

WYNN RESORTS LTD  
Form 10-Q  
November 12, 2013  
Table of Contents

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

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2013

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)

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

Edgar Filing: WYNN RESORTS LTD - Form 10-Q

3131 Las Vegas Boulevard South - Las Vegas, Nevada 89109

(Address of principal executive offices) (Zip Code)

(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 October 31, 2013
Common stock, \$0.01 par value	101,155,304

**Table of Contents**

**WYNN RESORTS, LIMITED AND SUBSIDIARIES**

**INDEX**

**Part I. Financial Information**

Item 1.	Financial Statements	
	<u>Condensed Consolidated Balance Sheets – September 30, 2013 (unaudited) and December 31, 2012</u>	3
	<u>Condensed Consolidated Statements of Income (unaudited) – Three and nine months ended September 30, 2013 and 2012</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income (unaudited) – Three and nine months ended September 30, 2013 and 2012</u>	5
	<u>Condensed Consolidated Statements of Cash Flows (unaudited) – Nine months ended September 30, 2013 and 2012</u>	6
	<u>Condensed Consolidated Statement of Stockholders – Equity (unaudited) – Nine months ended September 30, 2013</u>	7
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	8
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
Item 4.	<u>Controls and Procedures</u>	53
<b>Part II.</b>	<b>Other Information</b>	
Item 1.	<u>Legal Proceedings</u>	54
Item 1A.	<u>Risk Factors</u>	54
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
Item 6.	<u>Exhibits</u>	55
	<u>Signature</u>	56

**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)

	September 30, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,041,155	\$ 1,725,219
Restricted cash and investment securities	394,656	138,887
Receivables, net	216,247	238,573
Inventories	73,038	63,799
Prepaid expenses and other	40,460	35,900
<b>Total current assets</b>	<b>2,765,556</b>	<b>2,202,378</b>
Property and equipment, net	4,810,378	4,727,899
Restricted cash and investment securities	304,039	140,334
Intangibles, net	31,146	31,297
Deferred financing costs, net	62,213	71,189
Deposits and other assets	92,354	99,227
Investment in unconsolidated affiliates	3,942	4,270
<b>Total assets</b>	<b>\$ 8,069,628</b>	<b>\$ 7,276,594</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts and construction payables	\$ 213,519	\$ 164,858
Current portion of long-term debt	223,452	1,050
Current portion of land concession obligation	28,625	27,937
Customer deposits	750,324	544,649
Gaming taxes payable	181,823	163,092
Accrued compensation and benefits	106,008	75,962
Accrued interest	68,803	100,562
Other accrued liabilities	47,178	44,244
Construction retention	2,917	3,826
Deferred income taxes, net	2,962	3,178
Income taxes payable	1,551	2,019
<b>Total current liabilities</b>	<b>1,627,162</b>	<b>1,131,377</b>
Long-term debt	5,986,557	5,781,770
Land concession obligation	61,671	76,186
Other long-term liabilities	131,875	137,830
Deferred income taxes, net	21,024	45,499
<b>Total liabilities</b>	<b>7,828,289</b>	<b>7,172,662</b>
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, par value \$0.01; 40,000,000 shares authorized; zero shares issued and outstanding	1,141	1,137

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

Common stock, par value \$0.01; 400,000,000 shares authorized; 114,106,793 and 113,730,442 shares issued; 101,137,504 and 100,866,712 shares outstanding, respectively

Treasury stock, at cost; 12,969,289 and 12,863,730 shares, respectively	(1,141,899)	(1,127,947)
Additional paid-in capital	881,985	818,821
Accumulated other comprehensive income	3,078	4,177
Retained earnings	256,992	44,775
Total Wynn Resorts, Limited stockholders' equity (deficit)	1,297	(259,037)
Noncontrolling interest	240,042	362,969
Total equity	241,339	103,932
Total liabilities and stockholders' equity	\$ 8,069,628	\$ 7,276,594

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 per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Operating revenues:</b>				
Casino	\$ 1,105,595	\$ 1,012,841	\$ 3,228,246	\$ 3,015,510
Rooms	123,078	119,635	372,931	362,018
Food and beverage	152,218	156,568	461,474	452,845
Entertainment, retail and other	105,144	101,087	309,738	308,398
Gross revenues	1,486,035	1,390,131	4,372,389	4,138,771
Less: promotional allowances	(95,923)	(91,636)	(271,350)	(273,571)
Net revenues	1,390,112	1,298,495	4,101,039	3,865,200
<b>Operating costs and expenses:</b>				
Casino	699,897	653,863	2,062,507	1,974,207
Rooms	33,646	31,944	101,020	95,193
Food and beverage	84,118	80,652	253,458	235,570
Entertainment, retail and other	45,478	46,881	128,760	144,647
General and administrative	105,026	115,785	332,316	321,512
Provision for doubtful accounts	11,325	5,283	7,104	6,068
Pre-opening costs	706		1,592	
Depreciation and amortization	93,325	94,274	279,061	280,142
Property charges and other	2,613	22,721	13,571	36,547
Total operating costs and expenses	1,076,134	1,051,403	3,179,389	3,093,886
Operating income	313,978	247,092	921,650	771,314
<b>Other income (expense):</b>				
Interest income	3,215	3,759	11,595	7,807
Interest expense, net of capitalized interest	(73,549)	(75,082)	(222,690)	(211,017)
(Decrease) increase in swap fair value	(3,525)		13,131	4,930
Loss on extinguishment of debt		(19,663)	(26,578)	(24,491)
Equity in income from unconsolidated affiliates	288	190	879	911
Other	1,123	1,249	4,385	936
Other income (expense), net	(72,448)	(89,547)	(219,278)	(220,924)
Income before income taxes	241,530	157,545	702,372	550,390
Benefit for income taxes	7,281	7,626	11,299	12,483
Net income	248,811	165,171	713,671	562,873
Less: Net income attributable to noncontrolling interest	(66,791)	(53,136)	(198,903)	(172,210)

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

Net income attributable to Wynn Resorts, Limited	\$ 182,020	\$ 112,035	\$ 514,768	\$ 390,663
Basic and diluted income per common share:				
Net income attributable to Wynn Resorts, Limited:				
Basic	\$ 1.81	\$ 1.12	\$ 5.12	\$ 3.75
Diluted	\$ 1.79	\$ 1.11	\$ 5.07	\$ 3.71
Weighted average common shares outstanding:				
Basic	100,685	99,871	100,470	104,104
Diluted	101,547	100,892	101,526	105,291
Dividends declared per common share:	\$ 1.00	\$ 0.50	\$ 3.00	\$ 1.50

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 COMPREHENSIVE INCOME****(amounts in thousands)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 248,811	\$ 165,171	\$ 713,671	\$ 562,873
Other comprehensive income:				
Foreign currency translation adjustments, net of tax	28	1,263	(1,758)	2,006
Unrealized gain on available-for-sale securities, net of tax	415	784	231	1,709
Total comprehensive income	249,254	167,218	712,144	566,588
Less: Comprehensive income attributable to noncontrolling interest	(66,834)	(53,654)	(198,475)	(173,140)
Comprehensive income attributable to Wynn Resorts, Limited	\$ 182,420	\$ 113,564	\$ 513,669	\$ 393,448

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)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 713,671	\$ 562,873
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	279,061	280,142
Deferred income taxes	(13,863)	(15,814)
Stock-based compensation	35,072	13,704
Excess tax benefits from stock-based compensation	(10,646)	(1,638)
Amortization of deferred financing costs and other	13,312	18,834
Loss on extinguishment of debt	26,578	13,116
Provision for doubtful accounts	7,104	6,068
Property charges and other	4,097	35,049
Equity in income of unconsolidated affiliates, net of distributions	328	282
Increase in swap fair value	(13,131)	(4,930)
Increase (decrease) in cash from changes in:		
Receivables, net	15,578	16,896
Inventories and prepaid expenses and other	(11,616)	5,216
Accounts payable and accrued expenses	235,789	59,438
Net cash provided by operating activities	1,281,334	989,236
Cash flows from investing activities:		
Capital expenditures, net of construction payables and retention	(324,828)	(168,315)
Purchase of corporate debt securities	(190,477)	(297,781)
Proceeds from sale or maturity of corporate debt securities	113,346	118,168
Restricted cash	(100,597)	
Deposits and purchase of other assets	(8,369)	(3,753)
Proceeds from sale of assets	20,347	551
Net cash used in investing activities	(490,578)	(351,130)
Cash flows from financing activities:		
Proceeds from exercise of stock options	17,545	1,227
Excess tax benefits from stock-based compensation	10,646	1,638
Proceeds from issuance of long-term debt	697,842	1,648,598
Principal payments on long-term debt	(275,755)	(1,022,108)
Restricted cash for redemption of notes payable	(243,038)	
Interest rate swap settlement		(2,368)
Payments on long-term land concession obligation	(13,785)	
Payments of financing costs	(24,591)	(44,491)
Purchase of treasury stock	(13,952)	(911)
Dividends paid	(631,698)	(154,059)
Net cash (used in) provided by financing activities	(476,786)	427,526

Edgar Filing: WYNN RESORTS LTD - Form 10-Q

Effect of exchange rate on cash	1,966	2,718
Cash and cash equivalents:		
Increase in cash and cash equivalents	315,936	1,068,350
Balance, beginning of period	1,725,219	1,262,587
Balance, end of period	\$ 2,041,155	\$ 2,330,937

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

Table of Contents

## WYNN RESORTS, LIMITED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(amounts in thousands, except share data)

(unaudited)

