

ROYAL CARIBBEAN CRUISES LTD

Form DEF 14A

April 09, 2010

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

**SCHEDULE 14A
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to § 240.14a-12

Royal Caribbean Cruises Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
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- o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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**ROYAL CARIBBEAN CRUISES LTD.
1050 Caribbean Way
Miami, Florida 33132**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 20, 2010**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDERS MEETING TO BE HELD ON MAY 20, 2010**

**This Notice, the Proxy Statement, the Annual Report
and all other proxy materials are available at www.rclinvestor.com**

To the Shareholders of
ROYAL CARIBBEAN CRUISES LTD.

Notice is hereby given that the Annual Meeting of Shareholders of Royal Caribbean Cruises Ltd. (the Company) will be held at 9:00 A.M. on Thursday, May 20, 2010 at the JW Marriott, 1109 Brickell Avenue, Miami, Florida.

The Annual Meeting will be held for the following purposes:

1. To elect four directors to the Company's Board of Directors;
2. To approve an additional 6,000,000 shares for issuance under the Company's 2008 Equity Incentive Plan;
3. To ratify the selection of the Company's principal independent auditor;
4. To vote on a shareholder proposal in the accompanying proxy statement; and
5. To transact such other business as may properly come before the meeting and any adjournment thereof.

The Board of Directors has fixed the close of business on March 22, 2010 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting or any adjournment thereof.

U.S. Securities and Exchange Commission rules allow us to deliver proxy materials over the Internet. Under these rules, we are sending our shareholders a notice regarding the Internet availability of proxy materials instead of a full set of proxy materials, unless they previously requested to receive printed copies. If you receive such notice, you will not receive printed copies of the proxy materials unless you specifically request them. Instead, such notice informs you how to access and review on the Internet all of the important information contained in the proxy materials and how to submit your proxy card over the Internet. All of the Company's shareholders are urged to follow the instructions in the notice and submit their proxy promptly.

Notice and electronic availability of this proxy statement and accompanying proxy card are being made available on or about April 9, 2010.

All shareholders are cordially invited to attend the meeting in person. Whether or not you expect to attend in person, the Company requests that you promptly complete and submit the proxy card.

Bradley H. Stein,
Secretary

April 5, 2010

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ROYAL CARIBBEAN CRUISES LTD.

1050 Caribbean Way

Miami, Florida 33132

**PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 20, 2010**

GENERAL INFORMATION

This proxy statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Royal Caribbean Cruises Ltd. (the Board) to be used at the Annual Meeting of Shareholders to be held on May 20, 2010, and any adjournments or postponements thereof. References in this proxy statement to we, us, our, Company and Royal Caribbean refer to Royal Caribbean Cruises Ltd.

Who May Vote

Holders of the Company's common stock, par value \$.01 per share, as reflected in our records at the close of business on March 22, 2010 (the record date), may vote at the Annual Meeting of Shareholders to be held on May 20, 2010, and any adjournment or postponement thereof.

As of March 22, 2010, the Company had 214,856,920 issued and outstanding shares of common stock. Each issued and outstanding share is entitled to one vote.

How to Vote

You may vote in person at the meeting or by proxy. You may vote by proxy on the Internet, by telephone or by signing, dating and mailing your proxy card. Detailed instructions for Internet and telephone voting are set forth on the proxy card and the notice regarding the Internet availability of proxy materials. We recommend that you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting. If your shares are held for you in a brokerage, bank or other institutional account, you must obtain a proxy from that entity and bring it with you to hand in with your ballot in order to be able to vote your shares at the meeting.

How Proxies Work

All properly executed proxies will be voted in accordance with the instructions contained thereon, and if no choice is specified, the proxies will be voted: for the election of the directors named elsewhere in this proxy statement, for additional shares for issuance under the Company's 2008 Equity Incentive Plan, for the ratification of the selection of the principal independent auditor and against the shareholder proposal. Abstentions are counted as present in determining the existence of a quorum but will not have the effect of votes in opposition to the election of a director or a no vote on proposals 2 or 3 or the shareholder proposal. Under New York Stock Exchange (NYSE) rules, if your broker holds your shares in its name, your broker is permitted to vote your shares on proposal 3 even if it does not receive voting instructions from you, but it cannot vote on proposals 1 or 2 or the shareholder proposal without your instructions.

Matters to be Presented

We are not aware of any matters to be presented for a vote at the Annual Meeting of Shareholders other than those described in this proxy statement. If any matters not described in this proxy statement are properly presented at the meeting, the proxies will use their own judgment to determine how to vote your shares. If the meeting is

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postponed or adjourned, the proxies will vote your shares on the new meeting date in accordance with your previous instructions, unless you have revoked your proxy.

Vote Necessary to Approve Proposals

A majority of the votes represented by the shares of common stock present at the meeting in person or by proxy is required for approval of proposals 1, 2 and 3 and the shareholder proposal. With respect to proposal 2, the total votes cast must represent a majority of the shares entitled to vote on the proposal.

Revoking a Proxy

Any proxy may be revoked by a shareholder at any time before it is exercised by giving written notice to that effect to the Corporate Secretary of the Company or by signing and submitting a later-dated proxy, unless the proxy submitted is entitled irrevocable proxy. Shareholders who attend the Annual Meeting may revoke any proxy previously granted and vote in person.

CORPORATE GOVERNANCE

We have adopted corporate governance principles which, along with board committee charters, provide the framework for the governance of the Company. The corporate governance principles address such matters as director qualifications, director independence, director compensation, board committees and committee evaluations. We believe that the corporate governance principles comply with the corporate governance rules adopted by the NYSE. A copy of the corporate governance principles of the Company is posted in the corporate governance section on the Company website at www.rclinvestor.com.

Board of Directors and Committees

The Board has established an Audit Committee, a Compensation Committee, an Environmental, Safety and Security Committee and a Nominating and Corporate Governance Committee. The functions of each of these committees are described below. Each committee has adopted a charter and a copy of each committee charter is posted in the corporate governance section on the Company website at www.rclinvestor.com.

Board of Directors

The Company is governed by the Board and various committees of the Board that meet throughout the year. The Board consists of eleven members. During 2009, there were five meetings of the Board, and a total of 19 committee meetings. Each of the Board members attended at least 75% of an aggregate of all meetings of the Board and of any committees on which he or she served. The corporate governance principles provide that, in addition to regularly scheduled Board meetings, non-management directors will hold two regularly scheduled meetings a year and the independent directors will hold two regularly scheduled meetings a year. The Chairman of the Nominating and Corporate Governance Committee of the Board presides at such meetings. In 2009, there were two meetings of non-management directors and two meetings of independent directors.

The Company does not have a formal policy regarding Board member attendance at the annual shareholders meeting. One of our Board members attended our annual shareholders meeting last year.

Committees of the Board

The Board has four committees. The following is a description of the current membership, number of meetings held during 2009 and the responsibilities of each committee.

Audit Committee

The members of the Audit Committee are William L. Kimsey (Chair), Morten Arntzen, Gert W. Munthe and Bernt Reitan. Each member of the Audit Committee is independent as defined under NYSE rules.

The Audit Committee met nine times in 2009.

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The Audit Committee is responsible for the oversight of:

- the integrity of the financial statements of the Company;
- the qualifications and independence of the Company's principal independent auditor;
- the performance of the Company's internal audit function and principal independent auditor; and
- the compliance by the Company with the legal and regulatory requirements in connection with the foregoing.

In furtherance of its purpose, the Audit Committee regularly reviews and discusses with management and the principal independent auditor the annual audited and quarterly financial statements of the Company. The Audit Committee is also responsible for preparing the Audit Committee report required by the rules of the U.S. Securities and Exchange Commission (SEC), which is included in this proxy statement under the heading Report of the Audit Committee.

The Board has concluded that Messrs. Kimsey and Arntzen each qualify as an audit committee financial expert as defined under SEC rules.

Compensation Committee

The members of the Compensation Committee are Bernt Reitan (Chair), Bernard W. Aronson, Laura D.B. Laviada and Gert W. Munthe. Each member of the Compensation Committee is independent as defined under NYSE rules.

The Compensation Committee met three times in 2009.

The Compensation Committee has overall responsibility for evaluating, approving and modifying the executive compensation plans, policies and programs of the Company. Among other responsibilities, the Compensation Committee annually reviews and approves corporate goals and objectives relevant to the compensation of the Chairman and Chief Executive Officer of the Company and sets compensation levels based on this evaluation. The Compensation Committee also annually reviews and sets the compensation levels of all senior executives of the Company. The Compensation Committee periodically reviews and makes recommendations to the Board with respect to the compensation of all directors of the Company. The Compensation Committee may delegate its authority subject to such conditions as the Compensation Committee deems appropriate and in the best interests of the Company.

The Compensation Committee engages Watson Wyatt Worldwide, now Towers Watson (the Consultant), an executive compensation consulting firm, to assist with constructing the Company's market comparison group, analyzing the levels of each form of compensation for the Company's senior executives and providing recommendations on their compensation. The Consultant has direct access to the Compensation Committee's members and provides them with direct advice regarding matters for which the Compensation Committee is responsible. The Consultant also regularly confers with the Company's senior management and human resources department to collect, analyze and present data requested by the Compensation Committee. In 2009, the fees for any additional services provided by the Consultant to the Company did not exceed \$120,000.

The Compensation Committee is responsible for preparing the Compensation Committee Report, reviewing and discussing the Compensation Discussion and Analysis with management and recommending to the Board of Directors the inclusion of the Compensation Discussion and Analysis in the proxy statement as required by the rules of the SEC.

Compensation Committee Interlocks and Insider Participation

During the fiscal year 2009, none of the members of the Compensation Committee (a) was an officer or employee of the Company, (b) was a former officer of the Company or (c) had any related person relationship requiring disclosure by the Company under SEC rules. No executive officer of the Company serves as a member of the board of directors of any other company whose executive officers or directors served as a director of the Company.

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Environmental, Safety and Security Committee

The members of the Environmental, Safety and Security Committee are William K. Reilly (Chair), Morten Arntzen and Eyal M. Ofer. A majority of the members of the Environmental, Safety and Security Committee are independent as defined under NYSE rules.

The Environmental, Safety and Security Committee met twice in 2009.

