

WYNN RESORTS LTD  
Form 10-Q  
August 09, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-50028

**WYNN RESORTS, LIMITED**

(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

3131 Las Vegas Boulevard South Las Vegas, Nevada 89109

46-0484987  
(I.R.S. Employer  
Identification No.)

(Address of principal executive offices) (Zip Code)

Edgar Filing: WYNN RESORTS LTD - Form 10-Q

(702) 770-7555

(Registrant's telephone number, including area code)

N/A

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

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

Class	Outstanding at August 1, 2011
Common stock, \$0.01 par value	124,948,570

**Table of Contents**

**WYNN RESORTS, LIMITED AND SUBSIDIARIES**

**INDEX**

**Part I. Financial Information**

Item 1.	Financial Statements	
	<u>Condensed Consolidated Balance Sheets (unaudited) – June 30, 2011 and December 31, 2010</u>	3
	<u>Condensed Consolidated Statements of Income (unaudited) – Three and six months ended June 30, 2011 and 2010</u>	4
	<u>Condensed Consolidated Statements of Cash Flows (unaudited) – Six months ended June 30, 2011 and 2010</u>	5
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4.	<u>Controls and Procedures</u>	36

**Part II. Other Information**

Item 1.	<u>Legal Proceedings</u>	38
Item 1A.	<u>Risk Factors</u>	38
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
Item 5.	<u>Other Information</u>	38
Item 6.	<u>Exhibits</u>	39
	<u>Signature</u>	40

**Table of Contents****Part I FINANCIAL INFORMATION****Item 1. Financial Statements**

**WYNN RESORTS, LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except share data)

(unaudited)

	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,684,989	\$ 1,258,499
Investment securities held-to-maturity	99,289	
Receivables, net	180,792	187,464
Inventories	75,368	86,847
Prepaid expenses and other	30,424	28,326
Total current assets	2,070,862	1,561,136
Property and equipment, net	4,770,450	4,921,259
Investment securities held-to-maturity	72,700	
Intangibles, net	37,978	40,205
Deferred financing costs	56,174	61,863
Deposits and other assets	95,350	85,802
Investment in unconsolidated affiliates	4,198	4,232
Total assets	\$ 7,107,712	\$ 6,674,497
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts and construction payable	\$ 166,711	\$ 168,135
Current portion of long-term debt	150,898	2,675
Income taxes payable	1,171	1,163
Accrued interest	51,073	53,999
Accrued compensation and benefits	88,634	70,834
Gaming taxes payable	169,206	173,888
Other accrued expenses	48,833	33,374
Customer deposits	468,413	368,621
Construction retention	10,338	12,266
Deferred income taxes	2,974	2,974
Total current liabilities	1,158,251	887,929
Long-term debt	2,995,256	3,264,854
Other long-term liabilities	140,404	64,248
Deferred income taxes	76,066	76,881
Total liabilities	4,369,977	4,293,912
Commitments and contingencies (Note 16)		

## Edgar Filing: WYNN RESORTS LTD - Form 10-Q

### Stockholders' equity:

Preferred stock, par value \$0.01; 40,000,000 shares authorized; zero shares issued and outstanding		
Common stock, par value \$0.01; 400,000,000 shares authorized; 137,754,305 and 137,404,462 shares issued; 124,942,128 and 124,599,508 shares outstanding	1,378	1,374
Treasury stock, at cost; 12,812,177 and 12,804,954 shares	(1,120,454)	(1,119,407)
Additional paid in capital	3,384,105	3,346,050
Accumulated other comprehensive income	921	889
Retained earnings	242,490	9,042
<b>Total Wynn Resorts, Limited stockholders' equity</b>	<b>2,508,440</b>	<b>2,237,948</b>
Noncontrolling interest	229,295	142,637
<b>Total equity</b>	<b>2,737,735</b>	<b>2,380,585</b>
Total liabilities and stockholders' equity	\$ 7,107,712	\$ 6,674,497

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

**Table of Contents****WYNN RESORTS, LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(amounts in thousands, except share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Operating revenues:</b>				
Casino	\$ 1,082,043	\$ 789,205	\$ 2,088,348	\$ 1,480,793
Rooms	119,998	100,528	235,379	193,435
Food and beverage	147,787	127,390	276,651	239,164
Entertainment, retail and other	102,416	87,016	201,370	169,863
Gross revenues	1,452,244	1,104,139	2,801,748	2,083,255
Less: promotional allowances	(84,891)	(71,496)	(174,123)	(141,694)
Net revenues	1,367,353	1,032,643	2,627,625	1,941,561
<b>Operating costs and expenses:</b>				
Casino	684,505	519,005	1,308,860	967,196
Rooms	31,887	31,648	62,459	62,791
Food and beverage	74,956	72,697	140,953	134,533
Entertainment, retail and other	54,164	47,633	110,439	97,757
General and administrative	91,912	95,668	179,573	182,669
Provision for doubtful accounts	3,784	6,852	13,945	13,870
Pre-opening costs		6,675		8,986
Depreciation and amortization	102,052	101,353	203,399	205,918
Property charges and other	111,060	2,966	114,408	4,847
Total operating costs and expenses	1,154,320	884,497	2,134,036	1,678,567
Operating income	213,033	148,146	493,589	262,994
<b>Other income (expense):</b>				
Interest income	1,577	571	1,976	859
Interest expense, net of capitalized interest	(58,231)	(53,598)	(116,494)	(102,859)
Increase (decrease) in swap fair value	3,135	(1,675)	7,365	(5,277)
Loss on extinguishment of debt/exchange offer		(3,152)		(3,152)
Equity in income from unconsolidated affiliates	264	115	866	506
Other	784	431	1,701	695
Other income (expense), net	(52,471)	(57,308)	(104,586)	(109,228)
Income before income taxes	160,562	90,838	389,003	153,766
Provision for income taxes	(5,231)	(1,921)	(7,337)	(6,990)
Net income	155,331	88,917	381,666	146,776
Less: Net income attributable to noncontrolling interest	(33,300)	(36,512)	(85,831)	(67,383)

Edgar Filing: WYNN RESORTS LTD - Form 10-Q

Net income attributable to Wynn Resorts, Limited	\$ 122,031	\$ 52,405	\$ 295,835	\$ 79,393
Basic and diluted income per common share:				
Net income attributable to Wynn Resorts, Limited:				
Basic	\$ 0.98	\$ 0.43	\$ 2.39	\$ 0.65
Diluted	\$ 0.97	\$ 0.42	\$ 2.36	\$ 0.64
Weighted average common shares outstanding:				
Basic	123,970	122,521	123,864	122,467
Diluted	125,729	123,816	125,567	123,387
Dividends declared per common share:	\$ 0.50	\$ 0.25	\$ 0.50	\$ 0.25

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

**Table of Contents**

**WYNN RESORTS, LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(amounts in thousands)

(unaudited)

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 381,666	\$ 146,776
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	203,399	205,918
Deferred income taxes	6,831	6,498
Stock-based compensation	12,676	13,966
Excess tax benefits from stock-based compensation	(7,554)	(1,695)
Amortization and write-offs of deferred financing costs and other	9,501	11,991
Provision for doubtful accounts	13,945	13,870
Property charges and other	87,530	4,847
Equity in income of unconsolidated affiliates, net of distributions	34	91
(Increase) decrease in swap fair value	(7,365)	5,277
Increase (decrease) in cash from changes in:		
Receivables, net	(7,270)	(18,746)
Inventories and prepaid expenses and other	8,997	12,534
Accounts payable and accrued expenses	128,608	21,263
<b>Net cash provided by operating activities</b>	<b>830,998</b>	<b>422,590</b>
Cash flows from investing activities:		
Capital expenditures, net of construction payables and retention	(51,278)	(188,563)
Purchase of corporate debt securities	(171,989)	
Deposits and purchase of other assets	(21,359)	(9,377)
Proceeds from sale of equipment	94	573
<b>Net cash used in investing activities</b>	<b>(244,532)</b>	<b>(197,367)</b>
Cash flows from financing activities:		
Proceeds from exercise of stock options	18,163	10,211
Excess tax benefits from stock-based compensation	7,554	1,695
Dividends paid	(62,785)	(30,643)
Proceeds from issuance of long-term debt		58,947
Purchase of treasury stock	(1,047)	
Principal payments on long-term debt	(122,004)	(392,941)
Payment of deferred financing costs	(58)	(3,689)
<b>Net cash used in financing activities</b>	<b>(160,177)</b>	<b>(356,420)</b>
Effect of exchange rate on cash	201	(2,211)
Cash and cash equivalents:		
Increase (decrease) in cash and cash equivalents	426,490	(133,408)



Edgar Filing: WYNN RESORTS LTD - Form 10-Q

Balance, beginning of period	1,258,499	1,991,830
Balance, end of period	\$ 1,684,989	\$ 1,858,422

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

---

**Table of Contents**

**WYNN RESORTS, LIMITED AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Organization and Basis of Presentation**

*Organization*

Wynn Resorts, Limited, a Nevada corporation (together with its subsidiaries, Wynn Resorts or the Company), was formed in June 2002 and completed an initial public offering of its common stock on October 25, 2002.

In June 2002, the Company's indirect subsidiary, Wynn Resorts (Macau), S.A. (Wynn Macau, S.A.), entered into an agreement with the government of the Macau Special Administrative Region of the People's Republic of China (Macau), granting Wynn Macau, S.A. the right to construct and operate one or more casino gaming properties in Macau. Wynn Macau, S.A.'s first casino resort in Macau is hereinafter referred to as Wynn Macau.

In October 2009, Wynn Macau, Limited, a newly formed and indirect wholly-owned subsidiary of the Company and the developer, owner and operator of Wynn Macau, had its ordinary shares of common stock listed on The Stock Exchange of Hong Kong Limited. Through an initial public offering, including the over allotment, Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of its common stock.

The Company currently owns and operates casino hotel resort properties in Las Vegas, Nevada and Macau. In Las Vegas, Nevada, the Company owns Wynn Las Vegas, which opened on April 28, 2005 and was expanded with the opening of Encore at Wynn Las Vegas on December 22, 2008 (together, Wynn Las Vegas or the Las Vegas Operations). In Macau, the Company owns Wynn Macau, which opened on September 6, 2006 and was expanded with the opening of Encore at Wynn Macau on April 21, 2010 (together, Wynn Macau or the Macau Operations).

*Basis of Presentation*

The accompanying condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in the 50%-owned joint ventures operating the Ferrari and Maserati automobile dealership and the Brioni mens' retail clothing store inside Wynn Las Vegas are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated.

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results for the interim periods have been made. The results for the three months and six months ended June 30, 2011 are not necessarily indicative of results to be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

**2. Summary of Significant Accounting Policies**

*Cash and Cash Equivalents*

Cash and cash equivalents are comprised of highly liquid investments with purchase maturities of three months or less. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents of \$841.5

## **Table of Contents**

million and \$663.9 million at June 30, 2011 and December 31, 2010, respectively, were invested in time deposits, money market accounts, U.S. Treasuries and commercial paper. The Company utilized Level 1 inputs as described in Note 10 to determine fair value.

### *Investment Securities*

Investment securities consist of short-term and long-term investments in domestic and foreign corporate debt securities and commercial paper. Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. All of the Company's investments have been classified as held-to-maturity because the Company has the positive intent and ability to hold them to maturity. These investments are reported at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization is included in interest income together with the stated interest on such securities.

### *Accounts Receivable and Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues credit in the form of markers to approved casino customers following investigations of creditworthiness. At June 30, 2011 and December 31, 2010, approximately 75% and 82%, respectively, of the Company's markers were due from customers residing outside the United States, primarily in Asia. Business or economic conditions or other significant events in these countries could affect the collectibility of such receivables.