	Common stock						Retained earnings	Total Wynn Resorts, Ltd. stockholders equity (deficit)	Noncontrolling interest	Total stockholders equity
	Shares outstanding	Par value	Treasury stock	Additional paid-in capital	Accumulated other comprehensive income					
Balances, January 1, 2013	100,866,712	\$ 1,137	\$ (1,127,947)	\$ 818,821	\$ 4,177	\$ 44,775	\$ (259,037)	\$ 362,969	\$ 103,932	
Net income						514,768	514,768	198,903	713,671	
Currency translation adjustment					(1,271)		(1,271)	(487)	(1,758)	
Net unrealized gain on investments					172		172	59	231	
Exercise of stock options	329,351	3		17,542			17,545		17,545	
Cancellation of restricted stock	(78,100)									
Purchase of treasury stock	(105,559)		(13,952)				(13,952)		(13,952)	
Issuance of restricted stock	125,100	1		(1)						
Cash dividends declared				481		(302,551)	(302,070)	(322,304)	(624,374)	
Excess tax benefits from stock-based compensation				10,827			10,827		10,827	
Stock-based compensation				34,315			34,315	902	35,217	
Balances, September 30, 2013	101,137,504	\$ 1,141	\$ (1,141,899)	\$ 881,985	\$ 3,078	\$ 256,992	\$ 1,297	\$ 240,042	\$ 241,339	

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) owns 72.3% of Wynn Macau, Limited which operates a casino hotel resort property in Macau. Our Macau operations consist of a resort destination casino located in the Macau Special Administrative Region of the People's Republic of China featuring two luxury hotel towers with a total of 1,008 spacious guest rooms and suites, approximately 275,000 square feet of casino space, casual and fine dining in eight restaurants, approximately 57,000 square feet of retail space, recreation and leisure facilities, including two health clubs and spas and a pool. The Company is also currently constructing Wynn Palace, a full-scale integrated resort in the Cotai area of Macau containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail offerings, and food and beverage outlets.

The Company also owns and operates a casino hotel resort property in Las Vegas, Nevada. Our Las Vegas operations feature two luxury hotel towers with a total of 4,748 spacious guest rooms, suites and villas, approximately 186,000 square feet of casino space, 35 food and beverage outlets featuring signature chefs, an on-site 18-hole golf course, approximately 284,000 square feet of meeting and convention space, a Ferrari and Maserati dealership, approximately 96,000 square feet of retail space as well as two showrooms, three nightclubs and a beach club.

*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 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 and nine months ended September 30, 2013, 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, 2012.

**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 \$876 million and \$969.2 million at September 30, 2013 and December 31, 2012, respectively, were invested in time deposits, money market accounts and commercial paper. In addition, the Company held bank deposits and cash on hand of approximately \$1,165.2 million and \$756 million as of September 30, 2013 and December 31, 2012, respectively.

**Table of Contents**

*Restricted Cash and Investment Securities*

Restricted cash balances totaled approximately \$443 million and \$99.2 million at September 30, 2013 and December 31, 2012, respectively. At September 30, 2013, the Company's current restricted cash consists of \$243 million held for the purpose of redeeming, in November 2013, the portion of Wynn Las Vegas, LLC ( "Wynn Las Vegas" ), an indirect wholly owned subsidiary of Wynn Resorts, Limited, 7.7% First Mortgage Notes due 2017 that were not tendered in May 2013 in the cash tender offer (the "tender offer" ). For more information on the Wynn Las Vegas tender offer, see Note 9 "Long-Term Debt" . At September 30, 2013 and December 31, 2012, the Company's long-term restricted cash consisted of approximately \$200 million and \$99.2 million, respectively, which represent certain proceeds of the Company's financing activities that were restricted by the agreements governing the Company's debt instruments for the payment of certain Wynn Palace related construction and development costs.

Investment securities consist of short-term and long-term investments in domestic and foreign corporate debt securities and commercial paper. The Company's investment policy limits the amount of exposure to any one issuer with the objective of minimizing the potential risk of principal loss. Management determines the appropriate classification (held-to-maturity/available-for-sale) of its securities at the time of purchase and reevaluates such designation as of each balance sheet date. The Company's current investments are reported at fair value, with unrealized gains and losses, net of tax, reported in other comprehensive income. Adjustments are made 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 September 30, 2013 and December 31, 2012, approximately 84% 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 or after two years, whichever period is shorter. 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. During the nine months ended September 30, 2013, the Company recorded an adjustment to its reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends. This adjustment benefitted operating income by \$14.9 million and net income attributable to Wynn Resorts, Limited by \$12 million (or \$0.12 per share on a fully diluted basis for the nine months ended September 30, 2013).

During the nine months ended September 30, 2012, the Company recorded a similar adjustment which benefitted operating income by \$30.9 million and net income attributable to Wynn Resorts, Limited by \$23.3 million (or \$0.22 per share on a fully diluted basis for the nine months ended September 30, 2012).

*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.

**Table of Contents***Redemption Price Promissory Note*

Based on the Board of Directors' finding of unsuitability, on February 18, 2012, the Company redeemed and cancelled Aruze USA, Inc.'s 24,549,222 shares of Wynn Resorts' common stock. On February 18, 2012, the Company issued a subordinated Redemption Price Promissory Note (the Redemption Note) with a principal amount of approximately \$1.94 billion in redemption of all of the shares of Wynn Resorts' common stock held by Aruze USA, Inc.

The Company recorded the fair value of the Redemption Note at its estimated present value of approximately \$1.94 billion in accordance with applicable accounting guidance. In determining this fair value, the Company considered the stated maturity of the Redemption Note, its stated interest rate, and the uncertainty of the related cash flows of the Redemption Note as well as the potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with Aruze USA, Inc. and its affiliates (see Note 15 Commitments and Contingencies); the outcome of on-going investigations by the Nevada Gaming Control Board and/or other governmental regulatory agencies; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, the Company considered its ability, at its sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, the Company reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note. When considering the appropriate rate of interest to be used to determine fair value for accounting purposes and in light of the uncertainty in the timing of the cash flows, the Company used observable inputs from a range of trading values of financial instruments with terms and lives similar to the estimated life and terms of the Redemption Note. As a result of this analysis, the Company concluded the Redemption Note's stated rate of 2% approximated a market rate. For more information on the redemption and ongoing litigation, please see Note 15 Commitments and Contingencies.

*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. Cash discounts, other cash incentives related to casino play and commissions rebated through junkets to customers are recorded as a reduction to casino revenue. 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.

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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Rooms	\$ 13,865	\$ 13,647	\$ 39,094	\$ 39,845
Food and beverage	29,539	26,188	83,132	80,271
Entertainment, retail and other	4,135	4,803	10,779	13,498
	\$ 47,539	\$ 44,638	\$ 133,005	\$ 133,614

**Table of Contents***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. These taxes totaled approximately \$488.5 million and \$448.6 million for the three months ended September 30, 2013 and 2012, respectively. These taxes totaled approximately \$1,431.7 million and \$1,356.2 million for the nine months ended September 30, 2013 and 2012, respectively.

*Advertising Costs*

The Company expenses advertising costs the first time the advertising takes place and such costs are primarily included in general and administrative expenses. For the three months ended September 30, 2013 and 2012, advertising costs totaled approximately \$4.1 million and \$5.5 million, respectively. These costs totaled approximately \$16.5 million and \$16.8 million for the nine months ended September 30, 2013 and 2012, respectively.

*Fair Value Measurements*

The Company measures certain of its financial assets and liabilities, such as cash equivalents, available-for-sale securities and interest rate swaps, at fair value on a recurring basis pursuant to accounting standards for fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These accounting 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 following table presents assets (liabilities) carried at fair value (amounts in thousands):

	Fair Value Measurements Using:			
	Total	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	Carrying Value			
<b>As of September 30, 2013</b>				
Cash equivalents	\$ 875,962	\$ 227,009	\$ 648,953	\$
Restricted cash and available-for-sale securities	\$ 698,695	\$ 243,038	\$ 455,657	\$
Redemption Price Promissory Note	\$ (1,936,443)	\$	\$ (1,936,443)	\$
Interest rate swaps	\$ 9,203	\$	\$ 9,203	\$
<b>As of December 31, 2012</b>				
Cash equivalents	\$ 969,166	\$ 80,434	\$ 888,732	\$
Restricted cash and available-for-sale securities	\$ 279,221	\$	\$ 279,221	\$
Redemption Price Promissory Note	\$ (1,936,443)	\$	\$ (1,936,443)	\$
Interest rate swaps	\$ (3,938)	\$	\$ (3,938)	\$

As of September 30, 2013 and December 31, 2012, approximately 65% and 77% of the Company's cash equivalents categorized as Level 2 were deposits held in foreign currencies, respectively.

*Recently Issued Accounting Standards*

In July 2013, the Financial Accounting Standards Board (FASB) issued an accounting standards update that amends the presentation requirements of an unrecognized tax benefit when a loss or other carryforward





**Table of Contents**

exists. The update would require the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. The effective date for this update is for the annual and interim periods beginning after December 15, 2013. The Company is currently evaluating the impact, if any, of adopting this statement on its condensed consolidated financial statements.

In February 2013, the FASB issued an accounting standards update that amends the presentation requirements for reclassifications out of accumulated other comprehensive income. The amendment would require an entity to present amounts reclassified out of accumulated other comprehensive income by component either on the face of the statement where net income is presented or in the notes. This update is effective prospectively for reporting periods beginning after December 15, 2012. The Company has adopted this update; see Note 4 Accumulated Other Comprehensive Income.

In July 2012, the FASB issued an accounting standards update that is intended to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. The update allows for the consideration of qualitative factors in determining whether it is necessary to perform quantitative impairment tests. The effective date for this update is for the years and interim impairment tests performed for years beginning after September 15, 2012. The adoption of this update did not have a material impact on the Company's financial statements.

**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 includes stock options and nonvested stock. For the nine months ended September 30, 2013, basic and diluted EPS was based on 100.5 million shares and 101.5 million shares, respectively, compared to 104.1 million shares and 105.3 million shares for basic and diluted EPS, respectively, for the nine months ended September 30, 2012. The decrease was largely due to the redemption of Aruze USA, Inc.'s 24.5 million shares on February 18, 2012, as described in Note 15 Commitments and Contingencies.