The Environmental, Safety and Security Committee assists the Board in its oversight of the Company's management concerning the implementation and monitoring of the Company's environmental, safety and security programs and policies. As part of its responsibilities, the Environmental, Safety and Security Committee monitors the Company's overall environmental compliance on board its cruise ships and reviews safety and security programs and policies on board its cruise ships.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Thomas J. Pritzker (Chair), Eyal M. Ofer and Arne Alexander Wilhelmsen. Each member of the Nominating and Corporate Governance Committee is independent as defined under NYSE rules.

The Nominating and Corporate Governance Committee met five times in 2009. The Nominating and Corporate Governance Committee assists the Board by identifying qualified individuals for nomination as members of the Board and of Board committees, recommending to the Board corporate governance guidelines, reviewing and making recommendations to the Board concerning Board committee structure, operations and board reporting, and evaluating board and management performance.

The Company has engaged in the past and may engage in the future third parties to identify or assist in identifying potential director nominees.

The Nominating and Corporate Governance Committee does not have a formal policy on the consideration of director candidates recommended by shareholders because the Nominating and Corporate Governance Committee to date has not felt it necessary to adopt such a policy. Nonetheless, the Company has adopted procedures by which shareholders may communicate to the Board recommendations for director candidates. These procedures are set forth below under *Proposals of Shareholders for Next Year*.

In assessing candidates, the Nominating and Corporate Governance Committee considers the personal and professional ethics, integrity and values of the candidate and his or her ability to represent the long-term interests of the shareholders. The Nominating and Corporate Governance Committee also considers the candidate's experience in business and other areas that may be relevant to the activities of the Company, the applicable independence requirements and the current composition of the Board. The Nominating and Corporate Governance Committee also takes into account the rights of the two principal shareholders to designate nominees for directors pursuant to the terms of the Shareholders Agreement between the two principal shareholders. However, the Nominating and Corporate Governance Committee is committed to ensuring that all candidates satisfy the foregoing qualifications. For a description of the Shareholders Agreement, see *Shareholders Agreement* below.

Board Leadership Structure

The Board believes that its current leadership structure is appropriate given our specific characteristics and current circumstances and in the best interest of the Company and its shareholders. The leadership structure of the Board

consists of Mr. Fain who serves as Chairman and Chief Executive Officer, Mr. Kimsey who serves as Chairman of the Audit Committee, Mr. Reitan who serves as Chairman of the Compensation Committee, Mr. Reilly who serves as Chairman of the Environmental, Safety and Security Committee and Mr. Pritzker who serves as Chairman of the Nominating and Corporate Governance Committee. The Board believes that in the context of our current operating and business environments the combined role of Chairman and Chief Executive Officer is appropriate because it (i) results in unified leadership, accountability and continuity; (ii) promotes strategic development and execution and (iii) facilitates communication between management and the Board. Further, the significant leadership roles undertaken by the various independent and/or non-management directors who chair all

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of the Board committees strike an appropriate balance between effective Board leadership and independent oversight of management. However, the Board recognizes that circumstances may change over time and as they do, changes to the leadership structure may be warranted.

The Board has not named a lead independent director for the reasons described above. The circumstances of every company are different, and the Board believes that no single structure can serve all companies and all boards at all times. The Board believes that the current structure best suits the current set of external and internal dynamics but that these dynamics can change over time. In addition, it believes that the relevant responsibilities generally performed by a lead independent director are effectively being performed by the Chairman of the Nominating and Corporate Governance Committee and that the current structure provides better overall involvement of the Board. Under these circumstances, the appointment of a lead independent director would create inefficiencies and redundancies without any corresponding meaningful benefit.

Risk Oversight and Board Role

The Company has a formal enterprise risk management program. Pursuant to this program, management performs each year a company-wide enterprise risk assessment under the supervision of the Audit & Advisory Services department which it updates on a quarterly basis. The assessment identifies risks inherent in the Company's business plans and strategies with the greatest potential to impact the achievement of the Company's business objectives, and this assessment is used to provide the Company with a risk-based approach to managing its business. Management reviews and discusses the risk assessment report and quarterly updates with the Audit Committee, and management presents and reviews the final report on an annual basis with the Board. In addition, Committees of the Board consider and review with management at regularly scheduled Committee meetings ongoing financial, strategic, operational, legal and compliance risks inherent in the business activities applicable to each Committee's area of responsibility. The Committee Chairs inform the Board of these reviews through their reports to the Board at the regularly scheduled Board meetings.

Director Independence

The Company's corporate governance principles contain guidelines established by the Board to assist it in determining director independence as defined by the listing standards of the NYSE. The Company's corporate governance principles state that a majority of the Company's directors shall be independent directors under NYSE rules. The Board believes that directors who do not meet the NYSE's independence standards also make valuable contributions to the Board and to the Company by reason of their experience and wisdom, and the Board expects that some minority of its Board will not meet the NYSE's independence standards.

To be considered independent under the NYSE rules, the Board must determine that a director does not have any direct or indirect material relationship with the Company or any of its subsidiaries (collectively, the Royal Caribbean Group). The Board has established the following guidelines to assist it in determining director independence in accordance with those rules:

A director will not be independent if, (i) the director is, or has been within the preceding three years, an employee of the Royal Caribbean Group, or an immediate family member is, or has been within the preceding three years, an executive officer of the Royal Caribbean Group, other than in each instance as interim Chairman, interim Chief Executive Officer (CEO) or other interim executive officer; (ii) the director or an immediate family member has received during any twelve-month period within the preceding three years more than \$120,000 in direct compensation from the Royal Caribbean Group other than (A) director and committee fees, (B) pension and other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), (C) compensation for former services as an interim Chairman,

interim CEO or other interim executive officer or (D) compensation to an immediate family member for service as a non-executive employee of the Royal Caribbean Group; (iii) the director is a current partner or employee of Royal Caribbean's internal or external auditor (in either case, the Auditor) or has an immediate family member who is either (A) a current partner of the Auditor or (B) a current employee who personally works on Royal Caribbean's audit; (iv) the director or an immediate family member was within the last three years a partner or employee of the Auditor and personally worked

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on Royal Caribbean's audit within that time; (v) the director or an immediate family member is, or has been within the preceding three years, employed as an executive officer of another company where any of Royal Caribbean's current executive officers at the same time serves or served on the compensation committee of that other company; or (vi) the director is an employee of another company that does business with the Royal Caribbean Group, or the director has an immediate family member that is an executive officer of another company that does business with the Royal Caribbean Group and, in either case, the annual payments to, or payments from, the Royal Caribbean Group within any of the three most recently completed fiscal years exceed two percent or \$1,000,000 (whichever is greater) of the annual consolidated gross revenues of the other company.

The following commercial relationships will not be considered to be material relationships that would impair a director's independence: (i) if a Company director is an employee of another company that does business with the Royal Caribbean Group and the annual payments to, or payments from, the Royal Caribbean Group are less than two percent or \$1,000,000 (whichever is greater) of the annual consolidated revenues of the company he or she serves as an employee; (ii) if a Company director is an employee of another company which is indebted to the Royal Caribbean Group, or to which the Royal Caribbean Group is indebted, and the total amount of indebtedness to the other is less than two percent or \$1,000,000 (whichever is greater) of the total consolidated assets of the company he or she serves as an employee; and (iii) if an immediate family member of a director is an executive officer of another company that does business with the Royal Caribbean Group, and the annual payments to, or payments from, the Royal Caribbean Group, are less than two percent or \$1,000,000 (whichever is greater) of the annual consolidated revenues of the company the immediate family member serves as an executive officer;

Each director must regularly disclose to the Board whether his or her relationships satisfy these independence tests. Based on these disclosures and other information available to it, the Board has determined that each of the directors is independent with the exception of Messrs. Fain and Reilly. Mr. Fain is not considered independent as a result of his position as Chief Executive Officer of the Company. Mr. Reilly is not considered independent due to his consulting arrangement with the Company, which is described on page 14 under *Consulting Arrangement with William K. Reilly*. In determining that Messrs. Aronson and Wilhelmsen are independent, the Board considered that each individual is a non-management director of a company with which we do business. In determining that Mr. Pritzker is independent, the Board considered that (i) he is Chairman of a company that in 2009 provided hotel accommodations to our guests in the ordinary course of business of approximately \$570,000 and (ii) business interests of the Pritzker family own shore excursions operators that in 2009 were paid an aggregate of approximately \$320,000 by the Company in the ordinary course of business.

Code of Ethics

The Board has adopted a Code of Business Conduct and Ethics that applies to all employees of the Company, including its executive officers, and our directors. A copy of the Code of Business Conduct and Ethics is posted in the corporate governance section on the Company website at www.rclinvestor.com and is available in print, without charge, to shareholders upon written request to Corporate Secretary, Royal Caribbean Cruises Ltd., 1050 Caribbean Way, Miami, Florida 33132. Any amendments to the code or any waivers from any provisions of the code granted to executive officers or directors will be promptly disclosed to investors by posting on the Company website at www.rclinvestor.com.

Contacting Members of the Board of Directors

Interested parties who wish to communicate with non-management members of the Board can address their communications to the attention of the Corporate Secretary of the Company at its principal address or via email to

corporatesecretary@rccl.com. The Corporate Secretary will maintain a record of all such communications and promptly forward to the Chairman of the Nominating and Corporate Governance Committee (the Committee Chair), who presides at meetings of the independent directors, those communications that the Corporate Secretary believes require immediate attention. The Corporate Secretary shall periodically provide the Committee Chair with a summary of all such communications. The Committee Chair shall notify the Board or the chairs of the relevant committees of the Board of those matters that he or she believes are appropriate for further action or discussion.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Principal Shareholders**

Unless otherwise stated, this table sets forth information as of February 12, 2010 about persons we know to beneficially own more than five percent of any class of our voting common stock.