Accounts receivable, including casino and hotel receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems them to be uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is maintained to reduce the Company's receivables to their estimated carrying amount, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions.

### *Inventories*

Inventories consist of retail, food and beverage items, which are stated at the lower of cost or market value, and certain operating supplies. Cost is determined by the first-in, first-out, average and specific identification methods.

### *Revenue Recognition and Promotional Allowances*

Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Hotel, food and beverage, entertainment and other operating revenues are recognized when services are performed. Entertainment, retail and other revenue includes rental income which is recognized on a time proportion basis over the lease term. Contingent rental income is recognized when the right to receive such rental income is established according to the lease agreements. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer.

Revenues are recognized net of certain sales incentives which are required to be recorded as a reduction of revenue; consequently, the Company's casino revenues are reduced by discounts and commissions, and points earned in the player's club loyalty program.

**Table of Contents**

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is primarily included in casino expenses as follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Rooms	\$ 12,484	\$ 12,621	\$ 26,089	\$ 25,462
Food and beverage	24,453	21,765	51,195	45,113
Entertainment, retail and other	3,842	5,356	8,321	10,439
	\$ 40,779	\$ 39,742	\$ 85,605	\$ 81,014

*Gaming taxes*

The Company is subject to taxes based on gross gaming revenue in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on the Company's gaming revenue and are recorded as an expense within the Casino line item in the accompanying Condensed Consolidated Statements of Income. For the three months ended June 30, 2011 and 2010, gaming taxes totaled approximately \$485.5 million and \$350.6 million, respectively. For the six months ended June 30, 2011 and 2010, gaming taxes totaled approximately \$910.8 million and \$638.4 million, respectively.

*Advertising Costs*

The Company expenses advertising costs the first time the advertising takes place. Advertising costs incurred in development periods are included in pre-opening costs. Once a project is completed, advertising costs are included in general and administrative expenses. For the three months ended June 30, 2011 and 2010, advertising costs totaled approximately \$3.8 million and \$4.7 million, respectively. For the six months ended June 30, 2011 and 2010, advertising costs totaled approximately \$7.4 million and \$9 million, respectively.

*Recently Issued Accounting Standards*

In May 2011, the Financial Accounting Standards Board (the FASB) issued an accounting standards update that is intended to align the principles for fair value measurements and the related disclosure requirements under GAAP and IFRS. From a GAAP perspective, the updates are largely clarifications and certain additional disclosures. The effective date for this update is for years, and the interim periods within those years, beginning after December 15, 2011. This update is not expected to have a material impact on the Company's financial statements.

In June 2011, the FASB issued an accounting standards update that will require items of net income, items of other comprehensive income (OCI) and total comprehensive income to be presented in one continuous statement or two separate but consecutive statements. This will make the presentation of items within OCI more prominent. Companies will no longer be allowed to present OCI in the statement of stockholders equity. The effective date for this update is for years, and the interim periods within those years, beginning after December 15, 2011.

**3. Earnings Per Share**

Basic earnings per share (EPS) is computed by dividing net income attributable to Wynn Resorts by the weighted average number of shares outstanding during the period. Diluted EPS reflects the addition of potentially dilutive securities, which for the Company include stock options and nonvested stock.

**Table of Contents**

The weighted average number of common and common equivalent shares used in the calculation of basic and diluted EPS consisted of the following (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Weighted average common shares outstanding (used in calculation of basic earnings per share)	123,970	122,521	123,864	122,467
Potential dilution from the assumed exercise of stock options and nonvested stock	1,759	1,295	1,703	920
Weighted average common and common equivalent shares outstanding (used in calculation of diluted earnings per share)	125,729	123,816	125,567	123,387

A total of 575,000 and 595,000 stock options were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2011, respectively, because including them would have been anti-dilutive. Another 25,200 and 35,200 stock options were out-of-the-money for the three and six months ended June 30, 2011, respectively, and were also excluded as anti-dilutive. A total of 392,500 and 382,500 stock options were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2010, respectively, because including them would have been anti-dilutive. Another 905,000 and 915,000 stock options were out-of-the-money for the three and six months ended June 30, 2010, respectively and were also excluded.

**4. Comprehensive Income**

Total comprehensive income consisted of the following (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	\$ 155,331	\$ 88,917	\$ 381,666	\$ 146,776
Currency translation adjustment	1,286	(2,699)	44	(3,521)
Total comprehensive income	156,617	86,218	381,710	143,255
Less: Comprehensive income attributable to noncontrolling interests	(33,656)	(35,764)	(85,843)	(66,408)
Comprehensive income attributable to Wynn Resorts	\$ 122,961	\$ 50,454	\$ 295,867	\$ 76,847

As of June 30, 2011 and December 31, 2010, accumulated other comprehensive income consisted solely of currency translation adjustments.

**5. Supplemental Disclosure of Cash Flow Information**

Interest paid for the six months ended June 30, 2011 and 2010 totaled \$113.1 million and \$100.3 million, respectively. Interest capitalized for the six months ended June 30, 2011 and 2010, totaled \$0 and \$7.2 million, respectively.

For the six months ended June 30, 2011 and 2010, capital expenditures include a decrease of \$7.3 million and \$19.5 million, respectively, in construction payables and retention.

**Table of Contents****6. Receivables, net**

Receivables, net consisted of the following (amounts in thousands):

	June 30, 2011	December 31, 2010
Casino	\$ 237,187	\$ 257,951
Hotel	20,188	17,851
Retail leases and other	42,997	25,753
	300,372	301,555
Less: allowance for doubtful accounts	(119,580)	(114,091)
	\$ 180,792	\$ 187,464

**7. Property and Equipment, net**

Property and equipment, net consisted of the following (amounts in thousands):

	June 30, 2011	December 31, 2010
Land and improvements	\$ 732,945	\$ 731,810
Buildings and improvements	3,762,677	3,735,633
Airplanes	77,436	77,421
Furniture, fixtures and equipment	1,655,377	1,647,424
Leasehold interest in land	85,549	85,545
Construction in progress	10,956	22,901
	6,324,940	6,300,734
Less: accumulated depreciation	(1,554,490)	(1,379,475)
	\$ 4,770,450	\$ 4,921,259

**8. Investment Securities**

Investment securities consisted of the following (amounts in thousands):

	Amortized cost (net carrying amount)	Held-to-maturity securities		Fair value
		Gross unrealized gains	Gross unrealized losses	
<b>June 30, 2011</b>				
Domestic and foreign corporate bonds	\$ 122,862	\$ 29	\$ (260)	\$ 122,631
Commercial paper	49,127	3	(26)	49,104
	\$ 171,989	\$ 32	\$ (286)	\$ 171,735

## Edgar Filing: WYNN RESORTS LTD - Form 10-Q

The net carrying value and estimated fair value of these investment securities at June 30, 2011, by contractual maturity are shown below (amounts in thousands).

	<b>Amortized Cost</b>	<b>Fair value</b>
<b>Held-to-maturity debt securities</b>		
Due in one year or less	\$ 99,289	\$ 99,212
Due after one year through three years	72,700	72,523
	\$ 171,989	\$ 171,735

**Table of Contents****9. Long-Term Debt**

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

	June 30, 2011	December 31, 2010
7 <sup>7</sup> / <sub>8</sub> % Wynn Las Vegas First Mortgage Notes, due November 1, 2017, net of original issue discount of \$9,140 at June 30, 2011 and \$9,679 at December 31, 2010	\$ 490,860	\$ 490,321
7 <sup>7</sup> / <sub>8</sub> % Wynn Las Vegas First Mortgage Notes, due May 1, 2020, net of original issue discount of \$1,863 at June 30, 2011 and \$1,933 at December 31, 2010	350,147	350,077
7 <sup>3</sup> / <sub>4</sub> % Wynn Las Vegas First Mortgage Notes, due August 15, 2020	1,320,000	1,320,000
Wynn Las Vegas Revolving Credit Facility, due July 15, 2013; interest at LIBOR plus 3%		3,868
Wynn Las Vegas Revolving Credit Facility, due July 17, 2015; interest at LIBOR plus 3%		16,187
Wynn Las Vegas Term Loan Facility, due August 15, 2013; interest at LIBOR plus 1.875%	44,281	44,281
Wynn Las Vegas Term Loan Facility, due August 17, 2015; interest at LIBOR plus 3%	330,605	330,605
Wynn Macau Senior Term Loan Facilities, due June 27, 2014; interest at LIBOR or HIBOR plus 1.25% - 1.75%	550,920	550,900
Wynn Macau Senior Revolving Credit Facility, due June 27, 2012; interest at LIBOR or HIBOR plus 1.25%		100,165
\$42 million Note Payable, due April 1, 2017; interest at LIBOR plus 1.25%	36,050	36,750
\$32.5 million Note Payable, due August 10, 2012; interest at LIBOR plus 1.15%	23,291	24,375
	3,146,154	3,267,529
Current portion of long-term debt	(150,898)	(2,675)
	\$ 2,995,256	\$ 3,264,854

*Wynn Las Vegas Revolving Credit Facilities*

As of June 30, 2011, no amounts were outstanding under the Wynn Las Vegas Revolving Credit Facilities. The Company had \$19.5 million of outstanding letters of credit that reduce its availability under the Wynn Las Vegas Revolving Credit Facilities. Accordingly, the Company has availability of \$347.5 million under the Wynn Las Vegas Revolving Credit Facilities as of June 30, 2011.

*Wynn Macau Senior Revolving Credit Facility*

As of June 30, 2011, no amounts were outstanding under the Wynn Macau Senior Revolving Credit Facility. Accordingly, the Company has availability of \$1 billion under the Wynn Macau Credit Facilities as of June 30, 2011.

Beginning in September 2011, quarterly payments are due under the Wynn Macau Senior Term Loan Facilities. Such amounts are included in current maturities of long-term debt.

*Debt Covenant Compliance*

As of June 30, 2011, management believes the Company was in compliance with all debt covenants.

*Fair Value of Long-Term Debt*

The net book value of the Company's outstanding first mortgage notes was approximately \$2.2 billion at both June 30, 2011 and December 31, 2010. The estimated fair value of the Company's outstanding first



**Table of Contents**

mortgage notes, based on quoted market prices, was approximately \$2.4 billion at June 30, 2011 and approximately \$2.3 billion at December 31, 2010. The net book value of the Company's other debt instruments was approximately \$1 billion and \$1.1 billion at June 30, 2011 and December 31, 2010, respectively. The estimated fair value of the Company's other debt instruments was approximately \$1 billion and \$1.1 billion at June 30, 2011 and December 31, 2010, respectively.

**10. Interest Rate Swaps**

The Company has entered into floating-for-fixed interest rate swap arrangements in order to manage interest rate risk relating to certain of its debt facilities. These interest rate swap agreements modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt to a fixed rate. These interest rate swaps essentially fix the interest rate at the percentages noted below; however, changes in the fair value of the interest rate swaps for each reporting period have been recorded as an increase/decrease in swap fair value in the accompanying Condensed Consolidated Statements of Income, as the interest rate swaps do not qualify for hedge accounting.

The Company measures the fair value of its interest rate swaps on a recurring basis pursuant to accounting standards for fair value measurements. These standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company categorizes these interest rate swaps as Level 2.

The following table presents the historical fair value of the interest rate swaps recorded in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010. The fair value approximates the amount the Company would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability and fluctuation between periods. The fair value is adjusted to reflect the impact of credit ratings of the counterparties or the Company, as applicable. These adjustments resulted in a reduction in the fair values as compared to their settlement values. As of June 30, 2011, \$7 million of the interest rate swap liabilities are included in other accrued expenses and \$7.1 million are included in other long-term liabilities. As of December 31, 2010, \$5.9 million of the interest rate swap liabilities are included in other accrued expenses and \$15.6 million are included in other long-term liabilities.

