations and working capital needs. We no longer receive cash flow from these sources. In addition to cash flow expected to be generated from the Colorado Grande Casino, we are generating cash from current management contracts and we will continue to sell non-core assets until cash flow is generated from future acquisitions and additional management contracts.

On June 14, 2007, we sold our membership interest in American Racing and Entertainment. We received \$2.1 million in cash and two notes for \$1.1 million each. The notes bear interest of 5% per annum and are due on June 14, 2008 and 2009, respectively. In June 2007, we used the proceeds from the sale of American Racing to repay \$2.2 million of our previously held \$55 million Credit Facility ("Credit Facility"). In addition to the cash received from the sale of American Racing, certificates of deposit of approximately \$1.1 million pledged as collateral for a bank line of credit for American Racing was released to us on July 13, 2007. We used \$950,000 of the certificates of deposit proceeds to pay down the Credit Facility. On June 26, 2007, we drew down \$1.0 million from the Credit Facility. In addition, in conjunction with the sale agreement we were indemnified by the purchasers in connection with the guarantees of

approximately \$11 million of debt or any other obligations of American Racing. On March 31, 2008, the \$11 million debt was refinanced and the Company was released from being a guarantor. On June 14, 2008, we received a \$1.1 million payment on these notes.

We have continued to examine our corporate overhead. As a result, we have implemented several cost saving measures that have saved approximately \$2.5 million of general and administrative expenses annually. These measures included the elimination of several senior level positions and a number of corporate staff positions which resulted in over a 50% reduction in our corporate full time equivalent number of staff and, elimination or reduction of several consulting contracts. These cost savings have continued during fiscal year 2009.

On January 27, 2008, we sold our ownership interest in IC-BH to our partner for \$64.6 million in cash. On the same date we repaid \$38.8 million of the Credit Facility. In addition, from proceeds of the sale, a \$13.0 million Project Fund was established towards future acquisitions. The remaining funds were made available to pay transaction fees, income taxes and fund our continuing operations. On December 15, 2008, we repaid \$5.55 million of our senior debt resulting in \$3.0 million of the project funds were released for general corporate use.

Our plan is to divest of our non-core assets and use the proceeds to pay operating expenses or debt or, reinvest the funds into acquisition opportunities where we will have an equity position and long term management contracts.

On January 31, 2009, excluding restricted cash of \$10.0 million, we had cash and cash equivalents of \$15.3 million. The restricted cash is the Project Fund referred to above.

Our Consolidated Financial Statements have been prepared assuming that we will have adequate availability of cash resources to satisfy our liabilities in the normal course of business. We have made, and are in the process of making, arrangements to ensure that we have sufficient working capital to fund our obligations as they come due. These potential funding transactions include divesting of non-core assets and obtaining long-term financing. We believe that some or all of these sources of funds will be funded in a timely manner and will provide sufficient working capital for us to meet our obligations as they come due; however, there can be no assurance that we will be successful in divesting our non-core assets or achieving the desired level of working capital at terms that are favorable to us. Should cash resources not be sufficient to meet our current obligations as they come due, if we are unable to repay or refinance our long-term debt due on June 30, 2010 and, if we are unable to acquire operations that generate positive cash flow, we would be required to curtail our activities to a pace that cash resources could support which may require a restructuring of our debt or selling core assets of the Company.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, foreign currency exchange rates, credit risk, commodity price and equity prices. Our primary exposure to market risk is credit risk concentrations. We do not believe we are subject to material interest risk.

Our promissory note is a fixed interest rate instrument.