Name of Beneficial Owner	Amount Beneficially	Percent of Ownership
	Owned	
A. Wilhelmsen AS	42,966,472 ⁽¹⁾	20.06%
Osiris Holdings Inc.	37,903,200 ⁽²⁾	17.70%
Cruise Associates	33,281,900 ⁽³⁾	15.54%

- (1) A. Wilhelmsen AS is a Norwegian corporation, the indirect beneficial owners of which are members of the Wilhelmsen family of Norway. The address of A. Wilhelmsen AS is Beddingen 8, Aker Brygge, Vika N-0118 Oslo, Norway.
- (2) Osiris Holdings Inc. (Osiris) is a general partner of Cruise Associates. The shares reported in the table include 33,281,900 shares owned by Cruise Associates, 3,000,000 shares owned by Osiris and 1,621,300 shares owned by a subsidiary of Osiris. Osiris disclaims beneficial ownership of the shares beneficially owned by Cruise Associates. The address of Osiris Holdings Inc. is c/o Villa Saint Jean, 3 Ruelle Saint Jean, MC 98000 Monaco.
- (3) Cruise Associates is a Bahamian general partnership, the indirect beneficial owners of which are various trusts primarily for the benefit of certain members of the Pritzker family and a trust primarily for the benefit of certain members of the Ofer family. The address of Cruise Associates is c/o CIBC Trust Company (Bahamas) Ltd., Post Office Box N-3933, Nassau, Bahamas.

Table of Contents**Security Ownership of Directors and Executive Officers**

This table sets forth information as of February 12, 2010 about the amount of common stock beneficially owned by (i) our directors; (ii) the named executive officers listed in the Compensation Discussion and Analysis below and (iii) our directors and executive officers as a group.

The number of shares beneficially owned by each named person or entity is determined under rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. No shares of common stock held by our directors or named executive officers have been pledged.

Name of Beneficial Owner	Amount Beneficially Owned ⁽¹⁾	Percent of Ownership ⁽²⁾
Morten Arntzen	4,714	*
Bernard W. Aronson	16,533	*
Richard D. Fain	2,088,700 ⁽³⁾	*
Adam M. Goldstein	255,555	*
Daniel J. Hanrahan	149,371 ⁽⁴⁾	*
William L. Kimsey	38,730	*
Harri U. Kulovaara	100,766	*
Laura D.B. Laviada	38,730	*
Gert W. Munthe	18,730	*
Eyal M. Ofer	123,730 ⁽⁵⁾	*
Thomas J. Pritzker	326,617 ⁽⁵⁾	*
William K. Reilly	61,580	*
Bernt Reitan	36,307	*
Brian J. Rice	130,226 ⁽⁶⁾	*
Arne Alexander Wilhelmsen	42,985,202 ⁽⁷⁾	20.07%
All directors and executive officers as a group	46,437,193 ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	21.57%

(1) With respect to each beneficial owner, shares issuable upon exercise of his or her stock options that are exercisable on or within 60 days of February 12, 2010 are deemed to be outstanding for the purpose of computing the number of shares and percentage of common stock owned. Includes the following shares of common stock for which the following persons hold stock options exercisable on or within 60 days of February 12, 2010:

Mr. Arntzen, 2,473; Mr. Aronson, 10,938; Mr. Chico Barbier, 8,571; Mr. Fain, 497,564; Mr. Goldstein, 95,605; Mr. Hanrahan, 67,918; Mr. Kimsey, 30,938; Mr. Kulovaara 78,938; Ms. Laviada, 30,938; Mr. Munthe, 10,938; Mr. Ofer 90,938; Mr. Pritzker, 75,938; Mr. Reilly, 50,938; Mr. Reitan 9,609; Mr. Rice, 68,402; Mr. Wilhelmsen 10,938; and all directors and executive officers as a group, 1,141,584.

(2) An asterisk denotes less than 1% of the outstanding common stock.

(3) Includes 247 shares held by Mr. Fain's daughter and 571,412 shares owned by Monument Capital Corporation as nominee for various trusts primarily for the benefit of certain members of the Fain family. Mr. Fain disclaims beneficial ownership of some or all of these shares.

- (4) Includes 5,000 shares held by Mr. Hanrahan's son and 5,000 shares held by Mr. Hanrahan's daughter.
- (5) Does not include 33,281,900 shares held by Cruise Associates.
- (6) Includes 10,000 shares held by Mr. Rice's son.
- (7) Includes 42,966,472 shares held by A. Wilhelmsen AS. Mr. Wilhelmsen disclaims beneficial ownership of these shares.

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The following table summarizes our equity plan information as of December 31, 2009

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	8,966,711 ⁽¹⁾	\$ 27.77 ⁽²⁾	2,128,294
Equity compensation plans not approved by security holders			
Total	8,966,711	\$ 27.77	2,128,294

(DOLLARS IN THOUSANDS)

	Six months ended October 31,	
	2010	2009
Net increase in cash and cash equivalents	36,591	32,256
Cash and cash equivalents at beginning of the period	151,676	145,695
Cash and cash equivalents at end of the period	\$ 188,267	177,951

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

	Six months ended October 31,	
	2010	2009
Cash paid during the period for:		
Interest, net of amount capitalized	\$ 5,450	6,076
Income taxes	17,372	27,190

See notes to unaudited condensed consolidated financial statements.

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CASEY S GENERAL STORES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(Dollars in Thousands, Except Share and Per Share Amounts)

- 1. The accompanying condensed consolidated financial statements include the accounts and transactions of the Company and its wholly-owned subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.*
- 2. The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although management believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of October 31, 2010 and April 30, 2010, and the results of operations for the six months ended October 31, 2010 and 2009, and cash flows for the six months ended October 31, 2010 and 2009.*
- 3. The Company recognizes retail sales of gasoline, grocery and general merchandise, prepared food and commissions on lottery, prepaid phone cards, and video rentals at the time of the sale to the customer. Vendor rebates in the form of rack display allowances are treated as a reduction in cost of sales and are recognized pro rata over the period covered by the applicable rebate agreement. Vendor rebates in the form of billbacks are treated as a reduction in cost of sales and are recognized at the time the product is sold.*
- 4. On March 9, 2010, the Company received an unsolicited proposal from Alimentation Couche-Tard Inc. (Couche-Tard) to acquire all outstanding shares of common stock of the Company (Common Stock), at a price of \$36.00 per share in cash. After careful consideration of the strategic, financial and legal aspects of the proposal and the nature and timing of the proposal in consultation with its legal and financial advisors and senior management of the Company, the Company's Board of Directors (the Board) unanimously determined that the proposal was not in the best interests of the Company, its shareholders and its other constituencies and unanimously determined to reject the proposal. Couche-Tard made public its unsolicited proposal to acquire the Company on April 9, 2010. Subsequently, on June 2, 2010, Couche-Tard and its indirect wholly owned subsidiary, ACT Acquisition Sub, Inc. (Couche-Tard Sub), commenced a tender offer for all outstanding shares of Common Stock, together with the associated rights (the Rights) to purchase Series A Serial Preferred Stock, no par value per share, of the Company issued pursuant to the Rights Agreement dated as of April 16, 2010 (the Rights Agreement), between the Company and Computershare Trust Company, N.A., as Rights Agent (the Offer), for \$36.00 per share in cash. On the same date, Couche-Tard also publicly announced, and notified the Company of, its intent to nominate and solicit proxies for the election of a full slate of directors at the 2010 annual meeting of the Company's shareholders. After careful consideration, including a thorough review of the terms and conditions of the Offer in consultation with its legal and financial advisors and senior management of the Company, the Board determined that the Offer was not in the best interests of the Company, its shareholders and its other constituencies, and the Board recommended that the Company's shareholders not tender into the Offer. On July 22, 2010, Couche-Tard announced that it had increased the offer price to \$36.75 per share in cash. After careful consideration, including a thorough review of the terms and conditions of the revised Offer in consultation with its legal and financial advisors and senior management of the Company, the Board determined that the revised Offer was not in the best interests of the Company, its shareholders and its other constituencies, and the Board recommended that the Company's shareholders not tender into the Offer. On September 1, 2010, Couche-Tard announced that it had increased the offer price to \$38.50 per share in cash. After careful consideration, including a thorough review of the terms and conditions of the revised Offer in consultation with its legal and financial advisors and senior management of the Company, the Board determined that the revised Offer was not in the best interests of the Company, its shareholders and its other constituencies, and the Board recommended that the Company's shareholders not tender into the Offer.*

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In response to the Offer, the Company filed with the Securities and Exchange Commission (the SEC) a Solicitation/Recommendation Statement on Schedule 14D-9 (as amended, the Schedule 14D-9). Among other subsequent amendments to the same, on September 7, 2010 the Company amended the Schedule 14D-9 to disclose that it had received an unsolicited preliminary proposal from a strategic third party regarding a consensual transaction at \$40.00 per share of Common Stock in cash. On September 9, 2010, the Company confirmed that it had entered into discussions with 7-Eleven, Inc. (7-Eleven) regarding a potential transaction. While the Board believed Casey s value substantially exceeded \$40.00 per share, it authorized such discussions to explore whether a transaction could be reached that reflected the true value of Casey s and was in the best interests of Casey s, its shareholders and other constituencies.

On September 23, 2010, at the 2010 Annual Meeting of Shareholders, the Company s shareholders re-elected all eight of the Company s incumbent directors and rejected a bylaw proposal submitted by Couche-Tard. On September 30, 2010, Couche-Tard disclosed that the Offer would be allowed to expire at the close of business on September 30, 2010, and that no shares of Common Stock would be purchased under the Offer.

On November 3, 2010, the Company disclosed that it had received a revised proposal from 7-Eleven of \$43.00 per share of Common Stock in cash. The Board, in consultation with its financial and other advisors, carefully considered the revised proposal from 7-Eleven and determined it did not reflect the value of Casey s and its significant growth opportunities, and was not in the best interests of Casey s, its shareholders and other constituencies. The Company also disclosed on November 3, 2010 that it was no longer in discussions with 7-Eleven.

During the second quarter of fiscal 2011, the Company incurred \$8,076 in legal and advisory fees related to the evaluation of the Offer and related actions by Couche-Tard.

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5. *During the quarter, the Company issued \$569,000 of aggregate principal amount of 5.22% Senior Notes to finance its Dutch Auction tender offer, to prepay the 1995 and 1999 Senior Notes, and to pay the fees and expenses associated with the tender offer and the financing. The Company purchased an aggregate of 13,157,894 shares of Common Stock at a purchase price of \$38.00 per share, for a total cost of approximately \$500,000, excluding fees and expenses.*

The fair value of the Company's long-term debt excluding capital lease obligations is estimated based on the current rates offered to the Company for debt of the same or similar issues. The fair value of the Company's long-term debt excluding capital lease obligations was approximately \$676,000 and \$161,000, respectively, at October 31, 2010 and April 30, 2010. The Company has a \$50,000 line of credit with no balance owed at October 31, 2010 and April 30, 2010.