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):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Weighted average common shares outstanding (used in calculation of basic earnings per share)	100,685	99,871	100,470	104,104
Potential dilution from the assumed exercise of stock options and nonvested stock	862	1,021	1,056	1,187
Weighted average common and common equivalent shares outstanding (used in calculation of diluted earnings per share)	101,547	100,892	101,526	105,291
Anti-dilutive stock options excluded from the calculation of diluted earnings per share	92	724	602	724
Net income attributable to Wynn Resorts, Ltd.	\$ 182,020	\$ 112,035	\$ 514,768	\$ 390,663
Net income attributable to Wynn Resorts, Ltd. per common share, basic	\$ 1.81	\$ 1.12	\$ 5.12	\$ 3.75
Net income attributable to Wynn Resorts, Ltd. per common share, diluted	\$ 1.79	\$ 1.11	\$ 5.07	\$ 3.71

**Table of Contents****4. Accumulated Other Comprehensive Income**

The following table presents the changes by component, net of tax and noncontrolling interest, in Accumulated other comprehensive income of the Company (amounts in thousands):

	Foreign currency translation	Unrealized loss on securities	Accumulated other comprehensive income
December 31, 2012	\$ 4,396	\$ (219)	\$ 4,177
Current period other comprehensive (loss) gain	(408)	164	(244)
Amounts reclassified from accumulated other comprehensive income	(863)	8	(855)
Net current-period other comprehensive (loss) gain	(1,271)	172	(1,099)
September 30, 2013	\$ 3,125	\$ (47)	\$ 3,078

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

Interest paid for the nine months ended September 30, 2013 and 2012 totaled approximately \$244.5 million and \$179.9 million, respectively. The increase in interest paid during the nine months ended September 30, 2013 is due to the issuance of the Redemption Note and other indebtedness incurred during 2012. Capitalized interest was \$6.4 million and \$1 million for the nine months ended September 30, 2013 and 2012, respectively.

For the nine months ended September 30, 2013 and 2012, capital expenditures included an increase of \$37.3 million and \$6.9 million, respectively in construction payables and retention.

In February 2012, the Company redeemed and cancelled 24,549,222 shares of common stock from a former stockholder and related party with the issuance of the \$1.94 billion Redemption Note due in 2022. For details of this transaction see Note 9 Long-Term Debt and Note 15 Commitments and Contingencies.

**6. Investment Securities**

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

	Amortized cost	Available-for-sale securities		Fair value (net carrying amount)
		Gross unrealized gains	Gross unrealized losses	
<b>September 30, 2013</b>				
Domestic and foreign corporate bonds	\$ 233,819	\$ 111	\$ (170)	\$ 233,760
Commercial paper	21,962	11	(12)	21,961
	\$ 255,781	\$ 122	\$ (182)	\$ 255,721
<b>December 31, 2012</b>				
Domestic and foreign corporate bonds	\$ 161,631	\$ 94	\$ (369)	\$ 161,356

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

Commercial paper	18,704	4	(5)	18,703
	\$ 180,335	\$ 98	\$ (374)	\$ 180,059

For investments with unrealized losses as of September 30, 2013 and December 31, 2012, the Company has determined that (i) it does not have the intent to sell any of these investments, and (ii) it is not likely that the Company will be required to sell these investments prior to the recovery of the amortized cost. Accordingly, the Company has determined that no other-than-temporary impairments exist at the reporting date.

**Table of Contents**

The Company obtains pricing information in determining the fair value of its available-for-sale securities from independent pricing vendors. Based on management's inquiries, the pricing vendors use various pricing models consistent with what other market participants would use. The assumptions and inputs used by the pricing vendors are derived from market observable sources including: reported trades, broker/dealer quotes, issuer spreads, benchmark curves, bids, offers and other market-related data. Each quarter, the Company validates the fair value pricing methodology to determine its consistency with applicable accounting guidance and to confirm that the securities are classified properly in the fair value hierarchy. The Company compares the pricing received from its vendors to independent sources for the same or similar securities and no adjustment to such prices have resulted.

The amortized cost and estimated fair value of these investment securities at September 30, 2013, by contractual maturity, are as follows (amounts in thousands):

	Amortized cost	Fair value
<b>Available-for-sale securities:</b>		
Due in one year or less	\$ 151,648	\$ 151,618
Due after one year through two years	104,133	104,103
	\$ 255,781	\$ 255,721

**7. Receivables, net**

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

	September 30, 2013	December 31, 2012
Casino	\$ 246,857	\$ 275,302
Hotel	12,134	18,227
Retail leases and other	47,256	47,257
	306,247	340,786
Less: allowance for doubtful accounts	(90,000)	(102,213)
	\$ 216,247	\$ 238,573

**8. Property and Equipment, net**

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

	September 30, 2013	December 31, 2012
Land and improvements	\$ 732,234	\$ 732,209
Buildings and improvements	3,866,998	3,837,215
Airplanes	135,040	135,392
Furniture, fixtures and equipment	1,668,687	1,646,506
Leasehold interests in land	316,550	316,658
Construction in progress	388,016	110,490

Edgar Filing: WYNN RESORTS LTD - Form 10-Q

	7,107,525	6,778,470
Less: accumulated depreciation	(2,297,147)	(2,050,571)
	\$ 4,810,378	\$ 4,727,899

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

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

	September 30, 2013	December 31, 2012
7 <sup>7</sup> / <sub>8</sub> % Wynn Las Vegas First Mortgage Notes, due November 1, 2017, net of original issue discount of \$2,893 at September 30, 2013 and \$7,384 at December 31, 2012	\$ 222,402	\$ 492,616
7 <sup>7</sup> / <sub>8</sub> % Wynn Las Vegas First Mortgage Notes, due May 1, 2020, net of original issue discount of \$1,507 at September 30, 2013 and \$1,632 at December 31, 2012	350,503	350,378
7 <sup>3</sup> / <sub>4</sub> % Wynn Las Vegas First Mortgage Notes, due August 15, 2020	1,320,000	1,320,000
5 <sup>3</sup> / <sub>8</sub> % Wynn Las Vegas First Mortgage Notes, due March 15, 2022	900,000	900,000
4 <sup>1</sup> / <sub>4</sub> % Wynn Las Vegas Senior Notes, due May 30, 2023	500,000	
Wynn Macau Senior Term Loan Facilities (as amended July 2012), due July 31, 2017 and July 31, 2018: interest at LIBOR or HIBOR plus 1.75%-2.50%, net of original issue discount of \$5,167 at September 30, 2013 and \$3,737 at December 31, 2012	947,761	749,433
Wynn Macau Senior Revolving Credit Facilities, (as amended July 2012) due July 31, 2017; interest at LIBOR or HIBOR plus 1.75%-2.50%		
Redemption Price Promissory Note with former stockholder and related party, due February 18, 2022; interest at 2%	1,936,443	1,936,443
\$42 million Note Payable, due April 1, 2017; interest at LIBOR plus 1.25%	32,900	33,950
	6,210,009	5,782,820
Current portion of long-term debt	(223,452)	(1,050)
	\$ 5,986,557	\$ 5,781,770

*Wynn Las Vegas First Mortgage Notes*

On May 15, 2013, Wynn Las Vegas, LLC ( Wynn Las Vegas ), an indirect wholly owned subsidiary of Wynn Resorts, Limited, commenced a cash tender offer (the tender offer ) for any and all of the outstanding \$500 million aggregate principal amount of the 7<sup>7</sup>/<sub>8</sub>% First Mortgage Notes due 2017 (the 2017 Notes ) of Wynn Las Vegas and Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts, Limited (together with Wynn Las Vegas, the Issuers ), and a solicitation of consents to certain proposed amendments to the indenture (the 2017 Indenture ) governing the 2017 Notes.

The tender offer expired on May 21, 2013 and at the time of expiration, Wynn Las Vegas had received valid tenders with respect to approximately \$274.7 million of the \$500 million aggregate principal amount of the 2017 Notes outstanding. On May 22, 2013, note holders who validly tendered their 2017 Notes received the total consideration of \$1,071.45 for each \$1,000 principal amount of 2017 Notes, the premium portion of which totaled approximately \$19.6 million. In accordance with accounting standards, the tender offer premium was expensed and is included in loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Income. In addition, upon the tender offer completion, the Issuers entered into a supplemental indenture, which eliminated substantially all of the restrictive covenants and certain events of default from the 2017 Indenture.

Also in connection with this transaction, the Company expensed \$6.7 million of unamortized debt issue costs and original issue discount related to the 2017 Notes and incurred other fees of approximately \$0.3 million that are included in loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Income.

**Table of Contents**

On November 1, 2013, Wynn Las Vegas redeemed the untendered 2017 Notes principal amount of \$225.3 million. The redemption price was equal to 103.938% of the aggregate principal amount of the 2017 Notes plus accrued and unpaid interest on November 1, 2013. The total redemption fees paid were \$8.9 million.

*Wynn Las Vegas 2023 Notes*

Separately, on May 22, 2013, the Issuers completed the issuance of \$500 million aggregate principal amount of 4<sup>1</sup>/<sub>4</sub>% Senior Notes due 2023 (the 2023 Notes) pursuant to an indenture, dated as of May 22, 2013 (the 2023 Indenture), among the Issuers, the Guarantors (as defined below) and U.S. Bank National Association, as trustee. The 2023 Notes were issued at par. The Issuers used the net proceeds from the 2023 Notes to cover the cost of purchasing the 2017 Notes tendered in the tender offer. In addition, the Issuers satisfied and discharged the 2017 Indenture and, in November 2013, used the remaining net proceeds to redeem all of the 2017 Notes not previously tendered. In connection with the issuance of the 2023 Notes, the Company capitalized approximately \$4.1 million of financing costs.