Item 4. Controls and Procedures

As described in more detail in our Form 10-K filed on July 28, 2008, we identified a material weakness in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) in connection with our preparation of our tax provision and related disclosures. As a result of this material weakness, as of April 27, 2008, our disclosure controls and procedures were not effective. We have taken steps to improve the effectiveness of our disclosure controls and procedures in an effort to rectify the weakness by the end of the quarter ended January 31, 2009. As a part of our fiscal year end closing procedures, we plan to have a review performed by an external firm to evaluate the effectiveness of our disclosure controls and procedures. Until such time, our Chief Executive Officer and Chief Financial Officer have continued the previous conclusion that as of the end of the period covered by this report, our disclosure controls and procedures were not effective. We have outlined a number of initiatives, as discussed below, that we believe will remediate this material weakness in fiscal year 2009.

- performance of a more in-depth and comprehensive review of the tax provision computation, and
- engagement of outside advisors to assist in the preparation of and or review of our tax provision and related disclosures.

There have not been any changes in our internal control over financial reporting during the three months ended January 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over

financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The Company is not currently involved in any legal proceedings.

Item 1A. Risk Factors

There have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended April 27, 2008.

- 20 -

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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

- 21 -

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Nevada Gold & Casinos, Inc.

By: /s/ James J. Kohn
James J. Kohn, Chief Financial Officer

Date: March 11, 2009

- 22 -

INDEX TO EXHIBITS

Exhibit No.	Document
2.1	Stock Purchase Agreement dated as of April 25, 2005 among Isle of Capri Black Hawk, L.L.C., IC Holdings Colorado, Inc., Colorado Grande Enterprise, Inc., and CGC Holdings, L.L.C.(filed previously as Exhibit 2.1 of to the Company's Form 8-K, filed April 29, 2005)
2.2	Purchase and Sale Agreement among Nevada Gold & Casinos, Inc. Nevada Gold NY, Inc., Southern Tier Acquisition, LLC and Oneida Entertainment LLC (filed previously as Exhibit 10.1 to Form 8-K filed June 21, 2007)
2.3	Unit Purchase Agreement among Nevada Gold & Casinos, Inc., Black Hawk Gold, Ltd., Casino America of Colorado, Inc. and Isle of Capri Casinos, Inc. dated November 13, 2007 (filed previously as Exhibit 10.5 to Form 8-K filed November 13, 2007)
3.1A	Amended and Restated Articles of Incorporation of Nevada Gold & Casinos, Inc. (filed previously as Exhibit A to the Company's definitive proxy statement filed on Schedule 14A on July 30, 2001)
3.1B	Certificate of Amendment to the Articles of Incorporation of Nevada Gold & Casinos, Inc. (filed previously as Exhibit 4.2 to Form S-8 filed October 11, 2002.
3.1C	Certificate of Amendment to the Articles of Incorporation of Nevada Gold & Casinos, Inc. (filed previously as Exhibit 3.3 to Form 10-Q filed November 9, 2004)
3.1D	Certificate of Amendment to the Articles of Incorporation of Nevada Gold & Casinos, Inc. (filed previously as Exhibit 3.1 to Form 8-K filed October 17, 2007)
3.2A	Amended and Restated Bylaws of Nevada Gold & Casinos, Inc. (filed previously as Exhibit 3.2 to the Company's Form 10-QSB filed August 14, 2002)
3.2B	Amended and Restated Bylaws of Nevada Gold & Casinos, Inc. (filed previously as Exhibit 3.2 to the Company's Form 8-K filed July 27, 2007)
4.1	Common Stock Certificate of Nevada Gold & Casinos, Inc. (filed previously as Exhibit 4.1 to the Company's Form S-8/A, file no. 333-79867)
4.2	Second Amended and Restated Nevada Gold & Casinos, Inc. 1999 Stock Option Plan (filed previously as Exhibit 4.6 to Form S-8, file no. 333-126027)
10.1	Form of Indemnification Agreement between Nevada Gold & Casinos, Inc. and each officer and director (filed previously as Exhibit 10.5 to the Company's form 10-QSB, filed February 14, 2002)
10.2	Investment Agreement dated April 21, 2005 by and among Casino Development & Management Company, LLC, Thomas C. Wilmot, Buena Vista Development Company, LLC and Nevada Gold BVR, L.L.C
10.3	

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Amended and Restated Operating Agreement dated April 21, 2005, by and between Casino Development & Management Company, LLC and Nevada Gold BVR, L.L.C.