6. *The 2009 Stock Incentive Plan (the Plan), was approved by the Board in June 2009 and approved by the shareholders in September 2009. The Plan replaced the 2000 Option Plan and the Non-employee Director Stock Plan (together, the Prior Plans). There are 4,972,000 shares still available for grant at October 31, 2010. Awards made under the Plan may take the form of stock options, restricted stock or restricted stock units. Each share issued pursuant to a stock option will be counted as one share, and each share issued pursuant to an award of restricted stock or restricted stock units will reduce the shares available for grant by two. On June 23, 2010, restricted stock units with respect to a total of 14,000 shares were granted to the non-employee members of the Board. Additional information regarding the Plan is provided in the Company's 2010 Proxy Statement.*

The 2000 Stock Option Plan granted employees options with an exercise price equal to the fair value of the Company's stock on the date of grant and that expire ten years after the date of grant. Vesting is generally over a three to five-year service period. On June 23, 2009, stock options totaling 361,000 shares were granted to certain officers and key employees. These awards were granted at no cost to the grantee. These awards will vest on June 23, 2012 and compensation expense is currently being recognized ratably over the vesting period.

On June 25, 2007, stock options totaling 246,000 shares were granted to certain officers and key employees. These awards were granted at no cost to the employee. These awards vested on June 25, 2010 and compensation expense was recognized ratably over the vesting period.

On July 5, 2005, stock options totaling 234,000 shares were granted to certain officers and key employees. These awards were also granted at no cost to the employee. These awards vested on July 5, 2010 and compensation expense was recognized ratably over the vesting period.

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At October 31, 2010, options for 810,982 shares (which expire between 2011 and 2019) were outstanding for the Prior Plans. Information concerning the issuance of stock options under the Prior Plans is presented in the following table:

	Number of Shares	Weighted Average Exercise Price
Outstanding April 30, 2010	959,550	\$ 22.78
Granted		
Exercised	148,568	21.00
Forfeited		
Outstanding at October 31, 2010	810,982	\$ 23.10

At October 31, 2010, all outstanding options had an aggregate intrinsic value of \$14,895 and a weighted average remaining contractual life of 6.6 years. The vested options totaled 467,982 shares with a weighted average exercise price of \$21.52 per share and a weighted average remaining contractual life of 5 years. The aggregate intrinsic value for the vested options as of October 31, 2010, was \$9,330. The aggregate intrinsic value for the total of all options exercised during the six months ended October 31, 2010, was \$2,843 and the total fair value of shares vested during the six months ended October 31, 2010, was \$3,290.

Total compensation costs recorded for the six months ended October 31, 2010 and 2009, were \$1,057 and \$1,080 respectively, for the stock option and restricted stock awards. As of October 31, 2010, there was \$1,745 of total unrecognized compensation costs related to the 2000 Stock Option Plan for stock options which is expected to be recognized ratably through fiscal 2013.

- During the first six months of fiscal 2011, the Company acquired 10 stores through a variety of single store and multi-store transactions with several unrelated third parties. The stores were valued using a discounted cash flow model on a location by location basis. The acquisitions were recorded by allocating the cost of the assets acquired, including intangible assets and liabilities assumed, based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the net amounts assigned to the fair value of the assets acquired and the liabilities assumed is recorded as goodwill. All of the goodwill associated with these transactions will be deductible for income tax purposes over 15 years.

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Allocation of the purchase price for the transactions in aggregate is as follows (in thousands):

Assets acquired:	
Inventories	\$ 762
Property and equipment	16,398
Total assets	17,160
Liabilities assumed:	
Accrued expenses	438
Total liabilities	438
Net tangible assets required, net of cash	16,722
Goodwill	10,632
Total consideration paid, net of cash acquired	\$ 27,354

The allocation of the purchase price to assets acquired and liabilities assumed is preliminary pending finalization of management's analysis.

The following unaudited pro forma information presents a summary of our consolidated results of operations as if the transactions referenced above occurred at the beginning of the fiscal year for each of the periods presented (amounts in thousands, except per share data):

	Six months ended	
	October 31,	
	2010	2009
Total revenues	\$ 2,741,103	2,378,076
Net earnings	59,732	78,766
Earnings per share:		
Basic	\$ 1.28	1.55
Diluted	\$ 1.27	1.54

8. The Company is named as a defendant in four lawsuits ("hot fuel" cases) brought in the federal courts in Kansas and Missouri against a variety of gasoline retailers. The complaints generally allege that the Company, along with numerous other retailers, has misrepresented gasoline volumes dispensed at its pumps by failing to compensate for expansion that occurs when fuel is sold at temperatures above 60°F. Fuel is measured at 60°F in wholesale purchase transactions and computation of motor fuel taxes in Kansas and Missouri. The complaints all seek certification as class actions on behalf of gasoline consumers within those two states, and one of the complaints also seeks certification for a class consisting of gasoline consumers in all states. The actions generally seek recovery for alleged violations of state consumer protection or unfair merchandising practices statutes, negligent and fraudulent misrepresentation, unjust enrichment, civil conspiracy, and violation of the duty of good faith and fair dealing; several seek injunctive relief and punitive damages.

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These actions are among a total of 45 similar lawsuits that have been filed since November 2006 in 27 jurisdictions, including 25 states, the District of Columbia, and Guam against a wide range of defendants that produce, refine, distribute and/or market gasoline products in the United States. On June 18, 2007, the Federal Judicial Panel on Multidistrict Litigation ordered that all of the pending hot fuel cases (officially, the Motor Fuel Temperature Sales Practices Litigation) be transferred to the U.S. District Court for the District of Kansas in Kansas City, Kansas, for coordinated or consolidated pretrial proceedings, including rulings on discovery matters, various pretrial motions, and class certification. Discovery efforts by both sides were substantially completed during the ensuing months, and the plaintiffs filed motions for class certification in each of the pending lawsuits.

In a Memorandum and Order entered on May 28, 2010, the Court ruled on the Plaintiffs' Motion for Class Certification in two cases originally filed in the U.S. District Court for the District of Kansas, American Fiber & Cabling, LLC v. BP West Coast Products, LLC, et. al., Case No. 07-2053, and Wilson v. Ampride, Inc., et. al., Case No. 06-2582, in which the Company is a named Defendant. The Court determined that it could not certify a class as to claims against the Company in the American Fiber & Cabling case, having decided that the named Plaintiff had no standing to assert such claims. However, in the Wilson case the Court certified a class as to the liability and injunctive aspects of the Plaintiff's claims for unjust enrichment and violation of the Kansas Consumer Protection Act (KCPA) against the Company and several other Defendants. With respect to claims for unjust enrichment, the class certified consists of all individuals and entities (except employees or affiliates of the Defendants) that, at any time between January 1, 2001 and the present, purchased motor fuel at retail at a temperature greater than 60°F, in the state of Kansas, from a gas station owned, operated, or controlled by one or more of the Defendants. As to claims for violation of the KCPA, the class certified is limited to all individuals, sole proprietors and family partnerships (excluding employees or affiliates of Defendants) that made such purchases.

The Court also ordered the parties to show cause in writing why the Wilson case and the American Fiber & Cabling case should not be consolidated for all purposes. The matter is now under consideration by the Court. No trial date has been set. Management does not believe the Company is liable to the Plaintiffs for the conduct complained of, and intends to contest the matter vigorously.

Litigation with Couche-Tard. On June 11, 2010, the Company filed a complaint (the Federal Complaint) against Couche-Tard and Couche-Tard Sub in the United States District Court for the Southern District of Iowa, alleging a market manipulation scheme perpetrated by Couche-Tard in an attempt to acquire all outstanding shares of Common Stock at an artificially deflated price. The Federal Complaint sought, among other relief, (i) a declaration that Couche-Tard's April 9, 2010, sale of 1,975,000 shares of Common Stock with the intent to artificially depress the market price of the Common Stock was in violation of Section 10(b) of the Securities and Exchange Act of 1934 as amended (the Exchange Act), and Rule 10b-5 promulgated thereunder; (ii) a declaration that Couche-Tard's April 9, 2010, announcement of its intention to make the Offer, without disclosing the fact that it held nearly 2,000,000 shares of Common Stock and intended to sell its holdings of Common Stock after its announcement in order to reap illicit profits and to artificially depress the market price of the Common Stock, was in violation of Section 14(e) of the Exchange Act, and Rule 14e-8 promulgated thereunder; and (iii) an injunction barring Couche-Tard from taking further steps to consummate the Offer and from purchasing the Common Stock.

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On June 18, 2010, Couche-Tard filed its answer and affirmative defenses to the Federal Complaint, and also asserted various counterclaims against the Company and the Board. Couche-Tard asserted claims for breaches of the Board's fiduciary duties in connection with the Offer; claims seeking declaratory judgment that certain provisions of the IBCA are unconstitutional or preempted by federal law; and claims that the Company violated Section 14(e) of the Exchange Act for allegedly making untrue or misleading statements in the Schedule 14D-9. Couche-Tard sought, among other things, an order requiring the Board to redeem the Rights, or to amend the Rights Agreement so as to make it inapplicable to the Offer and to grant approval of Couche-Tard's proposed acquisition under Iowa's Business Combination Statute, and an injunction preventing the Board (or anyone working with the Board) from taking any steps to impede the ability of the Company's shareholders to accept the Offer or otherwise impede Couche-Tard's proposed acquisition.

On August 24, 2010, Couche-Tard filed a purported amended answer and affirmative defenses and also asserted various additional counterclaims for declaratory and injunctive relief. In addition to the claims asserted and relief sought in its initial answer, the amended answer asserted claims for tortious interference with prospective business relations in connection with the recapitalization plan and breach of fiduciary duty in connection with the recapitalization plan as well as, among other relief, an order enjoining the Company and the Board from implementing the recapitalization plan pending a trial on the merits, imposing a constructive trust over the proceeds received from the issuance of the 5.22% Senior Notes and awarding damages. On September 1, 2010, the court held a hearing on the Company's application for preliminary injunctive relief, and on September 8, 2010, the court issued an order denying the Company's motion for a preliminary injunction. On October 6, 2010, Couche-Tard and the Company jointly filed a stipulated dismissal without prejudice. The Company made no payment to Couche-Tard in connection with the dismissal of the action.