The 2023 Notes will mature on May 30, 2023 and bear interest at the rate of 4<sup>1</sup>/<sub>4</sub>% per annum. The Issuers may, at their option, redeem the 2023 Notes, in whole or in part, at any time or from time to time prior to their stated maturity. The redemption price for 2023 Notes that are redeemed before February 28, 2023 will be equal to the greater of (a) 100% of the principal amount of the 2023 Notes to be redeemed or (b) a make-whole amount described in the 2023 Indenture, plus in either case accrued and unpaid interest to, but not including, the redemption date. The redemption price for the 2023 Notes that are redeemed on or after February 28, 2023 will be equal to 100% of the principal amount of the 2023 Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. In the event of a change of control triggering event, the Issuers will be required to offer to repurchase the 2023 Notes at 101% of the principal amount, plus accrued and unpaid interest to but not including the repurchase date. The 2023 Notes are also subject to mandatory redemption requirements imposed by gaming laws and regulations of gaming authorities in Nevada.

The 2023 Notes are the Issuers' senior unsecured obligations and rank pari passu in right of payment with the Issuers' outstanding 7<sup>7</sup>/<sub>8</sub>% First Mortgage Notes due 2020 (the 7<sup>7</sup>/<sub>8</sub>% 2020 Notes), 7<sup>1</sup>/<sub>4</sub>% First Mortgage Notes due 2020 (the 7<sup>1</sup>/<sub>4</sub>% 2020 Notes) and 8<sup>1</sup>/<sub>8</sub>% First Mortgage Notes due 2022 (the 2022 Notes) and, together with the 7<sup>7</sup>/<sub>8</sub>% 2020 Notes and 7<sup>3</sup>/<sub>4</sub>% 2020 Notes, the Existing Notes. The 2023 Notes are secured by a first priority pledge of the Company's equity interests, the effectiveness of which is subject to the prior approval of the Nevada gaming authorities. The equity interests of the Company also secure the Existing Notes. If Wynn Resorts, Limited receives an investment grade rating from one or more ratings agencies, the first priority pledge securing the 2023 Notes will be released.

The 2023 Notes are jointly and severally guaranteed by all of the Issuers' subsidiaries, other than Wynn Las Vegas Capital Corp. which was a co-issuer (the Guarantors). The guarantees are senior unsecured obligations of the Guarantors and rank senior in right of payment to all of their existing and future subordinated debt. The guarantees rank equally in right of payment with all existing and future liabilities of the Guarantors that are not so subordinated and will be effectively subordinated in right of payment to all of such Guarantors' existing and future secured debt (to the extent of the collateral securing such debt).

The 2023 Indenture contains covenants limiting the Issuers' and the Guarantors' ability to create liens on assets to secure debt; enter into sale-leaseback transactions; and merge or consolidate with another company. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

Events of default under the 2023 Indenture include, among others, the following: default for 30 days in the payment when due of interest on the 2023 Notes; default in payment when due of the principal of, or premium, if any, on the 2023 Notes; failure to comply with certain covenants in the 2023 Indenture; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency with respect to the Issuers or any Guarantor, all 2023 Notes then outstanding will become due and payable immediately without further action or notice.

---

**Table of Contents**

The 2023 Notes were offered pursuant to an exemption under the Securities Act of 1933, as amended (the Securities Act). The 2023 Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act or outside the United States to certain persons in reliance on Regulation S under the Securities Act. The 2023 Notes have not been and will not be registered under the Securities Act of 1933 or under any state securities laws. Therefore, the 2023 Notes may not be offered or sold within the United States to, or for the account or benefit of, any United States person unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws.

*Wynn Macau, Limited*

On October 16, 2013, Wynn Macau, Limited (WML), an indirect subsidiary of Wynn Resorts, Limited, entered into an Indenture, dated as of October 16, 2013 (the WML Indenture), between WML and Deutsche Bank Trust Company Americas, as trustee, pursuant to which WML issued \$600 million aggregate principal amount of 5.25% Senior Notes due 2021 (the 2021 Notes). WML received net proceeds of approximately \$591.5 million from the offering of the 2021 Notes after deducting commissions and estimated expenses of the offering and will use the net proceeds for working capital requirements and general corporate purposes.

The 2021 Notes will bear interest at the rate of 5.25% per annum and will mature on October 15, 2021. Interest on the 2021 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. At any time on or before October 14, 2016, WML may redeem the 2021 Notes, in whole or in part, at a redemption price equal to the greater of (a) 100% of the aggregate principal amount of the 2021 Notes or (b) a make-whole amount as determined by an independent investment banker in accordance with the terms of the WML Indenture, in either case, plus accrued and unpaid interest. In addition, on or after October 15, 2016, WML may redeem the 2021 Notes, in whole or in part, at a premium decreasing annually from 3.938% of the principal amount to zero, plus accrued and unpaid interest. If WML undergoes a Change of Control (as defined in the WML Indenture), it must offer to repurchase the 2021 Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. In addition, the Company may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, in response to any change in or amendment to certain tax laws or tax positions. Further, if a holder or beneficial owner of the 2021 Notes fails to meet certain requirements imposed by any Gaming Authority (as defined in the WML Indenture), WML may require the holder or beneficial owner to dispose of or redeem its 2021 Notes.

The 2021 Notes are WML's general unsecured obligations and rank pari passu in right of payment with all of WML's existing and future senior unsecured indebtedness; will rank senior to all of WML's future subordinated indebtedness, if any; will be effectively subordinated to all of WML's future secured indebtedness to the extent of the value of the assets securing such debt; and will be structurally subordinated to all existing and future obligations of WML's subsidiaries, including Wynn Macau, S.A.'s existing credit facilities. The 2021 Notes are not registered under the Securities Act of 1933, as amended (the Securities Act), and the 2021 Notes are subject to restrictions on transferability and resale.

The WML Indenture contains covenants limiting WML's (and certain of its subsidiaries') ability to, among other things: merge or consolidate with another company; transfer or sell all or substantially all of its properties or assets; and lease all or substantially all of its properties or assets. The terms of the WML Indenture contain customary events of default, including, but not limited to: default for 30 days in the payment when due of interest on the 2021 Notes; default in the payment when due of the principal of, or premium, if any, on the 2021 Notes; failure to comply with any payment obligations relating to the repurchase by WML of the 2021 Notes upon a change of control; failure to comply with certain covenants in the WML Indenture; certain defaults on certain other indebtedness; failure to pay judgments against WML or certain subsidiaries that, in the aggregate, exceed \$50 million; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency, all 2021 Notes then outstanding will become due and payable immediately without further action or notice.



**Table of Contents***Redemption Price Promissory Note*

Based on the Board of Directors' finding of unsuitability, on February 18, 2012, the Company redeemed and cancelled Aruze USA, Inc.'s 24,549,222 shares of Wynn Resorts' common stock. Following a finding of unsuitability, Wynn Resorts' articles of incorporation authorize redemption of the shares held by unsuitable persons at a fair value redemption price. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares which were subject to the terms of an existing stockholder agreement. Pursuant to the articles of incorporation, the Company issued the Redemption Note to Aruze USA, Inc., a former stockholder and related party, in redemption of the shares. The Redemption Note has a principal amount of \$1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum payable annually in arrears on each anniversary of the date of the Redemption Note. The Company may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of the Company or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts and any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

The Company has recorded the fair value of the Redemption Note at its estimated present value of approximately \$1.94 billion in accordance with applicable accounting guidance. In determining this fair value, the Company considered the stated maturity of the Redemption Note, its stated interest rate, and the uncertainty of the related cash flows of the Redemption Note as well as the potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with Aruze USA, Inc. and its affiliates (see Note 15

Commitments and Contingencies); the outcome of ongoing investigations by the Nevada Gaming Control Board and/or other governmental regulatory agencies; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, the Company considered its ability, at its sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, the Company reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note. When considering the appropriate rate of interest to be used to determine fair value for accounting purposes and in light of the uncertainty in the timing of the cash flows, the Company used observable inputs from a range of trading values of financial instruments with terms and lives similar to the estimated life and terms of the Redemption Note. As a result of this analysis, the Company concluded the Redemption Note's stated rate of 2% approximated a market rate.

Aruze USA, Inc. (at the time a stockholder of Wynn Resorts), Universal Entertainment Corporation (Aruze USA, Inc.'s parent company), and Kazuo Okada (the majority shareholder of Universal Entertainment Corporation) (collectively, the Okada Parties) have challenged the redemption of Aruze USA, Inc.'s shares and the Company is currently involved in litigation with those parties as well as related shareholder derivative litigation. On February 13, 2013, the Okada Parties filed a motion in the Nevada state court asking the court to establish an escrow account (specifically, they asked the court to establish a disputed ownership fund, as defined in a federal tax regulation (DOF)) to hold the Redemption Note as well as the redeemed shares themselves (although those shares were previously cancelled in February 2012), until the resolution of the redemption action and counterclaim. The Okada Parties subsequently filed reply papers in further support of their motion, in which they narrowed the relief they were seeking, specifically by withdrawing their request that the redeemed shares be placed into the escrow account. On April 17, 2013, the court entered an order granting the Okada Parties' motion in part as to the narrowed relief outlined in their reply papers. Among other things, the court's order directed the Okada Parties to establish an escrow account with a third party (without making any ruling as to whether such an account would satisfy the requirements of a DOF) to hold interest payments tendered by the Company on the Redemption Note. The Company is to have no responsibility for fees or costs of the account, and will receive a full release and indemnity related to the account. On February 14, 2013, the Company issued a check to Aruze USA, Inc. in the amount of \$38.7 million, representing the interest payment

---

**Table of Contents**

due on the Redemption Note at that time. However, as of the date of this report, the check remains uncashed as the Okada Parties have not proposed a form of escrow agreement to the Company, as contemplated by the court's order.