Liability fair value: (amounts in thousands)	Las Vegas	Macau	Total Interest Rate Swaps
June 30, 2011	\$ 7,089	\$ 6,995	\$ 14,084
December 31, 2010	\$ 8,457	\$ 12,992	\$ 21,449
<i>Wynn Las Vegas Swap</i>			

The Company currently has one interest rate swap agreement to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Las Vegas Credit Facilities. Under this swap agreement, the Company pays a fixed interest rate of 2.485% on borrowings of \$250 million incurred under the Wynn Las Vegas Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the interest rate on \$250 million of borrowings at approximately 5.485%. This interest rate swap agreement matures in November 2012.

---

**Table of Contents**

*Wynn Macau Swaps*

The Company has three interest rate swap agreements to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under the first swap agreement, the Company pays a fixed interest rate of 3.632% on U.S. dollar borrowings of \$153.8 million incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. Under the second swap agreement, the Company pays a fixed interest rate of 3.39% on Hong Kong dollar borrowings of HK \$991.6 million (approximately US\$127 million) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. As of June 30, 2011, these interest rate swaps fix the interest rates on the US dollar and the Hong Kong dollar borrowings under the Wynn Macau Credit Facilities at 4.88% - 5.38% and 4.64%, respectively. These interest rate swap agreements mature in August 2011.

The Company entered into a third interest rate swap agreement to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under this swap agreement, the Company pays a fixed interest rate of 2.15% on borrowings of HK\$2.3 billion (approximately US\$300 million) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. As of June 30, 2011, this interest rate swap fixes the interest rate on such borrowings at 3.4%. This interest rate swap agreement matures in June 2012.

**11. Related Party Transactions**

*Amounts Due to Officers*

The Company periodically provides services to Stephen A. Wynn, Chairman of the Board of Directors and Chief Executive Officer ( Mr. Wynn ), and certain other officers and directors of the Company, including household employees, construction work and other personal services. Mr. Wynn and the other officers and directors have deposits with the Company to prepay any such items, which are replenished on an ongoing basis as needed. As of June 30, 2011 and December 31, 2010, Mr. Wynn and the other officers and directors had a net deposit balance with the Company of approximately \$1.2 million and \$0.3 million, respectively.

*Villa Suite Lease*

On March 18, 2010, Mr. Wynn and Wynn Las Vegas entered into an Amended and Restated Agreement of Lease (the SW Lease ) for a villa to serve as Mr. Wynn's personal residence. The SW Lease amends and restates a prior lease. The SW Lease was approved by the Audit Committee of the Board of Directors of the Company. The term of the SW lease commenced as of March 1, 2010 and runs concurrent with Mr. Wynn's employment agreement with the Company; provided that either party may terminate on 90 days notice. Pursuant to the SW Lease, the rental value of the villa will be treated as imputed income to Mr. Wynn, and will be equal to the fair market value of the accommodations provided. Effective March 1, 2010, and for the first two years of the term of the SW Lease, the rental value will be \$503,831 per year. The rental value for the villa will be re-determined every two years during the term of the lease by the Audit Committee, with the assistance of an independent third-party appraisal. Certain services for, and maintenance of, the villa are included in the rental.

On March 17, 2010, Elaine P. Wynn and Wynn Las Vegas entered into an Agreement of Lease (the EW Lease ) for the lease of a villa suite as Elaine P. Wynn's personal residence. The EW Lease was approved by the Audit Committee of the Board of Directors of the Company. Pursuant to the terms of the EW Lease, Elaine P. Wynn paid annual rent equal to \$350,000, which amount was determined by the Audit Committee with the assistance of a third-party appraisal. Certain services for, and maintenance of, the villa suite were included in the rental. The EW Lease superseded the terms of a prior agreement. The term of the EW lease commenced as of March 1, 2010 and was scheduled to terminate on December 31, 2010. The lease was extended on a month-to-month basis after December 31, 2010 until terminated effective March 31, 2011.

**Table of Contents***The Wynn Surname Rights Agreement*

On August 6, 2004, the Company entered into agreements with Mr. Wynn that confirm and clarify the Company's rights to use the Wynn name and Mr. Wynn's persona in connection with its casino resorts. Under the parties' Surname Rights Agreement, Mr. Wynn granted the Company an exclusive, fully paid-up, perpetual, worldwide license to use, and to own and register trademarks and service marks incorporating the Wynn name for casino resorts and related businesses, together with the right to sublicense the name and marks to its affiliates. Under the parties' Rights of Publicity License, Mr. Wynn granted the Company the exclusive, royalty-free, worldwide right to use his full name, persona and related rights of publicity for casino resorts and related businesses, together with the ability to sublicense the persona and publicity rights to its affiliates, until October 24, 2017.

**12. Property Charges and Other**

Property charges and other consisted of the following (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Donation to University of Macau	\$ 107,483	\$	\$ 107,483	\$
Loss on show cancellation			1,378	
Net loss on assets abandoned, retired for remodel or sold	3,577	2,966	5,547	4,847
	\$ 111,060	\$ 2,966	\$ 114,408	\$ 4,847

Property charges generally include costs related to the retirement of assets for remodels and asset abandonments. Property charges and other for the three and six months ended June 30, 2011 includes the present value of a charitable contribution made by Wynn Macau to the University of Macau Development Foundation. This contribution consists of a \$25 million payment made in May 2011, and a commitment for additional donations of \$10 million each year for the calendar years 2012 through 2022 inclusive, for a total of \$135 million. The amount reflected in the accompanying Condensed Consolidated Statements of Income has been discounted using the Company's current estimated borrowing rate over the time period of the remaining committed payments. In accordance with accounting standards for contributions, subsequent accretion of the discount will be recorded as additional donation expense and included in Property charges and other. Property charges and other for the six months ended June 30, 2011 also include the write off of certain costs related to a show that ended its run in Las Vegas and miscellaneous renovations and abandonments at our resorts.

**13. Noncontrolling Interest**

In October 2009, Wynn Macau, Limited, a newly formed and indirect wholly-owned subsidiary of the Company and the developer, owner and operator of Wynn Macau, had its ordinary shares of common stock listed on The Stock Exchange of Hong Kong Limited. Through an initial public offering, including the over allotment, Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of its common stock (the Wynn Macau Limited IPO). The shares of Wynn Macau, Limited were not and will not be registered under the Securities Act and may not be offered or sold in the United States absent a registration under the Securities Act as amended, or an applicable exception from such registration requirements. Net income attributable to noncontrolling interest was \$33.3 million and \$36.5 million for the three months ended June 30, 2011 and 2010, respectively. Net income attributable to noncontrolling interest was \$85.8 million and \$67.4 million for the six months ended June 30, 2011 and 2010, respectively.

**Table of Contents****14. Stockholders Equity**

On May 17, 2011, the Company paid a dividend of \$0.50 per share to holders of record on May 3, 2011. For the six months ended June 30, 2011, \$62.4 million was recorded as a distribution against retained earnings. Of this amount approximately \$0.4 million was recorded as a liability which will be paid to holders of nonvested stock upon the vesting of that stock.

**15. Stock-Based Compensation**

The total compensation cost relating both to stock options and nonvested stock is allocated as follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Casino	\$ 2,099	\$ 2,481	\$ 4,728	\$ 4,982
Rooms	141	131	239	266
Food and beverage	61	126	272	182
Entertainment, retail and other	9	34	16	69
General and administrative	3,621	4,267	7,421	8,467
Total stock-based compensation expense	5,931	7,039	12,676	13,966
Total stock-based compensation capitalized	195	146	390	292
	\$ 6,126	\$ 7,185	\$ 13,066	\$ 14,258

**16. Commitments and Contingencies*****Wynn Macau***

***Cotai Development.*** The Company has applied to the government of Macau for a land concession on approximately 52 acres of land on Cotai and is awaiting final government approval on the concession. Subsequent to government approval, the Company anticipates the construction of a full scale integrated resort containing a casino, approximately 1,500 rooms, convention, retail, entertainment and food and beverage offerings. The Company continues to finalize the project scope and budget.

***Cotai Land Agreement.*** On August 1, 2008, subsidiaries of Wynn Resorts, Limited entered into an agreement with an unrelated third party to make a one-time payment in the amount of \$50 million in consideration of the unrelated third party's relinquishment of certain rights in and to any future development on the approximately 52 acres of land in the Cotai area of Macau. The payment will be made within 15 days after the Government of the Special Administrative Region of the People's Republic of China publishes the Company's rights to the land in the government's official gazette.

***Litigation***

On May 3, 2010, Atlantic-Pacific Capital, Inc. (APC) filed an arbitration demand with Judicial Arbitration and Mediation Services regarding an agreement with the Company. The action concerns a claim for compensation of approximately \$32 million pursuant to an agreement entered into between APC and the Company on or about March 30, 2008 whereby APC was engaged to raise equity capital for an investment vehicle sponsored by the Company. APC is seeking compensation unrelated to the investment vehicle. The Company has denied APC's claims for compensation. The Company filed a Complaint for Damages and Declaratory Relief against APC in the District Court, Clark County, Nevada, on May 10, 2010. APC removed the action to the United States District Court, District of Nevada. In March 2011, the court denied APC's motion to compel arbitration. APC has appealed. Management believes that APC's claim against the Company is without merit and intends to defend this matter vigorously.

**Table of Contents****17. Income Taxes**

For the three months ended June 30, 2011 and 2010, the Company recorded tax expense of \$5.2 million and \$1.9 million, respectively. For the six months ended June 30, 2011 and 2010, the Company recorded tax expense of \$7.3 million and \$7 million, respectively. The Company's provision for income taxes is primarily comprised of increases in its domestic valuation allowance for U.S. foreign tax credits not expected to provide a U.S. tax benefit in future years, foreign taxes assessable on the dividends of Wynn Macau, S.A. and foreign tax provisions related to international marketing offices. Since June 30, 2010, the Company no longer considers its portion of the tax earnings and profits of Wynn Macau, Limited to be permanently invested. No additional U.S. tax provision has been made with respect to amounts not considered permanently invested as the Company anticipates that U.S. foreign tax credits should be sufficient to eliminate any U.S. tax provision relating to such repatriation. To the extent that book earnings exceed the tax earnings and profits of Wynn Macau, Limited, such excess is considered permanently invested. For the six months ended June 30, 2011, the Company recognized income tax benefits related to excess tax deductions associated with stock compensation costs of \$7.6 million.

Effective September 6, 2006, Wynn Macau, S.A. received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits. On November 30, 2010 Wynn Macau, S.A. received an additional 5-year exemption through December 31, 2015. Accordingly, the Company was exempted from the payment of approximately \$13.3 million and \$34.5 million in such taxes during the three and six months ended June 30, 2011, respectively. For the three and six months ended June 30, 2010, the Company was exempted from \$14.8 million and \$28.1 million, respectively, of such taxes. The Company's non-gaming profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau Special Gaming tax and other levies together totaling 39% in accordance with its concession agreement.

In June 2009, Wynn Macau, S.A. entered into an agreement with the Macau Special Administrative Region that provided for an annual payment of MOP \$7.2 million (approximately \$900,000 U.S. dollars) to the Macau Special Administrative Region as a payment in lieu of complementary tax otherwise due by the Wynn Macau S.A. shareholders on dividend distributions from gaming profits. This agreement covered dividend distributions of gaming profits earned in the years 2006 through 2010. On November 3, 2010, Wynn Macau, S.A. applied for a 5-year extension of this agreement for the years ending December 31, 2011 through 2015. On July 19, 2011 Wynn Macau, S.A. received notification that the 5-year extension had been ratified and that an annual payment of MOP \$15.5 million (approximately \$1.9 million U.S. dollars) would be due the Macau Special Administrative Region for the years 2011 through 2015.