Shareholder Litigation. On April 28, 2010, a purported class action complaint (the Mercier Complaint) was filed in the Iowa District Court in and for Polk County, on behalf of a putative class of the Company's shareholders against the Company and the Board. The plaintiff in the Mercier Complaint asserted a claim for breach of fiduciary duty in connection with the Offer and sought an order requiring the Board to place the Company up for auction and/or to conduct a market check and requiring the Company to make full and fair disclosure of all material facts to the class before the completion of an acquisition; a declaration that the Board breached its fiduciary duties to plaintiff and the class; and an award of fees, expenses and costs.

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On June 29, 2010, a second purported class action complaint (the Howie Complaint) was filed in the Iowa District Court in and for Polk County, on behalf of a putative class of the Company's shareholders against the Company and the Board. In the Howie Complaint, the plaintiff asserted a claim for breach of fiduciary duty in connection with the Offer, and sought, among other things, an order requiring the Board to undertake an evaluation of alternative transactions and to redeem the Rights, an injunction preventing any material transactions or changes to the Company's business and assets other than under court supervision and an award of damages as well as fees, expenses and costs. On August 4, 2010, the Iowa District Court in and for Polk County consolidated the Howie Complaint into the Mercier Complaint and appointed counsel in the Mercier Complaint as lead counsel. On August 16, 2010, the plaintiffs in the consolidated action filed an amended and consolidated petition. In addition to the claims asserted and relief sought in the original Mercier complaint, the amended and consolidated petition asserted a derivative claim for breach of fiduciary duty against the Board and sought, among other things, an order requiring the Board to terminate the recapitalization plan. On August 23, 2010, the Company filed a motion to dismiss the consolidated action. On October 13, 2010, the plaintiffs in the consolidated action filed a motion to dismiss the consolidated action without prejudice, and on November 19, 2010, the court entered an order dismissing the consolidated action without prejudice. The Company made no payment to the plaintiffs in connection with the dismissal of the consolidated action.

On July 21, 2010, a third purported class action complaint (the Carpenters Pension Trust Complaint) was filed in the United States District Court for the Southern District of Iowa, on behalf of a putative class of the Company's shareholders against the Company and the Board. In the Carpenters Pension Trust Complaint, the plaintiff asserted a claim for breach of fiduciary duty in connection with the Offer, and sought, among other things, a declaration that the Board breached its fiduciary duties to plaintiff and the class, an injunction preventing the Board from initializing defensive measures which may render the acquisition of the Company unduly burdensome or expensive for a potential acquirer, an order requiring the Board to rescind or redeem the Rights or declaring the Rights invalid and invalidating amendments to certain employment agreements, imposition of a constructive trust in favor of plaintiff and the class and an award of plaintiff's costs. On August 13, 2010, the Company filed a motion to dismiss the Carpenters Pension Trust Complaint. On August 20, 2010, the plaintiff in the Carpenters Pension Trust Complaint filed an amended complaint. In addition to the claims asserted and relief sought in the initial complaint, the amended complaint asserted claims that the Board violated Section 20(a) and Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder for allegedly making untrue or misleading statements in the Schedule 14D-9 and the Company's 2010 Proxy Statement, and included allegations that the recapitalization plan was in breach of the Board's fiduciary duties. On August 25, 2010, the plaintiff in the Carpenters Pension Trust Complaint filed a motion for preliminary injunction and temporary restraining order seeking to bar the Company and the Board from enforcing provisions of the 5.22% Senior Note Agreement relating to changes of control and also seeking an expedited trial on the matter. On August 30, 2010, the plaintiff in the Carpenters Pension Trust Complaint filed a motion for leave to file a second amended complaint. In addition to the claims asserted and relief sought in the initial complaint and amended complaint, the purported second amended complaint included a claim against the holders of the 5.22% Senior Notes for aiding and abetting the breach of fiduciary duty by the Board and sought an order declaring the recapitalization plan invalid and in derogation of the Board's fiduciary duties. On September 9, 2010, the court entered an order denying plaintiff's motion for leave to file the second amended complaint, and on October 11, 2010, plaintiff and the Company jointly filed a stipulation of dismissal without prejudice. The Company made no payment to the plaintiff in connection with the dismissal of the action.

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On August 9, 2010, a fourth purported class action and shareholder derivative complaint (the Oklahoma Law Enforcement Retirement System Complaint) was filed in the Iowa District Court in and for Polk County, both on behalf of a putative class of the Company's shareholders and derivatively on behalf of the Company, against the Company and the Board. In the Oklahoma Law Enforcement Retirement System Complaint, the plaintiff asserted claims for breach of fiduciary duty in connection with the Offer, and sought, among other things, a declaration that the Board breached its fiduciary duties to the class, an injunction preventing the Board from implementing defensive measures that would impede the class's ability to consider or accept the Offer, an order requiring the Board to rescind or redeem the Rights or declaring the Rights invalid, an order requiring the Board to terminate the recapitalization plan, an order requiring corrective disclosures, imposition of a constructive trust in favor of plaintiff and the class and an award of plaintiff's costs. On September 17, 2010, plaintiff filed a voluntary dismissal without prejudice. The Company made no payment to plaintiff in connection with the dismissal of the action.

From time to time we are involved in other legal and administrative proceedings or investigations arising from the conduct of our business operations, including contractual disputes; environmental contamination or remediation issues; employment or personnel matters; personal injury and property damage claims; and claims by federal, state, and local regulatory authorities relating to the sale of products pursuant to licenses and permits issued by those authorities. Claims for compensatory or exemplary damages in those actions may be substantial. While the outcome of such litigation, proceedings, investigations, or claims is never certain, it is our opinion, after taking into consideration legal counsel's assessment and the availability of insurance proceeds and other collateral sources to cover potential losses, that the ultimate disposition of such matters currently pending or threatened, individually or cumulatively, will not have a material adverse effect on our consolidated financial position and results of operation.

9. *Effective May 1, 2007, we adopted guidance on the recognition and measurement of an enterprise's tax positions taken in a tax return, and how we account for a tax position depending on whether the position is more likely than not to pass a tax examination. We adopted guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The total amount of gross unrecognized tax benefits was \$5,482 at April 30, 2010. At October 31, 2010, we had a total of \$6,123 in gross unrecognized tax benefits. Of this amount, \$3,988 represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. The total amount of accrued interest and penalties for such unrecognized tax benefits was \$346 at October 31, 2010 and \$250 at April 30, 2010. Net interest and penalties included in income tax expense for the six months ended October 31, 2010 was an expense of \$95 and a benefit of \$297 for the same period of 2009. These unrecognized tax benefits relate to certain federal and state income tax filing positions claimed for our corporate subsidiaries.*

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A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the expiration of the statute of limitations, examinations or other unforeseen circumstances. As of October 31, 2010, the Company did not have any ongoing federal income tax examinations. Two states have an examination in progress. The Company did not have any outstanding litigation related to tax matters. At this time, management expects the aggregate amount of unrecognized tax benefits to decrease by approximately \$1,200 within the next 12 months. This expected decrease is due to the expiration of statute of limitations related to certain federal and state income tax filing positions.

The statute of limitations for federal income tax filings remains open for the years 2006 and forward. Tax years 2003 and forward are subject to audit by state tax authorities depending on the tax code of each state.

- 10. Certain amounts in the prior years' financial statements have been reclassified to conform to the current-year presentation, primarily related to cash flows related to acquisitions. These changes were not considered material.*
- 11. Events that have occurred subsequent to October 31, 2010 have been evaluated through the filing date of this Quarterly Report on Form 10-Q with the SEC.*
- 12. The Company's financial condition and results of operations are affected by a variety of factors and business influences, certain of which are described in the Cautionary Statements included in Item 2 of this Form 10-Q and in the Risk Factors described in Item 1A of the Annual Report on Form 10-K for the fiscal year ended April 30, 2010. These interim condensed consolidated financial statements should be read in conjunction with those disclosures.*

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in Thousands). Overview

Casey's General Stores, Inc. (Casey's) and its wholly-owned subsidiaries (Casey's, together with its subsidiaries, are referred to herein as the Company) operate convenience stores under the name Casey's General Store, HandiMart and Just Diesel (hereinafter collectively referred to as Casey's Store or Stores) in nine Midwestern states, primarily Iowa, Missouri and Illinois. On October 31, 2010, there were a total of 1,549 Casey's Stores in operation. All stores offer gasoline for sale on a self-serve basis and carry a broad selection of food (including freshly prepared foods such as pizza, donuts and sandwiches), beverages, tobacco products, health and beauty aids, automotive products and other non-food items. The Company derives its revenue primarily from the retail sale of gasoline and the products offered in its stores.

Approximately 61% of all Casey's Stores are located in areas with populations of fewer than 5,000 persons, while approximately 14% of all stores are located in communities with populations exceeding 20,000 persons. The Company operates a central warehouse, the Casey's Distribution Center, adjacent to its Corporate Headquarters facility in Ankeny, Iowa, through which it supplies grocery and general merchandise items to stores. At October 31, 2010, the Company owned the land at 1,524 locations and the buildings at 1,533 locations, and leased the land at 25 locations and the buildings at 16 locations.

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The Company reported basic earnings per common share of \$0.51 for the second quarter of fiscal 2011. The results include \$11,350 in loss on early retirement of debt and \$8,076 in legal and advisory fees pertaining to the evaluation of the unsolicited offer and related actions by Alimentation Couche-Tard Inc. (Couche-Tard). Without those expenses, basic earnings per common share would have been approximately \$0.81 for the quarter. For the same quarter a year-ago, basic earnings per common share were \$0.66.

During the second fiscal quarter, the Company opened one replacement store, acquired nine stores and completed seven new-store constructions. The annual goal is to increase the number of stores by 4% to 6%.

The second quarter results reflected a 3.6% increase in same-store gasoline gallons sold, with an average margin of approximately 14.9 cents per gallon. The Company policy is to price to the competition, so the timing of retail price changes is driven by local competitive conditions. During the quarter, the Company continued to benefit from a responsive pricing environment.