As further discussed in Note 15 "Commitments and Contingencies", on June 19, 2012, Elaine Wynn responded to the counterclaim and asserted a cross claim against Steve Wynn and Kazuo Okada seeking a declaration that (1) any and all of Elaine Wynn's duties under the Stockholders Agreement be discharged; (2) the Stockholders Agreement is subject to rescission and is rescinded; (3) the Stockholders Agreement is an unreasonable restraint on alienation in violation of public policy; and/or (4) the restrictions on sale of shares shall be construed as inapplicable to Elaine Wynn. Mr. Wynn filed his answer to Elaine Wynn's cross claim on September 24, 2012. The indentures governing the Existing Notes (other than the 5<sup>3</sup>/<sub>8</sub>% First Mortgage Notes due 2022) and the 2023 Notes (the "Indentures") provide that if Steve Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than are beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Steve Wynn would not beneficially own or control Elaine Wynn's shares and a change in control may result under the Company's debt documents. Under the Indentures, the occurrence of a change of control requires that the Company make an offer (unless the notes have been previously called for redemption) to each holder to repurchase all or any part of such holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the Notes purchased, if any, to the date of repurchase.

The outcome of these various proceedings cannot be predicted. The Company's claims and the Okada Parties' counterclaims are in a preliminary stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

*Wynn Macau Credit Facilities*

On July 31, 2012, Wynn Macau, S.A. amended and restated its credit facilities, dated September 14, 2004 (as amended, the "Amended Wynn Macau Credit Facilities") to expand the availability under the Wynn Macau S.A. senior secured bank facility to US\$2.3 billion equivalent, consisting of a US\$750 million equivalent fully funded senior term loan facility and a US\$1.55 billion equivalent senior secured revolving credit facility.

On July 30, 2013, Wynn Macau, S.A. exercised its option to increase the senior term loan facility by US\$200 million equivalent pursuant to the terms and provisions of the Amended Wynn Macau Credit Facilities. The US\$200 million equivalent was fully funded as of July 31, 2013 and is required to be used for the payment of certain Wynn Palace related construction and development costs. The additional US\$200 million equivalent will mature on July 31, 2018 and will bear interest at HIBOR plus a margin between 1.75% to 2.50% based on Wynn Macau's leverage ratio.

As of September 30, 2013, there were no amounts outstanding under the Wynn Macau Senior Revolving Credit Facility. Accordingly, the Company has availability of US\$1.55 billion under the Amended Wynn Macau Credit Facilities.

*Debt Covenant Compliance*

As of September 30, 2013, 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 and senior notes was approximately \$3.3 billion and \$3.1 billion at September 30, 2013 and December 31, 2012, respectively. The estimated fair value of the Company's outstanding first mortgage notes and senior notes, based on recent trades (using Level 2

**Table of Contents**

inputs), was approximately \$3.5 billion and \$3.4 billion at September 30, 2013 and December 31, 2012, respectively. The net book value of the Company's other debt instruments, excluding the Redemption Note, was approximately \$980.7 million and \$783.4 million at September 30, 2013 and December 31, 2012, respectively. The estimated fair value of the Company's other debt instruments was approximately \$971.5 million and \$760.8 million at September 30, 2013 and December 31, 2012, respectively. The estimated fair value of the Redemption Note (using Level 2 inputs) was approximately \$1.94 billion at both September 30, 2013 and December 31, 2012.

**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 fixed 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 utilized Level 2 inputs as described in Note 2 – Summary of Significant Accounting Policies to determine fair value. 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 September 30, 2013, the interest rate swaps were recorded as an asset of \$9.2 million and included in deposits and other assets. As of December 31, 2012, the interest rate swaps were recorded as a liability of \$3.9 million and included in other long-term liabilities.

The Company currently has three interest rate swap agreements intended to hedge a portion of the underlying interest rate risk on borrowings under the Amended Wynn Macau Credit Facilities. Under two of the swap agreements, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.73% on notional amounts corresponding to borrowings of HK\$3.95 billion (approximately US\$509.4 million) incurred under the Amended 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. These interest rate swaps fix the all-in interest rate on such amounts at 2.48% to 3.23%. These interest rate swap agreements mature in July 2017.

Under the third swap agreement, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.6763% on notional amounts corresponding to borrowings of US\$243.75 million incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the all-in interest rate on such amounts at 2.4263% to 3.1763%. This interest rate swap agreement matures in July 2017.

**11. Related Party Transactions**

*Share Redemption of a Former Related Party*

Based on the Board of Directors' finding of unsuitability, on February 18, 2012, the Company redeemed and cancelled Aruze USA, Inc.'s 24,549,222 shares of Wynn Resorts common stock. Following a finding of unsuitability, Wynn Resorts' articles of incorporation authorize redemption of the shares held by unsuitable persons at a fair value redemption price. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares which were subject to the terms of an existing stockholder agreement. Pursuant to the articles of incorporation, the Company issued the Redemption Note to

---

**Table of Contents**

Aruze USA, Inc., a former stockholder and related party, in redemption of the shares. Aruze USA, Inc., Universal Entertainment Corporation and Kazuo Okada have challenged the redemption of Aruze USA, Inc.'s shares and we are currently involved in litigation with those parties as well as related shareholder derivative litigation. The outcome of these various proceedings cannot be predicted. The Company's claims and the Okada Parties' counterclaims are in a preliminary stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

*Amounts Due to Officers*

The Company periodically provides services to Stephen A. Wynn ( Mr. Wynn ), Chairman of the Board of Directors and Chief Executive Officer, 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 September 30, 2013 and December 31, 2012, Mr. Wynn and the other officers and directors had a net deposit balance with the Company of approximately \$1.4 million and \$1 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 Prior SW Lease ) for a villa suite to serve as Mr. Wynn's personal residence. The Prior SW Lease amended and restated a previous lease. The Prior SW Lease was approved by the Audit Committee of the Board of Directors of the Company. The term of the Prior SW Lease commenced as of March 1, 2010 and ran concurrent with Mr. Wynn's employment agreement with the Company; provided that either party could terminate on 90 days notice. Pursuant to the Prior SW Lease, the rental value of the villa suite is treated as imputed income to Mr. Wynn, and was 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 Prior SW Lease, the rental value was \$503,831 per year. Effective March 1, 2012, the rental value was \$440,000 per year. On May 7, 2013, Wynn Las Vegas entered into a 2013 Amended and Restated Agreement of Lease (the Existing SW Lease ), effective December 29, 2012, to include an expansion of the villa and to adjust the rental value accordingly to \$525,000 per year based on the current fair market value as established by the Audit Committee of the Company with the assistance of an independent third-party appraisal. The rental value for the villa suite will be re-determined every two years during the term of the Existing SW Lease by the Audit Committee. Certain services for, and maintenance of, the villa suite are included in the rental.

*Aircraft Purchase Option Agreement*

On January 3, 2013, the Company and Mr. Wynn entered into an agreement pursuant to which Mr. Wynn agreed to terminate a previously granted option to purchase an approximately two acre tract of land located on the Wynn Las Vegas golf course and, in return, the Company granted Mr. Wynn the right to purchase any or all of the aircraft owned by the Company or its direct wholly owned subsidiaries. The aircraft purchase option is exercisable upon 30 days written notice and at a price equal to the book value of such aircraft, and will terminate on the date of termination of the employment agreement between the Company and Mr. Wynn, which expires in October 2020.

*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.

**Table of Contents**

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 generally include costs related to the retirement of assets for remodels and asset abandonments. Property charges and other for the three and nine months ended September 30, 2013 were \$2.6 million and \$13.6 million, respectively, which includes miscellaneous renovations and abandonments at our resorts, entertainment development costs and fees paid in connection with the termination of a contract. Property charges and other for the three and nine months ended September 30, 2012 were \$22.7 million and \$36.5 million respectively, and included a remodel of a Las Vegas restaurant, charges associated with the termination of a Las Vegas show that ended its run in November 2012 and miscellaneous renovations and abandonments at our resorts.

**13. Noncontrolling Interest**

In October 2009, Wynn Macau, Limited, an indirect wholly owned subsidiary of the Company and the developer, owner and operator of Wynn Macau, listed its ordinary shares of common stock 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 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 \$66.8 million and \$53.1 million for the three months ended September 30, 2013 and 2012, respectively. Net income attributable to noncontrolling interest was \$198.9 million and \$172.2 million for the nine months ended September 30, 2013 and 2012, respectively.

**14. 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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Casino	\$ 1,814	\$ 2,621	\$ 5,550	\$ 3,571
Rooms	194	34	632	234
Food and beverage	281	27	872	82
Entertainment, retail and other	116		342	14
General and administrative	2,799	3,168	27,676	9,803
Total stock-based compensation expense	5,204	5,850	35,072	13,704
Total stock-based compensation capitalized	49	49	145	146
Total stock-based compensation costs	\$ 5,253	\$ 5,899	\$ 35,217	\$ 13,850

For the nine months ended September 30, 2013, the Company recorded a charge, in accordance with applicable accounting standards, of approximately \$23 million due to the retirement of the Company's former chief operating officer and the related accelerated vesting of shares previously granted to him.

For the nine months ended September 30, 2012, the Company reversed stock-based compensation expense allocated to casino operations related to stock options and restricted stock granted in 2008 with an approximate 8 year cliff vest provision that were forfeited during the first quarter of 2012.



**Table of Contents****15. Commitments and Contingencies*****Wynn Macau******Cotai Development and Land Concession Contract***

In September 2011, Palo Real Estate Company Limited ( Palo ) and Wynn Resorts (Macau) S.A., each an indirect subsidiary of Wynn Macau Limited, formally accepted the terms and conditions of a draft land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau. On May 2, 2012, the land concession contract was gazetted by the government of Macau evidencing the final step in the granting of the land concession. The initial term of the land concession contract is 25 years from May 2, 2012, and it may be renewed with government approval for successive periods. The total land premium payable, including interest as required by the land concession contract, is \$193.4 million. An initial payment of \$62.5 million was paid in December 2011, with eight additional semi-annual payments of approximately \$16.4 million each (which includes interest at 5%) due beginning November 2012. As of September 30, 2013 and December 31, 2012, the Company has recorded this obligation and related asset with \$28.6 million and \$27.9 million included as a current liability, respectively and \$61.7 million and \$76.2 million, respectively, included as a long-term liability. The Company is also required to make annual lease payments of \$0.8 million during the resort construction period and annual payments of approximately \$1.1 million once the development is completed.