During the three months ended June 30, 2011, the Company received the results of an IRS examination of its 2009 U.S. income tax return and filed an appeal of the examination's findings with the Appellate division of the IRS. During the same period, Wynn Macau, S.A. received the results of the Macau Finance Bureau's examination of its 2006 and 2007 Macau Complementary Tax returns. During July 2011, Wynn Macau filed an appeal of the examinations findings. The Company does not anticipate that the resolution of these issues will result in significant tax payments and believes that its liability for uncertain tax positions for the periods covered by these examinations is adequate.

**18. Segment Information**

The Company monitors its operations and evaluates earnings by reviewing the assets and operations of its Las Vegas Operations and its Macau Operations. The Company's total assets by segment are as follows (amounts in thousands):

	June 30, 2011	December 31, 2010
<b>Total assets</b>		
Las Vegas Operations	\$ 4,071,147	\$ 4,108,516
Macau Operations	2,222,014	1,777,119
Corporate and other assets	814,551	788,862
	<b>\$ 7,107,712</b>	<b>\$ 6,674,497</b>

**Table of Contents**

The Company's segment information for its results of operations are as follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Net revenues</b>				
Las Vegas Operations	\$ 390,848	\$ 318,230	\$ 785,438	\$ 636,501
Macau Operations	976,505	714,413	1,842,187	1,305,060
<b>Total</b>	\$ 1,367,353	\$ 1,032,643	\$ 2,627,625	\$ 1,941,561
<b>Adjusted Property EBITDA (1)</b>				
Las Vegas Operations	\$ 132,693	\$ 65,126	\$ 264,820	\$ 125,431
Macau Operations	314,348	216,248	587,179	397,838
<b>Total</b>	447,041	281,374	851,999	523,269
<b>Other operating costs and expenses</b>				
Pre-opening costs		6,675		8,986
Depreciation and amortization	102,052	101,353	203,399	205,918
Property charges and other	111,060	2,966	114,408	4,847
Corporate expenses and other	20,632	22,119	39,737	40,018
Equity in income from unconsolidated affiliates	264	115	866	506
<b>Total</b>	234,008	133,228	358,410	260,275
<b>Operating income</b>	213,033	148,146	493,589	262,994
<b>Non-operating costs and expenses</b>				
Interest income	1,577	571	1,976	859
Interest expense, net of amounts capitalized	(58,231)	(53,598)	(116,494)	(102,859)
Increase (decrease) in swap fair value	3,135	(1,675)	7,365	(5,277)
Loss on extinguishment of debt/exchange offer		(3,152)		(3,152)
Equity in income from unconsolidated affiliates	264	115	866	506
Other	784	431	1,701	695
<b>Total</b>	(52,471)	(57,308)	(104,586)	(109,228)
<b>Income before income taxes</b>	160,562	90,838	389,003	153,766
Provision for income taxes	(5,231)	(1,921)	(7,337)	(6,990)
<b>Net income</b>	\$ 155,331	\$ 88,917	\$ 381,666	\$ 146,776

- (1) Adjusted Property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, corporate expenses, stock-based compensation, and other non-operating income and expenses and includes equity in income from unconsolidated affiliates. Adjusted Property EBITDA is presented exclusively as a supplemental disclosure because management believes that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Management uses Adjusted Property EBITDA as a measure of the operating performance of its segments and to compare the operating performance of its properties with those of its competitors. The Company also presents Adjusted Property EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with GAAP. In order to view the operations of their

## Edgar Filing: WYNN RESORTS LTD - Form 10-Q

casinos on a more stand-alone basis, gaming companies, including Wynn Resorts, Limited, have historically excluded from their EBITDA calculations pre-opening expenses, property charges and other, corporate expenses and stock-based compensation, which do not relate to the management of specific casino properties. However, Adjusted Property EBITDA should not be considered as an alternative to operating income as an indicator of the Company's performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with GAAP. Unlike net income, Adjusted Property EBITDA does not

**Table of Contents**

include depreciation or interest expense and therefore does not reflect current or future capital expenditures or the cost of capital. The Company has significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in Adjusted Property EBITDA. Also, Wynn Resorts' calculation of Adjusted Property EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

**19. Subsequent Events**

On July 14, 2011, the Board of Directors of the Company declared a cash dividend of \$0.50 per share, payable on August 11, 2011 to stockholders of record as of July 28, 2011.



## **Table of Contents**

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Unless the context otherwise requires, all references herein to the Company, we, us or our, or similar terms, refer to Wynn Resorts, Limited, a Nevada corporation and its consolidated subsidiaries.

#### **Forward-Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information included in this Quarterly Report on Form 10-Q contains statements that are forward-looking, including, but not limited to, statements relating to our business strategy and development activities as well as other capital spending, financing sources, the effects of regulation (including gaming and tax regulations), expectations concerning future operations, margins, profitability and competition. Any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology such as may, will, should, would, could, believe, expect, anticipate, intend, plan, continue or the negative of these terms or other comparable terminology. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by us. These risks and uncertainties include, but are not limited to:

adverse tourism and trends reflecting current domestic and international economic conditions;

volatility and weakness in world-wide credit and financial markets globally and from governmental intervention in the financial markets;

general global macroeconomic conditions;

decreases in levels of travel, leisure and consumer spending;

continued high unemployment;

fluctuations in occupancy rates and average daily room rates;

conditions precedent to funding under the agreements governing the disbursement of the proceeds of borrowings under our credit facilities;

continued compliance with all provisions in our credit agreements;

competition in the casino/hotel and resort industries and actions taken by our competitors in reaction to adverse economic conditions;

doing business in foreign locations such as Macau (including the risks associated with developing gaming regulatory frameworks);

## Edgar Filing: WYNN RESORTS LTD - Form 10-Q

restrictions or conditions on visitation by citizens of mainland China to Macau;

new development and construction activities of competitors;

our dependence on Stephen A. Wynn and existing management;

our dependence on a limited number of resorts and locations for all of our cash flow;

leverage and debt service (including sensitivity to fluctuations in interest rates);

changes in federal or state tax laws or the administration of such laws;

changes in state law regarding water rights;

changes in U.S. laws regarding healthcare;

changes in gaming laws or regulations (including the legalization of gaming in certain jurisdictions);

**Table of Contents**

approvals under applicable jurisdictional laws and regulations (including gaming laws and regulations);

the impact that an outbreak of an infectious disease or the impact of a natural disaster may have on the travel and leisure industry;

the consequences of the wars in Iraq and Afghanistan and other military conflicts in the Middle East and any future security alerts and/or terrorist attacks; and

pending or future legal proceedings.

Further information on potential factors that could affect our financial condition, results of operations and business are included in this report and our other filings with the SEC. You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us. We undertake no obligation to publicly release any revisions to such forward-looking statements to reflect events or circumstances after the date of this report.

**Overview**

We are a developer, owner and operator of destination casino resorts. We currently own and operate two casino resort complexes. In Las Vegas, Nevada, we own and operate Wynn Las Vegas, a destination casino resort which opened on April 28, 2005. In December 2008, we expanded Wynn Las Vegas with the opening of Encore at Wynn Las Vegas. We refer to the fully integrated Wynn Las Vegas and Encore at Wynn Las Vegas resort as our Las Vegas Operations. In the Macau Special Administrative Region of the People’s Republic of China ( Macau ), we own and operate Wynn Macau, which opened on September 6, 2006, and was subsequently expanded. On April 21, 2010 we opened Encore at Wynn Macau, a further expansion of Wynn Macau. We refer to the fully integrated Wynn Macau and Encore at Wynn Macau resort as our Macau Operations.

*Our Resorts*

The following table sets forth information about our resorts as of July 2011:

	Hotel Rooms & Suites	Approximate Casino Square Footage	Approximate Number of Table Games	Approximate Number of Slots
Las Vegas Operations	4,750	186,000	230	2,550
Macau Operations	1,009	265,000	495	1,060
<i>Las Vegas Operations</i>				

Wynn Las Vegas I Encore is located at the intersection of the Las Vegas Strip and Sands Avenue, and occupies approximately 217 acres of land fronting the Las Vegas Strip. In addition, we own approximately 18 acres across Sands Avenue, a portion of which is utilized for employee parking, and approximately 5 acres adjacent to the golf course on which an office building is located.

Our Las Vegas resort complex features:

Approximately 186,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, a sky casino, a poker room, and a race and sports book;

Two luxury hotel towers with a total of 4,750 spacious hotel rooms, suites and villas;

## Edgar Filing: WYNN RESORTS LTD - Form 10-Q

35 food and beverage outlets featuring signature chefs;

A Ferrari and Maserati automobile dealership;

Approximately 101,000 square feet of high-end, brand-name retail shopping, including stores and boutiques by Alexander McQueen, Brioni, Cartier, Chanel, Dior, Graff, Hermes, Louis Vuitton, Manolo Blahnik, Oscar de la Renta, Vertu and others;

## **Table of Contents**

Recreation and leisure facilities, including an 18-hole golf course, swimming pools, private cabanas and two full service spas and salons;

Two showrooms; and

Four nightclubs and a beach club.

In January 2011, we completed a refurbishment and upgrade to the resort rooms at Wynn Las Vegas. A remodel of the suites was completed in early May of 2011. These remodels were completed at a cost of \$61 million, substantially less than the project budget of \$83 million.

In response to our evaluation of our Las Vegas Operations and the reactions of our guests, we have and expect to continue to make enhancements and refinements to this resort complex.

### *Macau Operations*

We operate Wynn Macau I Encore under a 20-year casino concession agreement granted by the Macau government in June 2002.

Our Macau resort complex features:

Approximately 265,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, a sky casino and a poker area;

Two luxury hotel towers with a total of 1,009 spacious rooms and suites;

Casual and fine dining in eight restaurants;

Approximately 54,200 square feet of high-end, brand-name retail shopping, including stores and boutiques by Bvlgari, Cartier, Chanel, Dior, Dunhill, Ferrari, Giorgio Armani, Gucci, Hermes, Hugo Boss, Louis Vuitton, Miu Miu, Piaget, Prada, Rolex, Tiffany, Van Cleef & Arpels, Versace, Vertu, Zegna and others;

Recreation and leisure facilities, including two health clubs and spas, a pool; and

Lounges and meeting facilities.

In response to our evaluation of our Macau Operations and the reactions of our guests, we have made and expect to continue to make enhancements and refinements to this resort complex.

### *Future Development*

Approximately 142 acres of land comprising Wynn Las Vegas is currently improved with a golf course. While we may develop this property in the future, we have no immediate plans to do so.

We have applied to the government of Macau for a land concession on approximately 52 acres of land on Cotai and are awaiting final government approval on the concession. Subsequent to government approval, we anticipate the construction of a full scale integrated resort containing a casino, approximately 1,500 rooms, convention, retail, entertainment and food and beverage offerings. We continue to finalize the project scope and budget.

**Results of Operations**

Our results for the periods presented are not comparable as the three and six months ended June 30, 2011 include the operations of Encore at Wynn Macau for the full periods, whereas the three and six months ended June 30, 2010 only include the operations of Encore at Wynn Macau since its opening on April 21, 2010.

**Table of Contents**

The table below presents our net revenues (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Net revenues</b>				
Las Vegas Operations	\$ 390,848	\$ 318,230	\$ 785,438	\$ 636,501
Macau Operations	976,505	714,413	1,842,187	1,305,060
	\$ 1,367,353	\$ 1,032,643	\$ 2,627,625	\$ 1,941,561

Reliance on only two resort complexes (in two geographic regions) for our operating cash flow exposes us to certain risks that competitors, whose operations are more geographically diversified, may be better able to control. In addition to the concentration of operations in two resort complexes, many of our customers are premium gaming customers who wager on credit, thus exposing us to increased credit risk. High-end gaming also increases the potential for variability in our results.