Same store sales of grocery and other merchandise and prepared foods and fountain showed gains during the second quarter. Operating expenses increased 17% in the quarter primarily due to an \$8,076 pre-tax charge related to the evaluation of the unsolicited offer and related actions by Couche-Tard, a \$2,495 increase in credit card fees, higher transportation costs associated with higher fuel prices, and a greater number of stores in operation compared to the same period a year ago.

The weak U.S. economy and high levels of unemployment have generally had an adverse impact on consumer disposable income in the Midwest. These conditions have not significantly lowered the overall demand for gasoline and the merchandise sold in stores, but management believes customers often are trading down to less expensive items inside the store. For further information concerning the Company's operating environment and certain of the conditions that may affect future performance, see the Cautionary Statements at the end of this Item 2.

Table of Contents**Three Months Ended October 31, 2010 Compared to****Three Months Ended October 31, 2009***(Dollars and Amounts in Thousands)*

Three months ended 10/31/10	Gasoline	Grocery & Other Merchandise	Prepared Food & Fountain	Other	Total
Revenue	\$ 927,617	308,900	107,183	5,819	1,349,519
Gross profit	52,755	101,655	67,161	5,806	227,377
Margin	5.7%	32.9%	62.7%	99.8%	16.8%
Gasoline gallons	353,527				

Three months ended 10/31/09	Gasoline	Grocery & Other Merchandise	Prepared Food & Fountain	Other	Total
Revenue	\$ 779,120	276,135	94,860	4,849	1,154,964
Gross profit	46,146	94,121	61,261	4,836	206,364
Margin	5.9%	34.1%	64.6%	99.7%	17.9%
Gasoline gallons	323,719				

Total revenue for the second quarter of fiscal 2011 increased by \$194,555 (16.8%) over the comparable period in fiscal 2010. Retail gasoline sales increased by \$148,497 (19.1%) as the number of gallons sold increased by 29,808 (9.2%) while the average retail price per gallon increased 8.7%. During this same period, retail sales of grocery and general merchandise increased by \$32,765 (11.9%), primarily due to increases in tobacco products, sports and energy drinks, juices, and ice and a greater number of stores in operation. Prepared food and fountain sales also increased by \$12,323 (13%), due to the continued popularity of menu offerings and a greater number of stores in operation.

The other revenue category primarily consists of lottery, prepaid phone cards, video rental and automated teller machine (ATM) commissions received and car wash revenues. These revenues increased \$970 (20%) for the second quarter of fiscal 2011 primarily due to the increases in car wash revenues of \$454 (187.7%), lottery commissions of \$269 (10.5%) and ATM commissions of \$174 (30.4%) from the comparable period in the prior year.

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Total gross profit margin was 16.8% for the second quarter of fiscal 2011, compared to 17.9% for the comparable period in the prior year. The gross profit margin on retail gasoline sales decreased (to 5.7%) during the second quarter of fiscal 2011 from the second quarter of the prior year (5.9%). However, the gross profit margin per gallon increased (to \$.1492) in the second quarter of fiscal 2011 from the comparable period in the prior year (\$.1426), primarily due to the competitive response of many gasoline retailers to the movement of wholesale costs. The gross profit margin on retail sales of grocery and other merchandise decreased (to 32.9%) from the comparable period in the prior year (34.1%), primarily due to a more competitive cigarette pricing environment and increased promotional activity in the beverage category. The prepared food margin also decreased (to 62.7%) from the comparable period in the prior year (64.6%), primarily due to higher commodity costs and increased pizza promotional activity.

Operating expenses increased 17% in the second quarter of fiscal 2011 from the comparable period in the prior year, primarily due to an \$8,076 pre-tax charge related to the evaluation of the unsolicited offer and related actions by Couche-Tard. Without these charges, operating expenses would have increased 10.8%. Operating expenses as a percentage of total revenue were 11.4% for the second quarter of fiscal 2011 compared to 11.3% for the comparable period in the prior year. The increase in operating expenses as a percentage of total revenue was caused primarily by the expenses associated with the unsolicited offer by Couche-Tard, a \$2,495 increase in credit card fees, higher transportation costs associated with higher fuel prices, and a greater number of stores in operation compared to the same period a year ago. This impact was mostly offset by higher gasoline revenues resulting from the increase in the average retail price per gallon of gasoline sold and a greater number of stores in operation.

The effective tax rate decreased 70 basis points to 37.2% in the second quarter of fiscal year 2011 from 37.9% in the second quarter of fiscal year 2010. The decrease in the effective tax rate was primarily due to higher expected federal tax credits for the current year.

Net earnings decreased by \$11,900 (35.4%). The decrease in net earnings was attributable primarily to the increase in operating expenses and the loss on early retirement of debt. However, this was partially offset by the increase in gross profit dollars from gasoline sales, grocery and other merchandise sales, and prepared food and fountain sales.

Table of Contents**Six Months Ended October 31, 2010 Compared to****Six Months Ended October 31, 2009***(Dollars and Amounts in Thousands)*

Six months ended 10/31/10	Gasoline	Grocery & Other Merchandise	Prepared Food & Fountain	Other	Total
Revenue	\$ 1,864,270	626,106	209,565	11,605	2,711,546
Gross profit	111,661	205,680	132,431	11,576	461,348
Margin	6.0%	32.9%	63.2%	99.8%	17.0%
Gasoline gallons	712,117				

Six months ended 10/31/09	Gasoline	Grocery & Other Merchandise	Prepared Food & Fountain	Other	Total
Revenue	\$ 1,569,749	573,530	190,037	9,588	2,342,904
Gross profit	98,873	196,101	121,957	9,558	426,489
Margin	6.3%	34.2%	64.2%	99.7%	18.2%
Gasoline gallons	659,521				

Total revenue for the first six months of fiscal 2011 increased by \$368,642 (15.7%) over the comparable period in fiscal 2010. Retail gasoline sales increased by \$294,521 (18.8%) as the number of gallons sold increased by 52,596 (8%) while the average retail price per gallon increased 10%. During this same period, retail sales of grocery and general merchandise increased by \$52,576 (9.2%), primarily due to increases in tobacco products, sports and energy drinks, juices and ice and a greater number of stores in operation. Prepared food and fountain sales also increased by \$19,528 (10.3%), due to the continued popularity of menu offerings and a greater number of stores in operation.

The other revenue category primarily consists of lottery, prepaid phone cards, video rental and ATM commissions received and car wash revenues. These revenues increased \$2,017 (21%) for the first six months of fiscal 2011 primarily due to the increases in car wash revenues of \$859 (159.3%), lottery commissions of \$680 (13.8%) and ATM commissions of \$398 (38.2%) from the comparable period in the prior year.

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Total gross profit margin was 17% for the first six months of fiscal 2011, compared to 18.2% for the comparable period in the prior year primarily due to decreases in the gross profit margin of all three of our major categories. The gross profit margin on retail gasoline sales decreased (to 6%) during the first six months of fiscal 2011 from the comparable period of the prior year (6.3%). However, the gross profit margin per gallon increased (to \$.1568) in the first six months of fiscal 2011 from the comparable period in the prior year (\$.1499), primarily due to the competitive response of many gasoline retailers to the movement of wholesale costs. The gross profit margin on retail sales of grocery and other merchandise decreased (to 32.9%) from the comparable period in the prior year (34.2%), primarily due to a more competitive cigarette pricing environment and increased promotional activity in the beverage category. The prepared food margin also decreased (to 63.2%) from the comparable period in the prior year (64.2%), primarily due to higher commodity costs and increased pizza promotional activity.

Operating expenses increased 16.1% in the first six months of fiscal 2011 from the comparable period in the prior year, primarily due to a \$14,314 pre-tax charge related to the evaluation of the unsolicited offer and related actions by Couche-Tard. Without these charges, operating expenses would have increased 10.6%. Operating expenses as a percentage of total revenue were 11.3% for the first six months of fiscal 2011 compared to 11.2% for the comparable period in the prior year. The increase in operating expenses as a percentage of total revenue was caused primarily by the expenses associated with the unsolicited offer by Couche-Tard, a \$4,984 increase in credit card fees, higher transportation costs associated with higher fuel prices, and a greater number of stores in operation compared to the same period a year ago. This impact was mostly offset by higher gasoline revenues resulting from the increase in the average retail price per gallon of gasoline sold and a greater number of stores in operation.

The effective tax rate increased 150 basis points to 37.3% for the first six months of fiscal year 2011 from 35.8% for the comparable period of the prior year. The increase in the effective tax rate was primarily due to the expiration of certain statutes of limitations for unrecognized tax benefits related to federal tax credits claimed in the prior year. This non-recurring tax benefit was realized in the first quarter of fiscal year 2010. This impact was partially offset by higher expected federal tax credits for the current year.

Net earnings decreased by \$18,807 (24.2%). The decrease in net earnings was attributable primarily to the increase in operating expenses and the loss on early retirement of debt. However, this was partially offset by the increase in the gross profit dollars from gasoline sales, grocery and other merchandise sales, and prepared food and fountain sales.

Table of Contents**Unsolicited Takeover Attempt by Couche-Tard**

On March 9, 2010, the Company received an unsolicited proposal from Alimentation Couche-Tard Inc. (Couche-Tard) to acquire all outstanding shares of common stock of the Company (Common Stock), at a price of \$36.00 per share in cash. After careful consideration of the strategic, financial and legal aspects of the proposal and the nature and timing of the proposal in consultation with its legal and financial advisors and senior management of the Company, the Company's Board of Directors (the Board) unanimously determined that the proposal was not in the best interests of the Company, its shareholders and its other constituencies and unanimously determined to reject the proposal. Couche-Tard made public its unsolicited proposal to acquire the Company on April 9, 2010. Subsequently, on June 2, 2010, Couche-Tard and its indirect wholly owned subsidiary, ACT Acquisition Sub, Inc. (Couche-Tard Sub), commenced a tender offer for all outstanding shares of Common Stock, together with the associated rights (the Rights) to purchase Series A Serial Preferred Stock, no par value per share, of the Company issued pursuant to the Rights Agreement dated as of April 16, 2010 (the Rights Agreement), between the Company and Computershare Trust Company, N.A., as Rights Agent (the Offer), for \$36.00 per share in cash. On the same date, Couche-Tard also publicly announced, and notified the Company of, its intent to nominate and solicit proxies for the election of a full slate of directors at the 2010 annual meeting of the Company's shareholders. After careful consideration, including a thorough review of the terms and conditions of the Offer in consultation with its legal and financial advisors and senior management of the Company, the Board determined that the Offer was not in the best interests of the Company, its shareholders and its other constituencies, and the Board recommended that the Company's shareholders not tender into the Offer. On July 22, 2010, Couche-Tard announced that it had increased the offer price to \$36.75 per share in cash. After careful consideration, including a thorough review of the terms and conditions of the revised Offer in consultation with its legal and financial advisors and senior management of the Company, the Board determined that the revised Offer was not in the best interests of the Company, its shareholders and its other constituencies, and the Board recommended that the Company's shareholders not tender into the Offer. On September 1, 2010, Couche-Tard announced that it had increased the offer price to \$38.50 per share in cash. After careful consideration, including a thorough review of the terms and conditions of the revised Offer in consultation with its legal and financial advisors and senior management of the Company, the Board determined that the revised Offer was not in the best interests of the Company, its shareholders and its other constituencies, and the Board recommended that the Company's shareholders not tender into the Offer.