The Company is currently constructing Wynn Palace, a full-scale integrated resort containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail and food and beverage outlets. The Company estimates the project budget to be approximately \$4 billion including all project costs, land costs, preopening expenses, capitalized interest, and opening inventories. The Company has completed the pre-foundation work, has substantially completed the piling work, and started the structural steel erection. The Company continues to remain on schedule for an opening in the first half of 2016.

On July 29, 2013, Wynn Macau, S.A. and Palo finalized and executed a guaranteed maximum price construction ( GMP ) contract with Leighton Contractors (Asia) Limited, acting as the general contractor. Under the GMP contract, the general contractor is responsible for both the construction and design of the Wynn Palace project. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK\$20 billion (approximately US\$2.57 billion). An early completion bonus for achievement of substantial completion on or before January 25, 2016 will be paid to the general contractor if certain conditions are satisfied under the GMP contract. Both the contract time and guaranteed maximum price are subject to further adjustment under certain specified conditions. The performance of the general contractor is backed by a full completion guarantee given by Leighton Holdings Limited, the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price.

***Litigation***

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.

***Atlantic-Pacific Capital***

On May 3, 2010, Atlantic-Pacific Capital, Inc. ( APC ) filed an arbitration demand with JAMS, a private alternative dispute resolution provider, 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 a specific 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 Eighth Judicial District Court, Clark County, Nevada, on May 10, 2010, which APC removed to the United States District Court, District of Nevada. In March 2011, the District

---

**Table of Contents**

Court denied APC's motion to compel arbitration, and dismissed the action. APC appealed, and on November 13, 2012, the United States Court of Appeals for the Ninth Circuit reversed the District Court and compelled arbitration. The matter is proceeding in arbitration. An arbitrator has been selected, and the parties are beginning the discovery process. The arbitration has been set for April 2014. Management believes that APC's claims against the Company are without merit, and the Company intends to continue to defend this matter vigorously.

*Determination of Unsuitability and Redemption of Aruze USA, Inc. and Affiliates*

On February 18, 2012, Wynn Resorts' Gaming Compliance Committee concluded an investigation after receiving an independent report by Freeh, Sporkin & Sullivan, LLP (the Freeh Report) detailing a pattern of misconduct by the Okada Parties. The factual record presented in the Freeh Report included evidence that the Okada Parties had provided valuable items to certain foreign gaming officials who were responsible for regulating gaming in a jurisdiction in which entities controlled by Mr. Okada were developing a gaming resort. Mr. Okada denied the impropriety of such conduct to members of the Board of Directors of Wynn Resorts, refused to acknowledge or abide by Wynn Resorts' anti-bribery policies and refused to participate in the training all other directors received concerning these policies.

Based on the Freeh Report, the Board of Directors of Wynn Resorts determined that each of the Okada Parties is an unsuitable person under Article VII of the Company's articles of incorporation. The Board of Directors was unanimous (other than Mr. Okada) in its determination. The Board of Directors also requested that Mr. Okada resign as a director of Wynn Resorts (under Nevada corporation law, a board of directors does not have the power to remove a director) and recommended that Mr. Okada be removed as a member of the Board of Directors of Wynn Macau, Limited. On February 18, 2012, Mr. Okada was removed from the Board of Directors of Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts, and on February 24, 2012, he was removed from the Board of Directors of Wynn Macau, Limited. On February 22, 2013, Mr. Okada was removed from the Board of Directors of Wynn Resorts by a stockholder vote in which 99.6% of the over 86 million shares voted were cast in favor of removal. Additionally, Mr. Okada resigned from the Board of Directors of Wynn Resorts on February 21, 2013.

Based on the Board of Directors' finding of unsuitability, on February 18, 2012, Wynn Resorts redeemed and cancelled Aruze USA, Inc.'s 24,549,222 shares of Wynn Resorts' common stock. Following a finding of unsuitability, Article VII of Wynn Resorts' articles of incorporation authorizes redemption at fair value of the shares held by unsuitable persons. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares held by Aruze USA, Inc. under the terms of the Stockholders Agreement (as defined below). Pursuant to the articles of incorporation, Wynn Resorts issued the Redemption Note to Aruze USA, Inc. in redemption of the shares. The Redemption Note has a principal amount of \$1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Note. The Company may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of Wynn Resorts or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts or any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

The Company provided the Freeh Report to appropriate regulators and law enforcement agencies and is cooperating with related investigations that such regulators and agencies have undertaken. The conduct of the Okada Parties and any resulting regulatory investigations could have adverse consequences to the Company and



---

**Table of Contents**

its subsidiaries. A finding by regulatory authorities that Mr. Okada violated anti-corruption statutes and/or other laws or regulations applicable to persons affiliated with a gaming licensee on Company property and/or otherwise involved the Company in criminal or civil violations could result in actions by regulatory authorities against the Company and its subsidiaries.

*Redemption Action and Counterclaim*

On February 19, 2012, Wynn Resorts filed a complaint in the Eighth Judicial District Court, Clark County, Nevada against the Okada Parties (as amended, the *Complaint*), alleging breaches of fiduciary duty and related claims (the *Redemption Action*) arising from the activities addressed in the Freeh Report. The Company is seeking compensatory and special damages as well as a declaration that it acted lawfully and in full compliance with its articles of incorporation, bylaws and other governing documents in redeeming and cancelling the shares of Aruze, USA, Inc.

On March 12, 2012, the Okada Parties removed the action to the United States District Court for the District of Nevada (the action was subsequently remanded to Nevada state court). On that same date, the Okada Parties filed an answer denying the claims and a counterclaim (as amended, the *Counterclaim*) that purports to assert claims against the Company, each of the members of the Company's Board of Directors (other than Mr. Okada) and Wynn Resorts' General Counsel (the *Wynn Parties*). The Counterclaim alleges, among other things: (1) that the shares of Wynn Resorts common stock owned by Aruze USA, Inc. were exempt from the redemption-for-unsuitability provisions in the Wynn Resorts articles of incorporation (the *Articles*) pursuant to certain agreements executed in 2002; (2) that the Wynn Resorts directors who authorized the redemption of Aruze USA, Inc.'s shares acted at the direction of Stephen A. Wynn and did not independently and objectively evaluate the Okada Parties' suitability, and by so doing, breached their fiduciary duties; (3) that the Wynn Resorts directors violated the terms of the Wynn Resorts Articles by failing to pay Aruze USA, Inc. fair value for the redeemed shares; and (4) that the terms of the Redemption Note that Aruze USA, Inc. received in exchange for the redeemed shares, including the Redemption Note's principal amount, duration, interest rate, and subordinated status, were unconscionable. Among other relief, the Counterclaim seeks a declaration that the redemption of Aruze USA, Inc.'s shares was void, an injunction restoring Aruze USA, Inc.'s share ownership, damages in an unspecified amount and rescission of the Amended and Restated Stockholders Agreement, dated as of January 6, 2010, by and among Aruze USA, Inc., Stephen A. Wynn, and Elaine Wynn (the *Stockholders Agreement*).

On June 19, 2012, Elaine Wynn responded to the Counterclaim and asserted a cross claim against Steve Wynn and Kazuo Okada seeking a declaration that (1) any and all of Elaine Wynn's duties under the Stockholders Agreement be discharged; (2) the Stockholders Agreement is subject to rescission and is rescinded; (3) the Stockholders Agreement is an unreasonable restraint on alienation in violation of public policy; and/or (4) the restrictions on sale of shares shall be construed as inapplicable to Elaine Wynn. Mr. Wynn filed his answer to Elaine Wynn's cross claim on September 24, 2012. The Indentures provide that if Steve Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than are beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Steve Wynn would not beneficially own or control Elaine Wynn's shares and a change in control may result under the Company's debt documents. Under the Indentures, the occurrence of a change of control requires that the Company make an offer (unless the notes have been previously called for redemption) to each holder to repurchase all or any part of such holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the Notes purchased, if any, to the date of repurchase.

The Company's Complaint and the Okada Parties' Counterclaim have been, and continue to be, challenged through motion practice. At a hearing held on November 13, 2012, the Nevada state court granted the Wynn Parties' motion to dismiss the Counterclaim with respect to the Okada Parties' claim under the Nevada Racketeer Influenced and Corrupt Organizations Act with respect to certain Company executives but otherwise denied the

---

**Table of Contents**

motion. At a hearing held on January 15, 2013, the court denied the Okada Parties' motion to dismiss the Company's Complaint. On April 22, 2013, the Company filed a second amended complaint. On June 12, 2013, the Okada Parties filed a request to file a third amended counterclaim, and on August 30, 2013, the Okada Parties filed their third amended counterclaim. On September 18, 2013, the Company filed a Partial Motion to Dismiss related to a claim in the third amended counterclaim alleging civil extortion by Mr. Wynn and Ms. Sinatra. On October 29, 2013, the court granted the motion and dismissed the claim. The parties had been engaged in discovery at the time the court entered the Stay (defined and discussed below). Therefore, although the court previously set a timetable for all discovery, pre-trial and trial deadlines, with a five-week jury trial scheduled to commence in April 2014, this schedule may change due to the Stay.