*Operating Measures*

Certain key operating statistics specific to the gaming industry are included in our discussion of our operational performance for the periods for which a Condensed Consolidated Statement of Income is presented. There are two methods used to calculate win percentage in the casino industry. In Las Vegas and in the general casino in Macau, customers usually purchase cash chips from gaming tables. The cash and net markers used to purchase the cash chips from gaming tables are deposited in the gaming table's drop box. This is the base of measurement that we use in the casino at our Las Vegas Operations and in the general casino at our Macau Operations for calculating win percentage.

In our VIP casino in Macau, customers primarily purchase non-negotiable rolling chips from the casino cage and there is no deposit into a gaming table drop box from chips purchased from the cage. Non-negotiable chips can only be used to make wagers. Winning wagers are paid in cash chips. The loss of the non-negotiable rolling chips in the VIP casino is recorded as turnover and provides a base for measuring VIP casino win percentage. Because of this difference in chip purchase activity, the measurement base used in the general casino is not the same that is used in the VIP casino. It is customary in Macau to measure VIP casino play using this Rolling Chip method.

The measurement method in Las Vegas and in the general casino in Macau tracks the initial purchase of chips at the table while the measurement method in our VIP casino in Macau tracks the sum of all losing wagers. Accordingly, the base measurement in the VIP casino is much larger than the general casino. As a result, the expected win percent with the same amount of gaming win is smaller in the VIP casino in Macau when compared to the general casino in Las Vegas and Macau.

Even though both use the same measurement method, we experience different win percentages in the general casino activity in Las Vegas versus Macau. This difference is primarily due to the difference in the mix of table games and customer playing habits between the two casinos. Each type of table game has its own theoretical win percentage. This quarter we increased our expectations for table games win percentage in the general casino at Wynn Macau from 21% - 23% to 26% - 28% based on our experience since the opening of Encore at Wynn Macau.

Below are definitions of the statistics discussed:

Table games win is the amount of drop or turnover that is retained and recorded as casino revenue.

Drop is the amount of cash and net markers issued that are deposited in a gaming table's drop box.

---

**Table of Contents**

Turnover is the sum of all losing Rolling Chip wagers within our Wynn Macau VIP program.

Rolling Chips are identifiable chips that are used to track VIP wagering volume (turnover) for purposes of calculating incentives.

Slot win is the amount of handle (representing the total amount wagered) that is retained by us and is recorded as casino revenue.

Average Daily Rate ( ADR ) is calculated by dividing total room revenue (less service charges, if any) by total rooms occupied.

Revenue per Available Room ( REVPAR ) is calculated by dividing total room revenue (less service charges, if any) by total rooms available.

***Financial results for the three months ended June 30, 2011 compared to the three months ended June 30, 2010.***

*Revenues*

Net revenues for the three months ended June 30, 2011 are comprised of \$1,082 million in casino revenues (79.1% of total net revenues) and \$285.3 million of net non-casino revenues (20.9% of total net revenues). Net revenues for the three months ended June 30, 2010 are comprised of \$789.2 million in casino revenues (76.4% of total net revenues) and \$243.4 million of net non-casino revenues (23.6% of total net revenues).

Casino revenues are comprised of the net win from our table games and slot machine operations. Casino revenues for the three months ended June 30, 2011 of \$1,082 million represents a \$292.8 million (or 37.1%) increase from casino revenues of \$789.2 million for the three months ended June 30, 2010.

Our Las Vegas Operations experienced a \$41.1 million increase in casino revenues compared to the prior year quarter due to a 10% increase in drop and an increase in our average table games win percentage. Our average table games win percentage (before discounts) for the three months ended June 30, 2011 was 27.6%, which was above the expected range of 21% to 24% and compares to 20.0% for the prior year quarter. Slot machine handle at our Las Vegas Operations increased 2.1% compared to the prior year quarter, however slot machine win decreased 1% as our hold was down slightly for the quarter.

Casino revenues at our Macau Operations, including Encore at Wynn Macau which opened on April 21, 2010, increased \$251.7 million for the three months ended June 30, 2011, compared to the prior year quarter. We experienced a 32.2% increase in the VIP revenue segment due to a 50.6% increase in turnover, offset by a lower win percentage compared to the prior year quarter. Our win as a percent of turnover was 2.89%, which compares to our expected range of 2.7% to 3.0%, and to 3.22% in the prior year quarter. Our VIP casino segment win as a percent of turnover includes a nominal beneficial effect attributable to non-rolling chip play. In our general casino, drop increased 25.9% when compared to the prior year quarter and the average table games win percentage was 27.8%, which is within our revised expected range of 26% to 28%. The average table game win percentage at our Macau Operations for the three months ended June 30, 2010 was 22.9%. Slot machine handle increased 40.7% compared to the prior year quarter primarily due to increased visitation at our resort and the opening of Encore at Wynn Macau in April 2010. Slot machine win increased by 52% due to this increase in handle and an increase in our hold percentage.

For the three months ended June 30, 2011, room revenues were approximately \$120 million, an increase of \$19.5 million (19.4%) compared to prior year quarter room revenue of \$100.5 million. Room revenue at our Las Vegas Operations increased \$12.2 million (15.5%) compared to the prior year quarter. In Las Vegas, room rates increased during the three months ended June 30, 2011, compared to the three months ended June 30, 2010, with a slight decrease in occupancy rate. Room revenue at our Macau Operations increased approximately \$7.3 million due to the 414 additional suites added with Encore at Wynn Macau in April 2010, and an increase in the average daily room rate compared to the prior year quarter.



**Table of Contents**

The table below sets forth key operating measures related to room revenue.

	Three Months Ended	
	2011	June 30, 2010
<b>Average Daily Rate</b>		
Las Vegas	\$ 240	\$ 197
Macau	314	287
<b>Occupancy</b>		
Las Vegas	89.2%	92.6%
Macau	90.5%	81.3%
<b>REVPAR</b>		
Las Vegas	\$ 214	\$ 182
Macau	284	234

Other non-casino revenues for the three months ended June 30, 2011 included food and beverage revenues of approximately \$147.8 million, retail revenues of approximately \$63.3 million, entertainment revenues of approximately \$19 million, and other revenues from outlets, including the spa and salon, of approximately \$20.1 million. Other non-casino revenues for the three months ended June 30, 2010 included food and beverage revenues of approximately \$127.4 million, retail revenues of approximately \$52.6 million, entertainment revenues of approximately \$15.6 million, and other revenues from outlets such as the spa and salon, of approximately \$18.8 million. Food and beverage revenues at our Las Vegas Operations increased \$14.5 million (13%), while our Macau Operations increased \$5.9 million (36.9%), as compared to the prior year quarter. The increase in Las Vegas is due primarily to business in our nightclubs, catering business and restaurants. The increase in Macau is primarily due to increased visitation to our resort and the opening of Encore at Wynn Macau. Retail revenues at our Macau Operations increased \$9.3 million (29.7%), while retail at our Las Vegas Operations increased \$1.4 million (6.5%). The increase at Wynn Macau is due primarily to strong same-store sales growth and the addition of three new boutiques at Encore at Wynn Macau. Entertainment revenues increased over the prior year quarter primarily due to increased revenue from Garth Brooks in the Encore Theater in Las Vegas.

*Departmental, Administrative and Other Expenses*

For the three months ended June 30, 2011, departmental expenses included casino expenses of \$684.5 million, room expenses of \$31.9 million, food and beverage expenses of \$75 million, and entertainment, retail and other expenses of \$54.2 million. Also included are general and administrative expenses of approximately \$91.9 million and \$3.8 million charged as a provision for doubtful accounts receivable. For the three months ended June 30, 2010, departmental expenses included casino expenses of \$519 million, room expenses of \$31.6 million, food and beverage expenses of \$72.7 million, and entertainment, retail and other expenses of \$47.6 million. Also included are general and administrative expenses of approximately \$95.7 million and approximately \$6.9 million charged as a provision for doubtful accounts receivable. Casino expenses have increased for the three months ended June 30, 2011 over the prior year quarter due primarily to an increase in casino revenues at our Las Vegas Operations, and at our Macau Operations where we incur a gaming revenue tax and other levies at a rate totaling 39% in accordance with the concession agreement. Room expenses were flat as the increase in revenue was due to increased average daily rates. Food and beverage and entertainment, retail and other expenses increased commensurate with the increase in revenues. General and administrative expenses decreased slightly primarily due to a decline in property taxes in Las Vegas.

*Pre-opening costs*

We incurred no pre-opening costs during the three months ended June 30, 2011. For the three months ended June 30, 2010, we incurred \$6.7 million of pre-opening costs primarily related to Encore at Wynn Macau which opened on April 21, 2010.

## **Table of Contents**

### *Depreciation and amortization*

Depreciation and amortization for the three months ended June 30, 2011 was \$102.1 million compared to \$101.4 million for the three months ended June 30, 2010. While there was little change between periods, assets with a 5-year life were fully depreciated as of April 2010 at Wynn Las Vegas, which was offset by depreciation of the assets of Encore at Wynn Macau which were placed into service in April 2010 and the assets of the Encore Beach Club and Surrender Nightclub in Las Vegas which were placed into service in May 2010.

During the construction of our properties, costs incurred in the construction of the buildings, improvements to land and the purchases of assets for use in operations were capitalized. Once these properties opened, their assets were placed into service and we began recognizing the associated depreciation expense. Depreciation expenses will continue throughout the estimated useful lives of these assets. In addition, we continually evaluate the useful life of our property and equipment, intangibles and other assets and adjust them when warranted.

The maximum useful life of assets at Wynn Macau is the remaining life of the gaming concession or land concession, which currently expire in June 2022 and August 2029, respectively. Consequently, depreciation related to Wynn Macau is charged on an accelerated basis when compared to our Las Vegas Operations.

### *Property charges and other*

Property charges and other for the three months ended June 30, 2011 were \$111.1 million compared to \$3 million for the three months ended June 30, 2010. For the three months ended June 30, 2011 property charges and other includes a charge of \$107.5 million reflecting the present value of a charitable contribution made by Wynn Macau to the University of Macau Development Foundation. This contribution consisted of a \$25 million payment made in May 2011, and commitments for additional donations of \$10 million each year for the calendar years 2012 through 2022 inclusive, for a total of \$135 million. The amount reflected in the accompanying Condensed Consolidated Statements of Income has been discounted using our current estimated borrowing rate over the time period of the remaining committed payments. Property charges and other for the three months ended June 30, 2011 also includes miscellaneous renovations and abandonments at our resorts.

Property charges and other for the three months ended June 30, 2010 related to miscellaneous renovations, abandonments and gain/loss on sale of equipment at our resorts.

In response to our evaluation of our resorts and the reactions of our guests, we continue to remodel and make enhancements at our resorts.

### *Other non-operating costs and expenses*

Interest income was \$1.6 million for the three months ended June 30, 2011 compared to \$0.6 million for the three months ended June 30, 2010. During 2011 and 2010, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. While we have recently invested in certain corporate bond securities and commercial paper which contributed to the increase in interest income, the majority of our investments were in money market funds, U.S. Treasuries and time deposits with a maturity of three months or less.

Interest expense was \$58.2 million, net of capitalized interest of \$0, for the three months ended June 30, 2011, compared to \$53.6 million, net of capitalized interest of \$1.8 million, for the three months ended June 30, 2010. Our interest expense increased compared to the prior year quarter primarily due to a decrease in interest capitalized and an increase in interest rates on our first mortgage notes, offset by a decrease in amounts outstanding under our Wynn Las Vegas and Wynn Macau bank credit revolving facilities.