In response to the Offer, the Company filed with the Securities and Exchange Commission (the SEC) a Solicitation/Recommendation Statement on Schedule 14D-9 (as amended, the Schedule 14D-9). Among other subsequent amendments to the same, on September 7, 2010 the Company amended the Schedule 14D-9 to disclose that it had received an unsolicited preliminary proposal from a strategic third party regarding a consensual transaction at \$40.00 per share of Common Stock in cash. On September 9, 2010, the Company confirmed that it had entered into discussions with 7-Eleven, Inc. (7-Eleven) regarding a potential transaction. While the Board believed Casey's value substantially exceeded \$40.00 per share, it authorized such discussions to explore whether a transaction could be reached that reflected the true value of Casey's and was in the best interests of Casey's, its shareholders and other constituencies.

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On September 23, 2010, at the 2010 Annual Meeting of Shareholders, the Company's shareholders re-elected all eight of the Company's incumbent directors and rejected a bylaw proposal submitted by Couche-Tard. On September 30, 2010, Couche-Tard disclosed that the Offer would be allowed to expire at the close of business on September 30, 2010, and that no shares of Common Stock would be purchased under the Offer.

On November 3, 2010, the Company disclosed that it had received a revised proposal from 7-Eleven of \$43.00 per share of Common Stock in cash. The Board, in consultation with its financial and other advisors, carefully considered the revised proposal from 7-Eleven and determined it did not reflect the value of Casey's and its significant growth opportunities, and was not in the best interests of Casey's, its shareholders and other constituencies. The Company also disclosed on November 3, 2010 that it was no longer in discussions with 7-Eleven.

During the second quarter of fiscal 2011, the Company incurred \$8,076 in legal and advisory fees related to the evaluation of the Offer and related actions by Couche-Tard.

Please see Note 8 to the unaudited condensed consolidated financial statements included in Part I, Item I of this Form 10-Q for a discussion of certain litigation commenced in respect of the Offer and related actions by Couche-Tard.

Note Agreement and Self-Tender Offer

On August 9, 2010, the Company entered into a Note Purchase Agreement, dated as of August 9, 2010 (the Note Agreement), relating to the issuance by the Company of \$569,000 aggregate principal amount of its 5.22% Senior Notes due 2020 (the Notes). The Company used the net proceeds from this offering to finance its previously announced Dutch auction tender offer (the Self-Tender Offer) for up to \$500,000 in value of shares of Common Stock and to pay fees and expenses in connection with the Self-Tender Offer and the financing. In addition, the Company used approximately \$59,000 of the proceeds from the sale of the Notes in connection with its prepayment of its outstanding senior notes, with varying interest rates, issued pursuant to a note agreement dated as of April 15, 1999, and its outstanding 7.38% senior notes, issued pursuant to a note agreement dated as of December 28, 1995 (the 1995 and 1999 Notes). On August 6, 2010, the Company prepaid in full the remaining \$47,000 in aggregate principal amount outstanding under the 1995 and 1999 Notes, including make-whole prepayment penalties of \$11,350. Any net proceeds of the Notes offering not used for the foregoing purposes was used for general corporate purposes.

The Notes were issued on August 9, 2010, and bear interest at the rate of 5.22% per annum from the date thereof, payable semi-annually in arrears on February 9 and August 9 of each year. The Notes mature on August 9, 2020. The Company may at any time or from time to time prepay all or a portion of the Notes, in an amount not less than \$2,000. Any such optional prepayment shall be at a price equal to 100% of the principal amount so prepaid plus the Make-Whole Amount (as defined in the Note Agreement), plus accrued and unpaid interest thereon, if any, to, but not including, the date of prepayment. Any optional prepayment of less than all of the Notes outstanding shall be allocated pro rata among all of the Notes then outstanding.

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The Note Agreement provides that, in the event of a Change in Control (as defined in the Note Agreement), each holder of the Notes will have the right to require the Company to purchase all or a portion of such holder's Notes at a purchase price equal to 100% of the principal amount plus the Make-Whole Amount plus accrued and unpaid interest, if any, to, but not including, the repurchase date. Additional information is provided in the Company's Form 8-K filed with the SEC on August 10, 2010.

The Self-Tender Offer expired on August 25, 2010 at 12:00 midnight New York City time. Based on the final count by the depositary for the Self-Tender Offer, a total of approximately 26.8 million shares were validly tendered and not withdrawn at a purchase price of \$38.00 per share, including approximately 12.6 million shares validly tendered through notice of guaranteed delivery. Due to the Self-Tender Offer being oversubscribed, the Company purchased a pro-rated amount of approximately 49% of shares from each tendering shareholder. As such, the Company purchased an aggregate of 13,157,894 shares of Common Stock at a purchase price of \$38.00 per share, for a total cost of approximately \$500,000, excluding fees and expenses related to the Self-Tender Offer. The 13,157,894 shares purchased in the Self-Tender Offer represent approximately 25.8% of the Company's shares outstanding as of August 31, 2010.

The Company policy is to charge the entire repurchase amount to common stock. Since the repurchase amount exceeded the entire balance, the first \$66,890 was charged to common stock and the excess was charged to retained earnings.

Critical Accounting Policies

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results of operations.

Inventory. Inventories, which consist of merchandise and gasoline, are stated at the lower of cost or market. For gasoline, cost is determined through the use of the first-in, first-out (FIFO) method. For merchandise inventories, cost is determined through the use of the last-in, first-out (LIFO) method applied to inventory values determined primarily by the FIFO method for warehouse inventories and the retail inventory method (RIM) for store inventories, except for cigarettes, beer, pop, and prepared foods, which are valued at cost. RIM is an averaging method widely used in the retail industry because of its practicality.

Under RIM, inventory valuations are at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to sales. Inherent in the RIM calculations are certain management judgments and estimates that could affect the ending inventory valuation at cost and the resulting gross margins.

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Vendor allowances include rebates and other funds received from vendors to promote their products. The Company often receives such allowances on the basis of quantitative contract terms that vary by product and vendor or directly on the basis of purchases made. Vendor rebates in the form of rack display allowances are treated as a reduction in cost of sales and are recognized incrementally over the period covered by the applicable rebate agreement. Vendor rebates in the form of billbacks are treated as a reduction in cost of sales and are recognized at the time the product is sold.

Long-lived Assets. The Company periodically monitors under-performing stores to assess whether the carrying amount of assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, a further analysis of the amount of potential impairment is performed. The impairment loss is based on the estimated amount by which carrying value exceeds fair value of the asset group. Fair value is based on management's estimate of the future cash flows to be generated and the amount that could be realized from the sale of assets in a current transaction between willing parties. The estimate is derived from offers, actual sale or disposition of assets subsequent to the reporting period, and other indications of fair value. In determining whether an asset is impaired, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets, which for the Company is generally on a store-by-store basis. Management expects to continue its on-going evaluation of under-performing stores, and may periodically sell specific stores where further operational and marketing efforts are not likely to improve their performance. The Company did not incur any impairment charges during the six months ended October 31, 2010 and 2009.

Self-insurance. The Company is primarily self-insured for employee health care, workers' compensation, general liability, and automobile claims. The self-insurance claim liability is determined actuarially based on claims filed and an estimate of claims incurred but not yet reported. Actuarial projections of the losses are employed due to the high degree of variability in the liability estimates. Some factors affecting the uncertainty of claims include the time frame of development, settlement patterns, litigation and adjudication direction, and medical treatment and cost trends. The liability is not discounted.

Liquidity and Capital Resources (Dollars in Thousands)

Due to the nature of the Company's business, cash provided by operations is the Company's primary source of liquidity. The Company finances its inventory purchases primarily from normal trade credit aided by the relatively rapid turnover of inventory. This turnover allows the Company to conduct its operations without large amounts of cash and working capital. As of October 31, 2010, the Company's ratio of current assets to current liabilities was 1.34 to 1. The ratio at October 31, 2009 and April 30, 2010 was 1.42 to 1 and 1.29 to 1, respectively. Management believes that the Company's current \$50,000 bank line of credit, together with cash flow from operations will be sufficient to satisfy the working capital needs of our business.

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Net cash provided by operations increased \$36,416 (28.2%) in the six months ended October 31, 2010 from the comparable period in the prior year, primarily as a result of increases in accounts payable and accrued expenses and a decrease in inventories. This result was partially offset by lower net earnings. Cash used in investing in the six months ended October 31, 2010 increased due to the increase in the purchase of additional property and equipment and additional store acquisition activity. Cash used in financing decreased, primarily due to the proceeds from long-term debt. This impact was partially offset by the repurchase of 13,157,894 shares of Common Stock and an increase in the repayments of long-term debt.

Capital expenditures represent the single largest use of Company funds. Management believes that by reinvesting in stores, the Company will be better able to respond to competitive challenges and increase operating efficiencies. During the first six months of fiscal 2011, the Company expended \$115,242 primarily for property and equipment, resulting from the construction, acquisition and remodeling of stores, compared to \$75,475 for the comparable period in the prior year. The Company anticipates expending between \$189,000 and \$243,000 in fiscal 2011 for construction, acquisition and remodeling of stores, primarily from existing cash and funds generated by operations.

As of October 31, 2010, the Company had long-term debt, net of current maturities, of \$679,159 consisting of \$569,000 in principal amount of 5.22% Senior Notes, \$100,000 in principal amount of 5.72% Senior Notes, Series A and B, \$152 of mortgage notes payable, and \$10,007 of capital lease obligations.