- 10.4 Promissory Note dated May 4, 2005, in the amount of \$14,810,200 executed by Buena Vista Development Company, LC as maker and payable to Nevada Gold BVR, L.L.C.
- 10.5(**) Amended and Restated Credit Facility dated January 19, 2006 (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.15 to the Company's Form 8-K, filed January 25, 2006)
- 10.6 (**) Form of Guarantee of Credit Facility among Nevada Gold and Casinos, Inc.; each of Black Hawk Gold, LTD, Gold River, LLC, Nevada Gold BVR, LLC, and Nevada Gold NY, Inc., and the Lender signing as a party thereto (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.16 to Form 10-Q filed March 3, 2006)
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- 10.7 (**) January 2006 Security Agreement dated January 19, 2006, by and between Nevada Gold & Casinos, Inc. , its wholly-owned subsidiary, Black Hawk Gold, Ltd., and the Lender listed as a party thereto (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.17 to Form 10-Q filed March 3, 2006)
- 10.8 (**) Commercial Pledge Agreement dated January 19, 2006, among Nevada Gold & Casinos, Inc., Black Hawk Gold, LTD, and the Lender listed as a party thereto (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.18 to Form 10-Q filed March 3, 2006).
- 10.9 (**) Commercial Pledge Agreement dated January 19, 2006, among Nevada Gold & Casinos, Inc., Nevada Gold BVR, and the Lender listed as a party thereto (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.19 to Form 10-Q filed March 3, 2006).
- 10.10 (**) Commercial Pledge Agreement dated January 19, 2006 among Nevada Gold & Casinos, Inc., Gold River, LLC, and the Lender listed as a party thereto (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.20 to Form 10-Q filed March 3, 2006).
- 10.11 (**) Commercial Pledge Agreement dated January 19, 2006, among Nevada Gold & Casinos, Inc., Nevada Gold NY, Inc., and the Lender listed as a party thereto (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 under the Exchange Act) (filed previously as Exhibit 10.21 to Form 10-Q filed March 3, 2006).
- 10.12 Amendment to the Amended and Restated Credit Facility dated January 19, 2006 among Nevada Gold & Casinos, Inc., Black Hawk Gold, Ltd. and Louise H. Rogers dated July 30, 2007 (filed previously as Exhibit 10.1 to Form 8-K filed July 30, 2007)
- 10.13 Amendment to the Amended and Restated Credit Facility dated January 19, 2006 between Nevada Gold & Casinos, Inc. and Louise H. Rogers dated October 12, 2007 (filed previously as Exhibit 10.1 to Form 8-K filed October 15, 2007)
- 10.14 Amendment to the Amended and Restated Credit Facility dated January 19, 2006 between Nevada Gold & Casinos, Inc. and Louise H. Rogers dated December 20, 2007 (filed previously as Exhibit 10.1 to Form 8-K filed December 21, 2007)
- 10.15 Agreement Regarding Use of Proceeds of IC-BH Sale and Regarding Remaining Amount Due Under the Amended and Restated Credit Facility among Nevada Gold & Casinos, Inc., Black Hawk Gold, Ltd. and Louise H. Rogers dated November 13, 2007 (filed previously as Exhibit 10.1 to Form 8-K filed November 13, 2007)
- 10.16 Amendment to the January 2006 Security Agreement among Nevada Gold & Casinos, Inc., Black Hawk Gold, Ltd. and Louise H. Rogers dated November 13, 2007 (filed previously as Exhibit 10.2 to Form 8-K

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filed November 13, 2007)