---

**Table of Contents**

Changes in the fair value of our interest rate swaps are recorded as an increase (or decrease) in swap fair value in each period. We recorded a gain of approximately \$3.1 million for the three months ended June 30, 2011 resulting from the increase in the fair value of our interest rate swaps from March 31, 2011 to June 30, 2011. For the three months ended June 30, 2010 we recorded an expense of \$1.7 million resulting from the decrease in the fair value of interest rate swaps between March 31, 2010 and June 30, 2010. For further information on our interest rate swaps, see Item 3 Quantitative and Qualitative Disclosures about Market Risk.

As described in our 2010 Annual Report on Form 10-K, we completed an exchange offer for a portion of our 6 5/8% first mortgage notes in April 2010. In connection with that exchange offer, the direct costs incurred with third parties of \$3.2 million were expensed.

*Income Taxes*

For the three months ended June 30, 2011 and 2010, we recorded tax expense of \$5.2 million and \$1.9 million, respectively. Our provision for income taxes is primarily comprised of increases in our domestic valuation allowance for U.S. foreign tax credits not expected to provide a U.S. tax benefit in future years, foreign taxes assessable on the dividends of Wynn Macau, S.A. and foreign tax provisions related to our international marketing offices. Since June 30, 2010, we have no longer considered our portion of the tax earnings and profits of Wynn Macau, Limited to be permanently invested. No additional U.S. tax provision has been made with respect to amounts not considered permanently invested as we anticipate that U.S. foreign tax credits should be sufficient to eliminate any U.S. tax provision relating to such repatriation. To the extent that book earnings exceed the tax earnings and profits of Wynn Macau, Limited, such excess is considered permanently invested. For the three months ended June 30, 2011, we recognized income tax benefits related to excess tax deductions associated with stock compensation costs of \$6.6 million.

Effective September 6, 2006, Wynn Macau, S.A. received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits. On November 30, 2010 Wynn Macau, S.A. received an additional 5-year exemption through December 31, 2015. Accordingly, the Company was exempted from the payment of approximately \$13.3 million in such taxes during the three months ended June 30, 2011. Our non-gaming profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau Special Gaming tax and other levies together totaling 39% in accordance with our concession agreement.

During the three months ended June 30, 2011, we received the results of an IRS examination of our 2009 U.S. income tax return and filed an appeal of the examination's findings with the Appellate division of the IRS. During the same period, Wynn Macau, S.A. received the results of the Macau Finance Bureau's examination of its 2006 and 2007 Macau Complementary Tax returns. During July 2011, Wynn Macau filed an appeal of the examinations findings. We do not anticipate that the resolution of these issues will result in significant tax payments and believe that our liability for uncertain tax positions for the periods covered by these examinations is adequate.

*Net income attributable to noncontrolling interests*

In October 2009, Wynn Macau, Limited, our newly formed and indirect wholly-owned subsidiary and the developer, owner and operator of Wynn Macau, had its ordinary shares of common stock listed on The Stock Exchange of Hong Kong Limited. Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of its common stock through an initial public offering. We recorded net income attributable to noncontrolling interests of \$33.3 million for the three months ended June 30, 2011, compared to \$36.5 million for the three months ended June 30, 2010. This represents the noncontrolling interests' share of net income from Wynn Macau, Limited during each quarter.

---

**Table of Contents**

***Financial results for the six months ended June 30, 2011 compared to the six months ended June 30, 2010.***

*Revenues*

Net revenues for the six months ended June 30, 2011 are comprised of \$2,088.3 million in casino revenues (79.5% of total net revenues) and \$539.3 million of net non-casino revenues (20.5% of total net revenues). Net revenues for the six months ended June 30, 2010 are comprised of \$1,480.8 million in casino revenues (76.3% of total net revenues) and \$460.8 million of net non-casino revenues (23.7% of total net revenues).

Casino revenues are comprised of the net win from our table games and slot machine operations. Casino revenues for the six months ended June 30, 2011 of \$2,088.3 million represents a \$607.5 million (or 41%) increase from casino revenues of \$1,480.8 million for the six months ended June 30, 2010.

Our Las Vegas Operations experienced a \$95.8 million increase in casino revenues compared to the prior year due to a 12.1% increase in drop and an increase in our average table games win percentage. Our average table games win percentage (before discounts) for the six months ended June 30, 2011 was 29.1%, which was above the expected range of 21% to 24% and compares to 21.7% for the prior year. Slot machine handle at our Las Vegas Operations increased 4.3% compared to the prior year, and slot machine win increased 8.2% as more play shifted to higher hold slot machines.

Casino revenues at our Macau Operations, including Encore at Wynn Macau which opened on April 21, 2010, increased \$511.7 million during the six months ended June 30, 2011, compared to the prior year. We experienced a 36.3% increase in the VIP revenue segment due to a 47.8% increase in turnover, offset by a lower win percentage all compared to the prior year. Our win as a percent of turnover was 2.80%, which is within our expected range of 2.7% to 3.0%, and compares to 2.97% in the prior year. On April 21, 2010 we added 37 VIP tables with the opening of Encore, which helped drive some of the growth in our VIP segment during the six months ended June 30, 2011 compared to the prior year. Our VIP casino segment win as a percent of turnover includes a nominal beneficial effect attributable to non-rolling chip play. In our general casino drop increased 27.5% when compared to the prior year and the average table games win percentage was 27.8%, which is within our revised expected range of 26% to 28%. The average table game win percentage for the six months ended June 30, 2010 was 22.5%. Slot machine handle increased 49.2% compared to the prior year as a result of increased visitation to our resort and the opening of Encore at Wynn Macau and slot machine win increased 52.6%.

For the six months ended June 30, 2011, room revenues were approximately \$235.4 million, an increase of \$42 million (21.7%) compared to prior year room revenue of \$193.4 million. Room revenue at our Las Vegas Operations increased approximately \$22.6 million (14.4%) compared to the prior year. In Las Vegas, we experienced an increase in room rates during the six months ended June 30, 2011, compared to the six months ended June 30, 2010, with a slight decrease in occupancy rate. Room revenue at our Macau Operations increased approximately \$19.4 million (52.3%) due to the 414 additional suites added with the addition of Encore at Wynn Macau in April 2010 and increases in both occupancy rate and room rates compared to the prior year.

**Table of Contents**

The table below sets forth key operating measures related to room revenue.

	Six Months Ended June 30,	
	2011	2010
<b>Average Daily Rate</b>		
Las Vegas	\$ 240	\$ 200
Macau	311	285
<b>Occupancy</b>		
Las Vegas	88.5%	91.0%
Macau	89.6%	85.0%
<b>REVPAR</b>		
Las Vegas	\$ 212	\$ 182
Macau	278	242

Other non-casino revenues for the six months ended June 30, 2011 included food and beverage revenues of approximately \$276.7 million, retail revenues of approximately \$124.2 million, entertainment revenues of approximately \$39.7 million, and other revenues from outlets such as the spa and salon, of approximately \$37.5 million. Other non-gaming revenues for the six months ended June 30, 2010 included food and beverage revenues of approximately \$239.2 million, retail revenues of approximately \$101.2 million, entertainment revenues of approximately \$33.8 million, and other revenues from outlets, including the spa and salon, of approximately \$34.9 million. Food and beverage revenues at our Las Vegas Operations increased approximately \$24.7 million (11.9%), while our Macau Operations increased \$12.8 million (40.2%), as compared to the prior year. The increase in Las Vegas is due primarily to business in our nightclubs including the opening of the Encore Beach Club and Surrender nightclub in May 2010 and increases in our catering and restaurant business. Retail revenues at our Macau Operations increased \$20.7 million (33.8%), while retail at our Las Vegas Operations increased by \$2.4 million (6%). The increase at Wynn Macau is due primarily to strong same-store sales growth and the addition of three new boutiques at Encore at Wynn Macau. Entertainment revenues increased over the prior year primarily due to increased revenue from Garth Brooks in the Encore Theater and the Sinatra Dance with Me show, both in Las Vegas. The Sinatra Dance with Me show ended its run on April 23, 2011.

*Departmental, Administrative and Other Expenses*

For the six months ended June 30, 2011, departmental expenses included casino expenses of \$1,308.9 million, room expenses of \$62.5 million, food and beverage expenses of \$141 million, and entertainment, retail and other expenses of \$110.4 million. Also included are general and administrative expenses of approximately \$179.6 million and \$13.9 million charged as a provision for doubtful accounts receivable. For the six months ended June 30, 2010, departmental expenses included casino expenses of \$967.2 million, room expenses of \$62.8 million, food and beverage expenses of \$134.5 million, and entertainment, retail and other expenses of \$97.8 million. Also included are general and administrative expenses of approximately \$182.7 million and approximately \$13.9 million charged as a provision for doubtful accounts receivable. Casino expenses have increased during the six months ended June 30, 2011 due to an increase in casino revenues especially at our Macau Operations where we incur a gaming tax and other levies at a rate totaling 39% in accordance with the concession agreement. Room expenses were flat as the increase in revenue was due to increased average daily rates. Food and beverage and entertainment, retail and other expenses increased commensurate with the increase in revenues. General and administrative expenses decreased slightly primarily due to a decline in property taxes in Las Vegas.

*Pre-opening costs*

We incurred no pre-opening costs during the six months ended June 30, 2011. For the six months ended June 30, 2010, we incurred \$9 million of pre-opening costs primarily related to Encore at Wynn Macau which opened on April 21, 2010 and the Encore Beach Club which opened in Las Vegas on May 28, 2010.

## **Table of Contents**

### *Depreciation and amortization*

Depreciation and amortization for the six months ended June 30, 2011 was \$203.4 million compared to \$205.9 million for the six months ended June 30, 2010. While there was little change between periods, assets with a 5-year life were fully depreciated as of April 2010 at Wynn Las Vegas, which was offset by depreciation of the assets of Encore at Wynn Macau which were placed into service in April 2010 and the assets of the Encore Beach Club and Surrender Nightclub in Las Vegas which were placed into service in May 2010.

During the construction of our properties, costs incurred in the construction of the buildings, improvements to land and the purchases of assets for use in operations were capitalized. Once these properties opened, their assets were placed into service and we began recognizing the associated depreciation expense. Depreciation expenses will continue throughout the estimated useful lives of these assets. In addition, we continually evaluate the useful life of our property and equipment, intangibles and other assets and adjust them when warranted.

The maximum useful life of assets at our Macau Operations is the remaining life of the gaming concession or land concession, which currently expire in June 2022 and August 2029, respectively. Consequently, depreciation related to our Macau Operations is charged on an accelerated basis when compared to our Las Vegas Operations.

### *Property charges and other*

Property charges and other for the six months ended June 30, 2011, were \$114.4 million compared to \$4.8 million for the six months ended June 30, 2010. Property charges and other for the six months ended June 30, 2011 includes a charge of \$107.5 million reflecting the present value of a charitable contribution made by Wynn Macau to the University of Macau Development Foundation. This contribution consists of a \$25 million payment made in May 2011, and a commitment for additional donations of \$10 million each year for the calendar years 2012 through 2022 inclusive, for a total of \$135 million. The amount reflected in our accompanying Condensed Consolidated Statements of Income has been discounted using our current estimated borrowing rate over the time period of the remaining committed payments. Property charges and other for the six months ended June 30, 2011 also include the write off of certain costs related to a show that ended its run in Las Vegas and miscellaneous renovations and abandonments at our resorts.

Property charges and other for the six months ended June 30, 2010 related to miscellaneous renovations, abandonments and gain/loss on sale of equipment at our resorts.

In response to our evaluation of our properties and the reactions of our guests, we continue to remodel and make enhancements at our resorts.