On February 13, 2013, the Okada Parties filed a motion in the Nevada state court asking the court to establish an escrow account (specifically, they asked the court to establish a disputed ownership fund, as defined in a federal tax regulation (DOF)) to hold the Redemption Note as well as the redeemed shares themselves (although those shares were previously cancelled in February 2012), until the resolution of the Redemption Action and Counterclaim. The Okada Parties subsequently filed reply papers in further support of their motion, in which they narrowed the relief they were seeking, specifically by withdrawing their request that the redeemed shares be placed into the escrow account. On April 17, 2013, the court entered an order granting the Okada Parties' motion in part as to the narrowed relief outlined in their reply papers. Among other things, the court's order directed the Okada Parties to establish an escrow account with a third party (without making any ruling as to whether such an account would satisfy the requirements of a DOF) to hold interest payments tendered by the Company on the Redemption Note. The Company is to have no responsibility for fees or costs of the account, and will receive a full release and indemnity related to the account. On February 14, 2013, the Company issued a check to Aruze USA, Inc. in the amount of \$38.7 million, representing the interest payment due on the Redemption Note at that time. However, as of the date of this report, the check remains uncashed as the Okada Parties have not proposed a form of escrow agreement to the Company, as contemplated by the court's order.

On April 8, 2013, the United States Attorney's Office and the U.S. Department of Justice filed a Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action. The motion stated that the federal government has been conducting a criminal investigation of the Okada Parties involving the same underlying allegations of misconduct that is, potential violations of the Foreign Corrupt Practice Act and related fraudulent conduct that form the basis of the Company's complaint, as amended, in the Redemption Action. The motion sought to stay all discovery in the Redemption Action related to the Okada Parties' allegedly unlawful activities in connection with their Philippine Casino Project until the conclusion of the criminal investigation and any resulting criminal prosecution, with an interim status update to the court in six months. At a hearing on May 2, 2013, the court granted the motion and ordered that all discovery in the Redemption Action be stayed for a period of six months (the Stay). On October 29, 2013, the United States Attorney's Office and the U.S. Department of Justice filed a Motion to Extend the Stay for a period of six months. At a hearing on October 31, 2013, the court granted the requested extension based upon an affidavit provided under seal that outlined, among other things, concerns for witness safety. The court did, however, order the parties to exchange written discovery propounded prior to May 2, 2013, including discovery related to the Elaine Wynn cross and counterclaims referred to in the following paragraph.

On May 30, 2013, Elaine Wynn filed a motion for partial relief from the Stay, to allow her to conduct limited discovery related to her cross and counterclaims. The Wynn Parties opposed the motion so as to not interfere with the United States Government's investigation. At a hearing on August 1, 2013, the court denied the motion. On August 2, 2013, the court stayed discovery in the indemnification action related to the government investigations (consistent with the Stay in the Redemption Action), and ordered that all other discovery be conducted within ninety (90) days. The court did not set a trial date; rather set the matter for a status check on January 10, 2014.

Subject to the Stay, the Company will continue to vigorously pursue its claims against the Okada Parties, and the Company and the Wynn Parties will continue to vigorously defend against the counterclaims asserted

## Table of Contents

against them. The Company's claims and the Okada Parties' counterclaims remain in an early stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

### *Litigation Commenced by Kazuo Okada*

#### Books and Records Action:

On January 11, 2012, Mr. Okada, in his then role as a Wynn Resorts' director, commenced a writ proceeding in the Eighth Judicial District Court, Clark County, Nevada, seeking to compel the Company to produce certain books and records relating to the board's approval of a donation to the University of Macau, among other things. There have been no developments in this proceeding beyond those described in Note 15 "Commitments and Contingencies" in the Company's Form 10-Q for the quarter ended June 30, 2013.

#### Japan Action:

On August 28, 2012, Mr. Okada, Universal Entertainment Corporation and Okada Holdings ( "Okada Japan Parties" ) filed a complaint in Tokyo District Court against the Company, all members of the Board of Directors (other than Mr. Okada) and the Company's General Counsel (the "Wynn Parties" ), alleging that the press release issued by the Company with respect to the redemption has damaged plaintiffs' social evaluation and credibility. The Okada Japan Parties seek damages and legal fees from the Wynn Parties. After asking the Okada Japan Parties to clarify the allegations in their complaint, the Wynn Parties objected to the jurisdiction of the Japanese court. On April 30, 2013, the Wynn Parties filed a memorandum in support of their jurisdictional position. On October 21, 2013, the court dismissed the action on jurisdictional grounds. On November 1, 2013, the Okada Japan Parties filed an appeal moving the matter to the Tokyo High Court with a hearing date to be determined.

#### Indemnification Action:

On March 20, 2013, Mr. Okada filed a complaint against the Company in Nevada state court for indemnification under the Company's Articles, bylaws and agreements with its directors. The complaint seeks advancement of Mr. Okada's costs and expenses (including attorney's fees) incurred pursuant to the various legal proceedings and related regulatory investigations described above. The Company believes there is no basis for the relief requested in the complaint and intends to vigorously defend against this matter. The Company's answer and counterclaim was filed on April 15, 2013. The counterclaim names each of the Okada Parties as defendants and seeks indemnification under the Company's Articles for costs and expenses (including attorney's fees) incurred pursuant to the various legal proceedings and related regulatory investigations described above. On April 30, 2013, Mr. Okada filed his reply to the counterclaim.

On June 14, 2013, Mr. Okada filed a motion for partial summary judgment that he was entitled to advancement of his expenses incurred in the various proceedings and investigations. Mr. Okada also filed a special motion to dismiss, arguing that the Company's counterclaims seek to infringe upon Mr. Okada's right to petition the court, and constitute a strategic lawsuit against public policy ( "S.L.A.P.P." ). The Company's counterclaims seek only to enforce Wynn Resorts' contractual right to indemnity under Article VII, Section 4 of the Company's Articles. At a hearing on August 1, 2013, the court denied both motions and provided for limited discovery (*i.e.*, discovery that does not implicate any of the issues subject to the Stay entered in the Redemption Action).

On August 22, 2013, the Company noticed Mr. Okada's deposition for September 16, 2013. Mr. Okada filed a motion for protective order seeking to vacate his deposition, arguing that he did not have any information relevant to his claims for advancement of fees and/or indemnity that he asserted against the Company. On October 18, 2013, after a full briefing by the parties, the court denied Mr. Okada's motion and entered an order

---

**Table of Contents**

stating that Mr. Okada's deposition testimony is relevant to the claims he asserted against the Company, that Mr. Okada may not designate someone else to testify on his behalf, and that the Company may sequence discovery in the action as it chooses. The Company intends to re-notice Mr. Okada's deposition.

*Related Investigations and Derivative Litigation*

**Various Investigations:**

On February 8, 2012, following the initiation of Mr. Okada's books and records action (described above) regarding Wynn Macau's donation to the University of Macau Development Foundation, the Company received a letter from the Salt Lake Regional Office of the SEC (the "Office") requesting that, in connection with an informal inquiry by the SEC, the Company preserve information relating to the donation to the University of Macau, any donations by the Company to any other educational charitable institutions, including the University of Macau Development Foundation, and the Company's casino or concession gaming licenses or renewals in Macau. The Company fully cooperated with the Salt Lake Regional Office staff. On July 2, 2013, the Company received a letter from the Office stating that the investigation had been completed with the Office not intending to recommend any enforcement action against the Company by the SEC.

In February 2013, the Nevada Gaming Control Board informed the Company that it had completed an investigation of allegations made by Mr. Okada against the Company regarding the activities of Mr. Wynn and related entities in Macau and found no violations of the Gaming Control Act or the Nevada Gaming Commission Regulations.

In the U.S. Department of Justice's Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action, the Department of Justice states in a footnote that the government also has been conducting a criminal investigation into the Company's donation to the University of Macau discussed above. The Company has not received any target letter or subpoena in connection with such an investigation. The Company intends to cooperate fully with the government in response to any inquiry related to the donation to the University of Macau.

Other regulators may pursue separate investigations into the Company's compliance with applicable laws arising from the allegations in the matters described above and in response to the Counterclaim and other litigation filed by Mr. Okada suggesting improprieties in connection with the Company's donation to the University of Macau. While the Company believes that it is in full compliance with all applicable laws, any such investigations could result in actions by regulators against the Company.

**Derivative Claims:**

Six derivative actions were commenced against the Company and all members of its Board of Directors: four in the United States District Court, District of Nevada, and two in the Eighth Judicial District Court of Clark County, Nevada.

The four federal actions brought by the following plaintiffs have been consolidated: (1) The Louisiana Municipal Police Employees' Retirement System, (2) Maryanne Solak, (3) Excavators Union Local 731 Welfare Fund, and (4) Boilermakers Lodge No. 154 Retirement Fund (collectively, the "Federal Plaintiffs").

The Federal Plaintiffs filed a consolidated complaint on August 6, 2012, asserting claims for: (1) breach of fiduciary duty; (2) waste of corporate assets; (3) injunctive relief; and (4) unjust enrichment. The claims are against the Company and all Company directors, including Mr. Okada, however, the plaintiffs voluntarily dismissed Mr. Okada as a defendant in this consolidated action on September 27, 2012. The Federal Plaintiffs claim that the individual defendants breached their fiduciary duties and wasted assets by: (a) failing to ensure the Company's officers and directors complied with federal and state laws and the Company's Code of Conduct;

**Table of Contents**

(b) voting to allow the Company's subsidiary to make the donation to the University of Macau; and (c) redeeming Aruze USA, Inc.'s stock such that the Company incurs the debt associated with the redemption. The Federal Plaintiffs seek unspecified compensatory damages, restitution in the form of disgorgement, reformation of corporate governance procedures, an injunction against all future payments related to the donation/pledge, and all fees (attorneys, accountants, and experts) and costs. The directors responded to the consolidated complaint by filing a motion to dismiss on September 14, 2012. On February 1, 2013, the federal court dismissed the complaint for failure to plead adequately the futility of a pre-suit demand on the Board. The dismissal was without prejudice to the Federal Plaintiffs' ability to file a motion within 30 days seeking leave to file an amended complaint. On April 9, 2013, the Federal Plaintiff's filed their amended complaint. The Company and the directors filed their motion to dismiss on May 23, 2013. The Federal Plaintiffs filed their opposition on July 8, 2013, and the Company and directors filed their reply on August 8, 2013. The court has not yet ruled on this motion.