- 10.17 Agreement Regarding Use of Proceeds from RCI/CCH Notes Receivable between Nevada Gold & Casinos, Inc. and Louise H. Rogers dated November 13, 2007 (filed previously as Exhibit 10.3 to Form 8-K filed November 13, 2007)
 - 10.18 Promissory Note issued by Nevada Gold & Casinos, Inc. to Louise H. Rogers dated November 13, 2007 (filed previously as Exhibit 10.4 to Form 8-K filed November 13, 2007)
 - 10.19 Agreement Regarding Loans effective March 1, 2008 between Nevada Gold & Casinos, Inc. and Louise H. Rogers (filed previously as Exhibit 10.1 to Form 8-K filed June 17, 2008)
 - 10.20 Amended and Restated Security Agreement effective March 1, 2008 between Nevada Gold & Casinos, Inc. and Louise H. Rogers (filed previously as Exhibit 10.2 to Form 8-K filed June 17, 2008)
 - 10.21 Schedule of Collateral, Notes, Security Interests and Ownership Interests effective March 1, 2008 between Nevada Gold & Casinos, Inc. and Louise H. Rogers (filed previously as Exhibit 10.3 to Form 8-K filed June 17, 2008)
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- 10.22 Promissory Note issued by Nevada Gold & Casinos, Inc. to Louise H. Rogers effective March 1, 2008 (filed previously as Exhibit 10.4 to Form 8-K filed June 17, 2008)
- 10.23A(+) Employment Agreement dated November 27, 2006 by and between Robert B. Sturges and Nevada Gold & Casinos, Inc. (filed previously as Exhibit 10.27 to Form 10-Q filed December 15, 2006)
- 10.23B(+) Amendment to the Employment Agreement dated August 30, 2007 by and between Robert B. Sturges and Nevada Gold & Casinos, Inc. (filed previously as Exhibit 99.1 to Form 8-K filed August 31, 2007)
- 10.23C(+) Amendment to the Employment Agreement dated October 30, 2007 by and between Robert B. Sturges and Nevada Gold & Casinos, Inc. (filed previously as Exhibit 99.1 to Form 8-K filed October 30, 2007)
- 10.23D(+) Second Amendment to the Employment Agreement dated January 23, 2008 by and between Robert B. Sturges and Nevada Gold & Casinos, Inc. (filed previously as Exhibit 10.1 to Form 8-K filed January 24, 2008)
- 10.24A(+) Employment Agreement dated October 24, 2006 by and between James J. Kohn and Nevada Gold & Casinos, Inc. (filed previously as Exhibit 10.28 to Form 10-Q filed March 9, 2007)
- 10.25A(+) Employment Agreement dated , December 29, 2006 by and between Ernest E. East and Nevada Gold & Casinos, Inc. (filed previously as Exhibit 10.28 to Form 10-Q filed March 9, 2007)
- 10.26(+) Separation Agreement and Release between Nevada Gold & Casinos, Inc. and H. Thomas Winn (filed previously as Exhibit 10.1 to Form 8-K filed July 9, 2007)
- 10.27 Mutual Release between River Rock Entertainment Authority and Dry Creek Casino, LLC (filed previously as Exhibit 10.1 to Form 8-K filed March 5, 2007)
- 10.28 Settlement Agreement and Release among Nevada Gold & Casinos, Inc., American Heritage, Inc. and Frederic C. Gillmann dated April 15, 2008 (filed previously as Exhibit 10.1 to Form 8-K filed April 16, 2008)
- 10.29 Management Agreement dated November 10, 2008 between Nevada Gold & Casinos, Inc. and Oceans Casino Cruises, Inc. (filed previously as Exhibit 10.1 to Form 8-K filed November 12, 2008)
- 31.1(*) Chief Executive Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act.
- 31.2(*) Chief Financial Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act.
- 32.1(*) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2(*) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ Management contract or compensatory plan, or arrangement.

* Filed herewith

** Portions of these exhibits have been omitted pursuant to a request for confidential treatment.