### *Other non-operating costs and expenses*

Interest income was \$2 million and \$0.9 million for the six months ended June 30, 2011 and 2010, respectively. During 2011 and 2010, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. While we have recently invested in certain corporate bond securities and commercial paper which contributed to the increase in interest income, the majority of our short-term investments were primarily in investments in money market accounts, U.S. Treasury Bills and time deposits with a maturity of three months or less.

Interest expense was \$116.5 million, net of capitalized interest of \$0, for the six months ended June 30, 2011, compared to \$102.9 million, net of capitalized interest of \$7.2 million, for the six months ended June 30, 2010. Our interest expense increased compared to the prior year primarily due to a decrease in interest capitalized and an increase in interest rates on our first mortgage notes, offset by a decrease in amounts outstanding under our Wynn Las Vegas and Wynn Macau bank credit revolving facilities.

---

**Table of Contents**

Changes in the fair value of our interest rate swaps are recorded as an increase (or decrease) in swap fair value in each period. We recorded a gain of approximately \$7.4 million for the six months ended June 30, 2011 resulting from the increase in the fair value of our interest rate swaps from December 31, 2010 to June 30, 2011. For the six months ended June 30, 2010 we recorded an expense of \$5.3 million resulting from the decrease in the fair value of interest rate swaps between December 31, 2009 and June 30, 2010. For further information on our interest rate swaps, see Item 3 Quantitative and Qualitative Disclosures about Market Risk.

As described in our 2010 Annual Report on Form 10-K we completed an exchange offer for a portion of our 6 5/8% first mortgage notes in April 2010. In connection with that exchange offer, the direct costs incurred with third parties of \$3.2 million were expensed.

*Income Taxes*

For the six months ended June 30, 2011 and 2010, we recorded a tax expense of \$7.3 million and \$7 million, respectively. Our provision for income taxes is primarily comprised of increases in our domestic valuation allowance for U.S. foreign tax credits not expected to provide a U.S. tax benefit in future years, foreign taxes assessable on the dividends of Wynn Macau, S.A. and foreign tax provisions related to our international marketing offices. Since June 30, 2010, we have no longer considered our portion of the tax earnings and profits of Wynn Macau, Limited to be permanently invested. No additional U.S. tax provision has been made with respect to amounts not considered permanently invested as we anticipate that U.S. foreign tax credits should be sufficient to eliminate any U.S. tax provision relating to such repatriation. To the extent that book earnings exceed the tax earnings and profits of Wynn Macau, Limited, such excess is considered permanently invested. For the six months ended June 30, 2011, we recognized income tax benefits related to excess tax deductions associated with stock compensation costs of \$7.6 million.

Effective September 6, 2006, Wynn Macau, S.A. received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits. Accordingly, we were exempted from the payment of approximately \$34.5 million in such taxes for the six months ended June 30, 2011. Our non-gaming profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau Special Gaming tax and other levies at a rate totaling 39% in accordance with its concession agreement.

During the six months ended June 30, 2011, we received the results of an IRS examination of our 2009 U.S. income tax return and filed an appeal of the examination's findings with the Appellate division of the IRS. During the same period, Wynn Macau, S.A. received the results of the Macau Finance Bureau's examination of its 2006 and 2007 Macau Complementary Tax returns. During July, 2011, Wynn Macau filed an appeal of the examinations findings. We do not anticipate that the resolution of these issues will result in significant tax payments and believe that our liability for uncertain tax positions for the periods covered by these examinations is adequate.

*Net income attributable to noncontrolling interests*

In October 2009, Wynn Macau, Limited, our newly formed and indirect wholly-owned subsidiary and the developer, owner and operator of Wynn Macau, listed its ordinary shares of common stock on The Stock Exchange of Hong Kong Limited. Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of its common stock through an initial public offering. We recorded net income attributable to noncontrolling interests of \$85.8 million for the six months ended June 30, 2011, compared to \$67.4 million for the six months ended June 30, 2010. This represents the noncontrolling interests' share of net income from Wynn Macau, Limited during each period.

**Table of Contents****Adjusted Property EBITDA**

Adjusted property EBITDA is used by us to manage the operating results of our segments. Adjusted property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, corporate expenses, stock-based compensation, and other non-operating income and expenses, and includes equity in income from unconsolidated affiliates. Adjusted property EBITDA is presented exclusively as a supplemental disclosure because we believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. We use adjusted property EBITDA as a measure of the operating performance of our segments and to compare the operating performance of our properties with those of our competitors. We also present adjusted property EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with U.S. generally accepted accounting principles (GAAP). In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their EBITDA calculations pre-opening expenses, property charges and corporate expenses that do not relate to the management of specific casino properties. However, adjusted property EBITDA should not be considered as an alternative to operating income as an indicator of our performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with GAAP. Unlike net income, adjusted property EBITDA does not include depreciation or interest expense and therefore does not reflect current or future capital expenditures or the cost of capital. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in adjusted property EBITDA. Also, our calculation of adjusted property EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following table summarizes adjusted property EBITDA for our Las Vegas and Macau Operations as reviewed by management and summarized in Notes to Condensed Consolidated Financial Statements Note 18 Segment Information. That footnote also presents a reconciliation of adjusted property EBITDA to net income.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Las Vegas Operations	\$ 132,693	\$ 65,126	\$ 264,820	\$ 125,431
Macau Operations	314,348	216,248	587,179	397,838
	\$ 447,041	\$ 281,374	\$ 851,999	\$ 523,269

Our Las Vegas Operations benefited from a higher than normal table games win percentage, improved ADR, and an overall increase in all other revenue streams including entertainment and food and beverage. While we experienced a decrease in occupancy compared to the prior year, we were able to achieve an increase in ADR as we adjusted rates to attract a higher quality customer who would take advantage of all aspects of our resort. While we benefited from higher win percentages on our table games and higher non-casino revenues during the quarter and year to date periods, the economic environment in the Las Vegas market is still uncertain.

Our Macau Operations adjusted property EBITDA has increased as the Macau market continues to grow and as a result of our expansion of that resort. Refer to the discussions above regarding the specific details of our results of operations.



---

**Table of Contents**

**Liquidity and Capital Resources**

***Cash Flow from Operations***

Our operating cash flows primarily consist of our operating income generated by our Las Vegas and Macau operations (excluding depreciation and other non-cash charges), interest paid, and changes in working capital accounts such as receivables, inventories, prepaid expenses, and payables. Our table games play both in Macau and Las Vegas is a mix of cash play and credit play, while our slot machine play is conducted primarily on a cash basis. A portion of our table games revenue is attributable to the play of a limited number of premium international customers who gamble on credit. The ability to collect these gaming receivables may impact our operating cash flow for the period. Our rooms, food and beverage, and entertainment, retail, and other revenue is conducted primarily on a cash basis or as a trade receivable. Accordingly, operating cash flows will be impacted by changes in operating income and accounts receivables.

Net cash provided by operations for the six months ended June 30, 2011 was \$831 million compared to \$422.6 million provided by operations for the six months ended June 30, 2010. This increase is primarily due to the increase in operating income as a result of increased operating department profitability at both our Las Vegas Operations and our Macau Operations, especially in the casino, room and food and beverage departments. Also contributing to this increase was the positive impact of ordinary working capital changes primarily driven by customer deposits partially offset by an increase in cash paid for interest for the six months ended June 30, 2011.

***Capital Resources***

We require a certain amount of cash on hand for operations. At June 30, 2011, we had approximately \$1.7 billion of cash and cash equivalents available for operations, debt service and retirement, development activities, general corporate purposes and enhancements to our resorts. Approximately \$961.7 million of our cash balance at June 30, 2011 is held by Wynn Macau, Limited and its subsidiaries of which we own 72.3%. Approximately \$543.5 million of our cash balance is held by Wynn Resorts, Limited, which is not a guarantor of the debt of its subsidiaries, including Wynn Las Vegas, LLC and Wynn Macau, S.A. As of June 30, 2011, we had \$347.5 million available to draw under our Wynn Las Vegas Credit Facilities and \$1 billion available to draw under our Wynn Macau Credit Facilities. Debt maturities for the remainder of 2011 are \$75 million. We believe that cash flow from operations and our existing cash balances will be adequate to satisfy our anticipated uses of capital during 2011.

Cash and cash equivalents include investments in money market accounts, U.S. Treasuries, bank time deposits and commercial paper, all with maturities of less than 90 days.

***Investing Activities***

Capital expenditures were \$51.3 million for the six months ended June 30, 2011, and related primarily to the room and suite remodel that began last year at Wynn Las Vegas. Capital expenditures for the six months ended June 30, 2010 were \$188.6 million and related primarily to the construction of Encore at Wynn Macau and the Beach Club and Surrender Nightclub at Wynn Las Vegas.

During the six months ended June 30, 2011, we invested \$172 million in corporate debt securities and commercial paper.

***Financing Activities***

***Las Vegas Operations***

As of June 30, 2011, our Wynn Las Vegas credit facilities, as amended, (collectively the Wynn Las Vegas Credit Facilities ) consisted of a \$108.5 million revolving credit facility, due July 2013 and a \$258.4 million revolving credit facility due July 2015 (together the Wynn Las Vegas Revolver ), and a fully drawn \$44.3

---

**Table of Contents**

million term loan facility due August 2013 and a fully drawn \$330.6 million term loan facility due August 2015 (together the Wynn Las Vegas Term Loan ). During the six months ended June 30, 2011, we repaid \$20.1 million of borrowings under the Wynn Las Vegas Revolver. As of June 30, 2011, the Wynn Las Vegas Term Loan was fully drawn and we had no borrowings outstanding under the Wynn Las Vegas Revolver. We had \$19.5 million of outstanding letters of credit that reduce our availability under the Wynn Las Vegas Revolver. Accordingly, we have availability of \$347.5 million under the Wynn Las Vegas Revolver as of June 30, 2011.

*Macau Operations*

As of June 30, 2011, our Wynn Macau credit facilities, as amended, (collectively the Wynn Macau Credit Facilities ) consisted of a \$550 million equivalent fully-funded senior term loan facility (the Wynn Macau Term Loan ), and a \$1 billion equivalent senior revolving credit facility (the Wynn Macau Revolver ) in a combination of Hong Kong and U.S. dollars. Wynn Macau, S.A. also has the ability to increase the total facilities by an additional \$50 million pursuant to the terms and provisions of the Amended Common Terms Agreement. During the six months ended June 30, 2011, we repaid \$100.2 million of borrowings under the Wynn Macau Revolver. As of June 30, 2011, the Wynn Macau Term Loan was fully drawn and we had no borrowings outstanding under the Wynn Macau Revolver. We have \$1 billion of availability under the Wynn Macau Revolver as of June 30, 2011.

In May 2011, we paid a cash dividend of \$0.50 per share. In May 2010, we paid a cash dividend of \$0.25 per share.

*Off Balance Sheet Arrangements*

We have not entered into any transactions with special purpose entities nor do we engage in any derivatives except for floating-for-fixed interest rate swaps described under Item 3. Quantitative and Qualitative Disclosures About Market Risk. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity. At June 30, 2011, we had outstanding letters of credit totaling \$19.5 million.