To date, the Company has funded capital expenditures primarily from the proceeds of the sale of Common Stock, issuance of 6-1/4% Convertible Subordinated Debentures (which were converted into shares of Common Stock in 1994), the Senior Notes, a mortgage note, and through funds generated from operations. Future capital needs required to finance operations, improvements and the anticipated growth in the number of stores are expected to be met from cash generated by operations, the bank line of credit, and additional long-term debt or other securities as circumstances may dictate, and are not expected to adversely affect liquidity.

Cautionary Statements (Dollars in Thousands)

This Form 10-Q, including the foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations, contains various 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. Forward-looking statements represent the Company's expectations or beliefs concerning future events, including (i) any statements regarding future sales and gross profit percentages, (ii) any statements regarding the continuation of historical trends and (iii) any statements regarding the sufficiency of the Company's cash balances and cash generated from operations and financing activities for the Company's future liquidity and capital resource needs. The words believe, expect, anticipate, intend, estimate, and similar expressions are used to identify forward-looking statements. The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including, without limitations, the following factors described more completely in the Form 10-K for the fiscal year ended April 30, 2010:

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Competition. The Company's business is highly competitive, and marked by ease of entry and constant change in terms of the numbers and type of retailers offering the products and services found in stores. Many of the food (including prepared foods) and non-food items similar or identical to those sold by the Company are generally available from a variety of competitors in the communities served by stores, and the Company competes with other convenience store chains, gasoline stations, supermarkets, drug stores, discount stores, club stores, mass merchants and fast-food outlets (with respect to the sale of prepared foods). Sales of such non-gasoline items (particularly prepared food items) have contributed substantially to the Company's gross profits from retail sales in recent years. Gasoline sales are also intensely competitive. The Company competes with both independent and national brand gasoline stations in the sale of gasoline, other convenience store chains and several non-traditional gasoline retailers such as supermarkets in specific markets. Some of these other gasoline retailers may have access to more favorable arrangements for gasoline supply than do the Company or the firms that supply its stores. Some of the Company's competitors have greater financial, marketing and other resources than the Company, and, as a result, may be able to respond better to changes in the economy and new opportunities within the industry.

Gasoline operations. Gasoline sales are an important part of the Company's sales and earnings, and retail gasoline profit margins have a substantial impact on the Company's net earnings. Profit margins on gasoline sales can be adversely affected by factors beyond the control of the Company, including the supply of gasoline available in the retail gasoline market, uncertainty or volatility in the wholesale gasoline market, increases in wholesale gasoline costs generally during a period and price competition from other gasoline marketers. The market for crude oil and domestic wholesale petroleum products is marked by significant volatility, and is affected by general political conditions and instability in oil producing regions such as the Middle East and South America. The volatility of the wholesale gasoline market makes it extremely difficult to predict the impact of future wholesale cost fluctuation on the Company's operating results and financial conditions. These factors could materially impact the Company's gasoline gallon volume, gasoline gross profit and overall customer traffic levels at stores. Any substantial decrease in profit margins on gasoline sales or in the number of gallons sold by stores could have a material adverse effect on the Company's earnings.

The Company purchases its gasoline from a variety of independent national and regional petroleum distributors. Although in recent years the Company's suppliers have not experienced any difficulties in obtaining sufficient amounts of gasoline to meet the Company's needs, unanticipated national and international events could result in a reduction of gasoline supplies available for distribution to the Company. Any substantial curtailment in gasoline supplied to the Company could adversely affect the Company by reducing its gasoline sales. Further, management believes that a significant amount of the Company's business results from the patronage of customers primarily desiring to purchase gasoline and, accordingly, reduced gasoline supplies could adversely affect the sale of non-gasoline items. Such factors could have a material adverse impact upon the Company's earnings and operations.

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Tobacco Products. Sales of tobacco products represent a significant portion of the Company's revenues. Significant increases in wholesale cigarette costs and tax increases on tobacco products, as well as national and local campaigns to discourage smoking in the United States, could have an adverse effect on the demand for cigarettes sold by stores. The Company attempts to pass price increases onto its customers, but competitive pressures in specific markets may prevent it from doing so. These factors could materially impact the retail price of cigarettes, the volume of cigarettes sold by stores and overall customer traffic.

Environmental Compliance Costs. The United States Environmental Protection Agency and several states, including Iowa, have established requirements for owners and operators of underground gasoline storage tanks (USTs) with regard to (i) maintenance of leak detection, corrosion protection and overfill/spill protection systems; (ii) upgrade of existing tanks; (iii) actions required in the event of a detected leak; (iv) prevention of leakage through tank closings; and (v) required gasoline inventory recordkeeping. Since 1984, new Company stores have been equipped with non-corroding fiberglass USTs, including many with double-wall construction, over-fill protection and electronic tank monitoring. The Company currently has 3,479 USTs, of which 2,905 are fiberglass and 574 are steel. Management believes that its existing gasoline procedures and planned capital expenditures will continue to keep the Company in substantial compliance with all current federal and state UST regulations.

Several of the states in which the Company does business have trust fund programs with provisions for sharing or reimbursing corrective action or remediation costs incurred by UST owners, including the Company. In each of the years ended April 30, 2010 and 2009, the Company spent approximately \$1,083 and \$1,128, respectively, for assessments and remediation. During the six months ended October 31, 2010, the Company expended approximately \$337 for such purposes. Substantially all of these expenditures have been submitted for reimbursement from state-sponsored trust fund programs and as of October 31, 2010, approximately \$13,586 has been received from such programs since their inception. Such amounts are typically subject to statutory provisions requiring repayment of the reimbursed funds for non-compliance with upgrade provisions or other applicable laws. No amounts are currently expected to be repaid. The Company has an accrued liability at October 31, 2010 of approximately \$202 for estimated expenses related to anticipated corrective actions or remediation efforts, including relevant legal and consulting costs. Management believes the Company has no material joint and several environmental liability with other parties.

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Although the Company regularly accrues expenses for the estimated costs related to its future corrective action or remediation efforts, there can be no assurance that such accrued amounts will be sufficient to pay such costs, or that the Company has identified all environmental liabilities at all of its current store locations. In addition, there can be no assurance that the Company will not incur substantial expenditures in the future for remediation of contamination or related claims that have not been discovered or asserted with respect to existing store locations or locations that the Company may acquire in the future, or that the Company will not be subject to any claims for reimbursement of funds disbursed to the Company under the various state programs or that additional regulations, or amendments to existing regulations, will not require additional expenditures beyond those presently anticipated.

Other Factors. Other factors and risks that may cause actual results to differ materially from those in the forward-looking statements include the risk that our cash balances and cash generated from operations and financing activities will not be sufficient for our future liquidity and capital resource needs, tax increases, potential liabilities and expenditures related to compliance with environmental and other laws and regulations, the seasonality of demand patterns, and weather conditions; the increased indebtedness that the Company has incurred to purchase shares of our common stock in our self tender offer; and the other risks and uncertainties included from time to time in our filings with the SEC. We further caution you that other factors we have not identified may in the future prove to be important in affecting our business and results of operations. We ask you not to place undue reliance on any forward-looking statements because they speak only of our views as of the statement dates. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company's exposure to market risk for changes in interest rates relates primarily to our investment portfolio and long-term debt obligations. We place our investments with high-quality credit issuers and, by policy, limit the amount of credit exposure to any one issuer. Our first priority is to reduce the risk of principal loss. Consequently, we seek to preserve our invested funds by limiting default risk, market risk, and reinvestment risk. We mitigate default risk by investing in only high-quality credit securities that we believe to be low risk and by positioning our portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer or guarantor. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. We believe an immediate 100-basis-point move in interest rates affecting our floating and fixed rate financial instruments as of October 31, 2010 would have no material effect on pretax earnings.

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In the past, we have used derivative instruments such as options and futures to hedge against the volatility of gasoline cost and were at risk for possible changes in the market value of these derivative instruments. No such derivative instruments were used during the six months ended October 31, 2010 and 2009. However, we do from time to time, participate in a forward buy of certain commodities, primarily cheese and coffee. These contracts are not accounted for as derivatives as they meet the normal purchases exclusion under derivative accounting.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 240.13a-15(e)). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is set forth in Note 8 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q and is incorporated herein by this reference.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2010 Annual Report on Form 10-K.

Table of Contents**Item 6. Exhibits.**

The following exhibits are filed with this Report or, if so indicated, incorporated by reference.

Exhibit No.	Description
3.1	Restatement of the Restated and Amended Articles of Incorporation (<i>incorporated by reference from the Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1996</i>) and Articles of Amendment thereto (<i>incorporated by reference from the Current Report on Form 8-K filed April 16, 2010, as amended by the Current Report on Form 8-K/A filed April 19, 2010</i>).
3.2(a)	Second Amended and Restated By-laws (<i>incorporated by reference from the Current Report on Form 8-K filed June 16, 2009</i>).
4.2	Rights Agreement between Casey's General Stores, Inc. and Computershare Trust Company, N.A., relating to Series A Serial Preferred Stock Purchase Rights (<i>incorporated by reference from the Current Report on Form 8-K filed April 16, 2010</i>).
4.8	Note Purchase Agreement dated as of September 29, 2006 among the Company and the purchasers of the 5.72% Senior Notes, Series A and Series B (<i>incorporated by reference from the Current Report on Form 8-K filed September 29, 2006</i>).
4.9	Note Purchase Agreement dated as of August 9, 2010 among the Company and the purchasers of the 5.22% Senior Notes (<i>incorporated by reference from the Current Report on Form 8-K filed August 10, 2010</i>).
31.1	Certification of Robert J. Myers under Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification of William J. Walljasper under Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certificate of Robert J. Myers under Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certificate of William J. Walljasper under Section 906 of Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document

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101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Pursuant to Rule 406T of Regulations S-T, the Interactive Data Files in these exhibits are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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.

CASEY S GENERAL STORES, INC.

Date: December 9, 2010

By: /s/ William J. Walljasper
William J. Walljasper
Its: Senior Vice President & Chief Financial Officer
*(Authorized Officer and Principal
Financial and Accounting Officer)*

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EXHIBIT INDEX

The following exhibits are filed herewith:

Exhibit No.	Description
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