*Contractual Obligations and Commitments*

Other than the paydown of \$122 million under our bank credit facilities, there have been no material changes during the quarter to our contractual obligations or off balance sheet arrangements as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

*Other Liquidity Matters*

Wynn Resorts is a holding company and, as a result, our ability to pay dividends is highly dependent on our ability to obtain funds and our subsidiaries' ability to provide funds to us. Restrictions imposed by our Wynn Las Vegas and Wynn Macau debt instruments significantly restrict our ability to pay dividends. Specifically, Wynn Las Vegas, LLC and certain of its subsidiaries are restricted under the indentures governing the first mortgage notes from making certain restricted payments as defined in the indentures. These restricted payments include the payment of dividends or distributions to any direct or indirect holders of equity interests of Wynn Las Vegas, LLC. These restricted payments may not be made unless certain financial and non-financial criteria have been satisfied. The Wynn Las Vegas Credit Facilities contain similar restrictions. While the Wynn Macau Credit Facility contains similar restrictions, Wynn Macau is currently in compliance with all requirements, namely satisfaction of its leverage ratio, which must be met in order to pay dividends and is presently able to pay dividends in accordance with the Wynn Macau Credit Facilities.

Wynn Las Vegas, LLC intends to fund its operations and capital requirements from operating cash flow and availability under the Wynn Las Vegas Revolver. We cannot assure you however, that our Las Vegas Operations will generate sufficient cash flow from operations or the availability of additional indebtedness will be sufficient

## **Table of Contents**

to enable us to service and repay Wynn Las Vegas, LLC's indebtedness and to fund its other liquidity needs. Similarly, we expect that Wynn Macau will fund Wynn Macau, S.A.'s debt service obligations with existing cash, operating cash flow and availability under the Wynn Macau Revolver. However, we cannot assure you that operating cash flows will be sufficient to do so. We may refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of the indebtedness on acceptable terms or at all.

New business developments or other unforeseen events may occur, resulting in the need to raise additional funds. We continue to explore opportunities to develop additional gaming or related businesses in domestic and international markets. There can be no assurances regarding the business prospects with respect to any other opportunity. Any new development would require us to obtain additional financing. We may decide to conduct any such development through Wynn Resorts or through subsidiaries separate from the Las Vegas or Macau-related entities.

Wynn Resorts' articles of incorporation provide that Wynn Resorts may redeem shares of its capital stock, including its common stock, that are owned or controlled by an unsuitable person or its affiliates to the extent a gaming authority makes a determination of unsuitability and orders the redemption, or to the extent deemed necessary or advisable by our Board of Directors. The redemption price may be paid in cash, by promissory note or both, as required by the applicable gaming authority and, if not, as we elect. Any promissory note that we issue to an unsuitable person or its affiliate in exchange for its shares could increase our debt to equity ratio and would increase our leverage ratio.

## **Critical Accounting Policies and Estimates**

A description of our critical accounting policies is included in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2010. There has been no material change to these policies for the six months ended June 30, 2011.

## **Recently Issued Accounting Standards**

In May 2011, the Financial Accounting Standards Board (the "FASB") issued an accounting standards update that is intended to align the principles for fair value measurements and the related disclosure requirements under US GAAP and IFRS. From a US GAAP perspective, the updates are largely clarifications and certain additional disclosures. The effective date for this update is for years, and the interim periods within those years, beginning after December 15, 2011. This update is not expected to have a material impact on our financial statements.

In June 2011, the FASB issued an accounting standards update that will require items of net income, items of other comprehensive income ("OCI") and total comprehensive income to be presented in one continuous statement or two separate but consecutive statements. This will make the presentation of items within OCI more prominent. Companies will no longer be allowed to present OCI in the statement of stockholders equity. The effective date for this update is for years, and the interim periods within those years, beginning after December 15, 2011.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices.

### *Interest Rate Risks*

One of our primary exposures to market risk is interest rate risk associated with our debt facilities that bear interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed

---

**Table of Contents**

rate borrowings and variable rate borrowings, and using hedging activities. We cannot assure you that these risk management strategies will have the desired effect, and interest rate fluctuations could have a negative impact on our results of operations. We do not use derivative financial instruments, other financial instruments or derivative commodity instruments for trading or speculative purposes.

*Interest Rate Swap Information*

We have entered into floating-for-fixed interest rate swap arrangements relating to certain of our floating-rate debt facilities. We measure the fair value of our interest rate swaps on a recurring basis.

*Wynn Las Vegas*

As of June 30, 2011, we have one interest rate swap intended to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Las Vegas Credit Facilities. Under this swap agreement, we pay a fixed interest rate of 2.485% on borrowings of \$250 million incurred under the Wynn Las Vegas Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the interest rate on \$250 million of borrowings under the Wynn Las Vegas Credit Facilities at approximately 5.485%. This interest rate swap agreement matures in November 2012. Changes in the fair value of this interest rate swap have and will continue to be recorded as an increase/(decrease) in swap fair value in our Condensed Consolidated Statements of Income as this swap does not qualify for hedge accounting.

*Wynn Macau*

As of June 30, 2011, we have three interest rate swaps intended to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under the first swap agreement, we pay a fixed interest rate of 3.632% on U.S. dollar borrowings of \$153.8 million incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amounts at a variable interest rate based on the applicable LIBOR at the time of payment. As of June 30, 2011, this interest rate swap fixes the interest rate on \$153.8 million of the current U.S. dollar borrowings under the Wynn Macau Credit Facilities at approximately 4.88% - 5.38%. Under the second swap agreement, we pay a fixed interest rate of 3.39% on Hong Kong dollar borrowings of approximately HK \$991.6 million (approximately US\$127 million) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amounts at a variable interest rate based on the applicable HIBOR at the time of payment. As of June 30, 2011, this interest rate swap fixes the interest rate on approximately \$127 million of the current Hong Kong dollar borrowings under the Wynn Macau Credit Facilities at approximately 4.64%. Both of these interest rate swap agreements mature in August 2011. We entered into a third interest rate swap agreement at Wynn Macau to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under this swap agreement we pay a fixed interest rate of 2.15% on borrowings of approximately HK\$2.3 billion (approximately US\$300 million) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. This interest rate swap fixes the interest rate on HK\$2.3 billion (approximately US\$300 million) of borrowings under the Wynn Macau Credit Facilities at approximately 3.4%. This interest rate swap agreement matures in June 2012.

Changes in the fair values of these interest rate swaps for each reporting period recorded are, and will continue to be, recognized as an increase/(decrease) in swap fair value in our Condensed Consolidated Statements of Income as the swaps do not qualify for hedge accounting.

**Table of Contents***Summary of Historical Fair Values*

The following table presents the historical liability fair values of our interest rate swap arrangements as of June 30, 2011 and December 31, 2010 (amounts in thousands):

Liability fair value:	Las Vegas	Macau	Total Interest Rate Swaps
June 30, 2011	\$ 7,089	\$ 6,995	\$ 14,084
December 31, 2010	\$ 8,457	\$ 12,992	\$ 21,449

The fair value approximates the amount the Company would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability and fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date as applicable.

*Interest Rate Sensitivity*

As of June 30, 2011, approximately 95% of our long-term debt was based on fixed rates, including the notional amounts related to interest rate swaps. Based on our borrowings as of June 30, 2011, an assumed 1% change in variable rates would cause our annual interest cost to change by \$1.5 million.

*Foreign Currency Risk*

The currency delineated in Wynn Macau's concession agreement with the government of Macau is the Macau pataca. The Macau pataca, which is not a freely convertible currency, is linked to the Hong Kong dollar, and in many cases the two are used interchangeably in Macau. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar and the U.S. dollar, are subject to potential changes due to, among other things, changes in Chinese governmental policies and international economic and political developments.

If the Hong Kong dollar and the Macau pataca are not linked to the U.S. dollar in the future, severe fluctuations in the exchange rate for these currencies may result. We cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

Because many of Wynn Macau's payment and expenditure obligations are in Macau patacas, in the event of unfavorable Macau pataca or Hong Kong dollar rate changes, Wynn Macau's obligations, as denominated in U.S. dollars, would increase. In addition, because we expect that most of the revenues for any casino that Wynn Macau operates in Macau will be in Hong Kong dollars, we are subject to foreign exchange risk with respect to the exchange rate between the Hong Kong dollar and the U.S. dollar. Also, because our Macau-related entities incur U.S. dollar-denominated debt, fluctuations in the exchange rates of the Macau pataca or the Hong Kong dollar, in relation to the U.S. dollar, could have adverse effects on Wynn Macau's results of operations, financial condition and ability to service its debt.

**Item 4. Controls and Procedures**

(a) *Disclosure Controls and Procedures.* The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by

**Table of Contents**

this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter to which this report relates that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Table of Contents**

### **Part II OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

We are occasionally party to lawsuits. As with all litigation, no assurance can be provided as to the outcome of such matters and we note that litigation inherently involves significant costs. For information regarding the Company's legal matters see Note 16 to our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

#### **Item 1A. Risk Factors**

A description of our risk factors can be found in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010. There were no material changes to those risk factors during the six months ended June 30, 2011.

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

##### *Dividend Restrictions*

In November 2009, our Board of Directors approved the commencement of a regular quarterly cash dividend program beginning in 2010. On July 14, 2011, our Board of Directors declared a dividend of \$0.50 per share, payable on August 11, 2011 to stockholders of record as of July 28, 2011. On April 19, 2011, our Board of Directors declared a dividend of \$0.50 per share which was paid on May 17, 2011 to stockholders of record as of May 3, 2011. Wynn Resorts is a holding company and, as a result, our ability to pay dividends is highly dependent on our ability to obtain funds and our subsidiaries' ability to provide funds to us. Restrictions imposed by our subsidiaries' debt instruments significantly restrict our ability to pay dividends. Specifically, Wynn Las Vegas, LLC and certain of its subsidiaries are restricted under the indentures governing the first mortgage notes from making certain restricted payments as defined in the indentures. These restricted payments include the payment of dividends or distributions to any direct or indirect holders of equity interests of Wynn Las Vegas, LLC. These restricted payments may not be made unless certain financial and non-financial criteria have been satisfied. The Wynn Las Vegas, LLC Credit Facilities contain similar restrictions. While the Wynn Macau Credit Facility contains similar restrictions, Wynn Macau is currently in compliance with all requirements, namely satisfaction of its leverage ratio, which must be met in order to pay dividends and is presently able to pay dividends in accordance with the Wynn Macau Credit Facilities.

In May 2011, the Company repurchased a total of 7,223 shares at an average price of \$145 per share in satisfaction of tax withholding obligations on vested restricted stock.

#### **Item 5. Other Information.**

At the Company's 2011 Annual Meeting of Stockholders held on May 17, 2011, stockholders voted on an advisory (non-binding) proposal regarding the frequency of future advisory votes on executive compensation. As we reported on a Form 8-K filed on May 20, 2011, approximately 71% of the votes cast on the frequency proposal voted in favor of holding an advisory vote on executive compensation every three years. Following consideration of the stockholder vote on the frequency proposal, the Company's Board of Directors has determined to hold an advisory vote on executive compensation every three years.

**Table of Contents**

**Item 6. Exhibits**

(a) Exhibits

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Second Amended and Restated Articles of Incorporation of the Registrant. (1)
3.2	Fourth Amended and Restated Bylaws of the Registrant, as amended. (2)
*31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
*31.2	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
*32	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350.
*101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed with the SEC on August 9, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2011 and 2010, (ii) the Condensed Consolidated Balance Sheets at June 30, 2011 and December 31 2010, (iii) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010, and (iv) Notes to Condensed Consolidated Financial Statements.**

\* Filed herewith.

\*\* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this quarterly Report on Form 10-Q shall be deemed to be not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

(1) Previously filed with Amendment No. 4 to the Form S-1 filed by the Registrant on October 7, 2002 (File No. 333-90600) and incorporated herein by reference.

(2) Previously filed with the Quarterly Report on Form 10-Q filed by the Registrant on August 9, 2007 and incorporated herein by reference.



**Table of Contents**

**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.

**WYNN RESORTS, LIMITED**

Dated: August 9, 2011

By:

/s/ MATT MADDOX  
**Matt Maddox**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial Officer)**

40