The two state court actions brought by the following plaintiffs have also been consolidated: (1) IBEW Local 98 Pension Fund and (2) Danny Hinson (collectively, the State Plaintiffs). Through a coordination of efforts by all parties, the directors and the Company (a nominal defendant) have been served in all of the actions. The State Plaintiffs filed a consolidated complaint on July 20, 2012 asserting claims for (1) breach of fiduciary duty; (2) abuse of control; (3) gross mismanagement; and (4) unjust enrichment. The claims are against the Company and all Company directors, including Mr. Okada, as well as the Company's Chief Financial Officer, who signs financial disclosures filed with the SEC. The State Plaintiffs claim that the individual defendants failed to disclose to the Company's stockholders the investigation into, and the dispute with director Okada as well as the alleged potential violations of the FCPA related to, the University of Macau Development Foundation donation. The State Plaintiffs seek unspecified monetary damages (compensatory and punitive), disgorgement, reformation of corporate governance procedures, an order directing the Company to internally investigate the donation, as well as attorneys' fees and costs. On October 13, 2012, the court entered the parties' stipulation providing for a stay of the state derivative action for 90 days, subject to the parties' obligation to monitor the progress of the pending litigation, discussed above, between Wynn Resorts (among others) and Mr. Okada (among others). Per the stipulation, Wynn Resorts and the individual defendants were not required to respond to the consolidated complaint while the stay remained in effect. Following the expiration of the stay, the State plaintiffs advised the Company and the individual defendants that they intended to resume the action by filing an amended complaint, which they did, on April 26, 2013. The Company and directors filed their motion to dismiss on June 10, 2013. However, on July 31, 2013, the parties agreed to a stipulation that was submitted to, and approved by the court. The stipulation contemplates a stay of the consolidated state court derivative action of equal duration as the Stay entered by the court in the Redemption Action.

The individual defendants are vigorously defending against the claims pleaded against them in these derivative actions. We are unable to predict the outcome of these litigations at this time.

**16. Income Taxes**

For the three months ended September 30, 2013 and 2012, the Company recorded a tax benefit of \$7.3 million and \$7.6 million, respectively. For the nine months ended September 30, 2013 and 2012, the Company recorded a tax benefit of \$11.3 million and \$12.5 million, respectively. The Company's income tax benefit in each period is primarily related to a decrease in deferred tax liabilities reduced by 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. The Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences as these amounts are permanently reinvested. For the nine months ended September 30, 2013 and 2012, the Company recognized income tax benefits related to excess tax deductions associated with stock compensation costs of \$10.8 million and \$1.8 million, respectively.

**Table of Contents**

Wynn Macau, S.A. has received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits through December 31, 2015. Accordingly, the Company was exempted from the payment of \$26 million and \$20.3 million in such taxes during each of the three months ended September 30, 2013 and 2012. For the nine months ended September 30, 2013 and 2012, the Company was exempted from the payment of such taxes totaling \$76.7 million and \$66.9 million, respectively. 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 February 2013, the Company received notification that it had been accepted into the Internal Revenue Service ( IRS ) Compliance Assurance Program ( CAP ), which accelerates IRS examination of key transactions with the goal of resolving any issues before the taxpayer files its return, for the 2013 tax year. In March 2013, the Company received additional notification that it had been selected for the Compliance Maintenance phase of CAP for the 2013 tax year. In the Compliance Maintenance phase, the IRS, at its discretion, may reduce the level of review of the taxpayer's tax positions based on the complexity and number of issues, and the taxpayer's history of compliance, cooperation and transparency in the CAP.

In January 2013, the Financial Services Bureau of the Government of the Macau Special Administrative Region (the Financial Services Bureau ) examined the 2009 and 2010 Macau income tax returns of Palo, which is a co-holder of the land concession for Wynn Palace. The exam resulted in no change to the tax returns.

In March 2013, the Financial Services Bureau commenced an examination of the 2009, 2010, and 2011 Macau income tax returns of Wynn Macau, S.A. Since the examination is in its initial stages, the Company is unable to determine if it will conclude within the next 12 months. The Company believes that its liability for uncertain tax positions is adequate with respect to these years.

In May 2013, the Company received notification that the IRS completed its examination of the Company's 2011 U.S. income tax return and had no changes.

**17. Segment Information**

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

	September 30, 2013	December 31, 2012
<b>Assets</b>		
Macau Operations	\$ 3,022,863	\$ 3,004,658
Las Vegas Operations	3,824,517	3,669,881
Corporate and other	1,222,248	602,055
	<b>\$ 8,069,628</b>	<b>\$ 7,276,594</b>

**Table of Contents**

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Net revenues</b>				
Macau Operations	\$ 997,635	\$ 910,451	\$ 2,920,591	\$ 2,768,795
Las Vegas Operations	392,477	388,044	1,180,448	1,096,405
<b>Total</b>	<b>\$ 1,390,112</b>	<b>\$ 1,298,495</b>	<b>\$ 4,101,039</b>	<b>\$ 3,865,200</b>
<b>Adjusted Property EBITDA (1)</b>				
Macau Operations	\$ 329,106	\$ 292,161	\$ 949,905	\$ 884,144
Las Vegas Operations	106,515	110,390	362,529	293,193
<b>Total</b>	<b>435,621</b>	<b>402,551</b>	<b>1,312,434</b>	<b>1,177,337</b>
<b>Other operating costs and expenses</b>				
Pre-opening costs	706		1,592	
Depreciation and amortization	93,325	94,274	279,061	280,142
Property charges and other	2,613	22,721	13,571	36,547
Corporate expenses and other	24,711	38,274	95,681	88,423
Equity in income from unconsolidated affiliates	288	190	879	911
<b>Total</b>	<b>121,643</b>	<b>155,459</b>	<b>390,784</b>	<b>406,023</b>
<b>Operating income</b>	<b>313,978</b>	<b>247,092</b>	<b>921,650</b>	<b>771,314</b>
<b>Non-operating costs and expenses</b>				
Interest income	3,215	3,759	11,595	7,807
Interest expense, net of capitalized interest	(73,549)	(75,082)	(222,690)	(211,017)
(Decrease) increase in swap fair value	(3,525)		13,131	4,930
Loss on extinguishment of debt		(19,663)	(26,578)	(24,491)
Equity in income from unconsolidated affiliates	288	190	879	911
Other	1,123	1,249	4,385	936
<b>Total</b>	<b>(72,448)</b>	<b>(89,547)</b>	<b>(219,278)</b>	<b>(220,924)</b>
<b>Income before income taxes</b>	<b>241,530</b>	<b>157,545</b>	<b>702,372</b>	<b>550,390</b>
Benefit for income taxes	7,281	7,626	11,299	12,483
<b>Net income</b>	<b>\$ 248,811</b>	<b>\$ 165,171</b>	<b>\$ 713,671</b>	<b>\$ 562,873</b>

- (1) Adjusted Property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, corporate expenses, intercompany golf course and water rights leases, 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

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

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 Wynn Resorts, Limited, have historically excluded from their EBITDA calculations pre-opening expenses, property charges, corporate expenses and stock-based compensation that do not relate to the management of specific casino properties. However, Adjusted Property EBITDA should not be considered as an alternative



**Table of Contents**

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 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.

**18. Subsequent Events**

On October 24, 2013 the Company announced a cash dividend of \$1.00 per share, payable on November 21, 2013 to stockholders of record as of November 7, 2013. On November 5, 2013 the Company announced a cash dividend of \$3.00 per share payable on December 6, 2013 to stockholders of record on November 20, 2013.

## **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**

We make forward-looking statements in this Quarterly Report on Form 10-Q based upon the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements include, but are not limited to, information about our business strategy, development activities, competition and possible or assumed future results of operations, throughout this report and are often preceded by, followed by or include the words may, will, should, would, could, believe, expect, anticipate, estimate, intend, plan, cont these terms or similar expressions.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those we express in these forward-looking statements. These include the risks and uncertainties in Item 1A Risk Factors and other risk factors we describe from time to time in our periodic filings with the SEC as well as the following:

our dependence on Stephen A. Wynn and existing management;

regulatory or enforcement actions and probity investigations;

pending or future legal proceedings;

decreases in levels of travel, leisure and consumer spending;

continued high unemployment;

fluctuations in occupancy rates and average daily room rates;

competition in the casino/hotel and resort industries and actions taken by our competitors;

uncertainties over the development and success of new gaming and resort properties;

new development and construction activities of competitors;

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

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

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

general global macroeconomic conditions;

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

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

cyber security risk including misappropriation of customer information or other breaches of information security;

changes in U.S. laws regarding healthcare;

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

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

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

**Table of Contents**

conditions precedent to funding under our credit facility;

continued compliance with all provisions in our credit agreements;

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

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

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

the consequences of military conflicts and any future security alerts and/or terrorist attacks.

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 available to us at the time this statement is made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Overview**

We are a developer, owner and operator of destination casino resorts. We currently own and operate two casino resort complexes. In the Macau Special Administrative Region of the People’s Republic of China ( Macau ), we operate and own 72.3% of Wynn Macau | Encore, which we refer to as our Macau Operations. In Las Vegas, Nevada, we own and operate Wynn Las Vegas | Encore, which we refer to as our Las Vegas Operations.

**Our Resorts**

The following table sets forth information about our resorts as of October 2013:

	Hotel Rooms & Suites	Approximate Casino Square Footage	Approximate Number of Table Games	Approximate Number of Slots
Macau Operations	1,008	275,000	490	880
Las Vegas Operations	4,748	186,000	235	1,870

*Macau Operations*

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

Our Macau resort complex features:

Approximately 275,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;

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

Two luxury hotel towers with a total of 1,008 spacious guest rooms and suites;

Casual and fine dining in eight restaurants;

Approximately 57,000 square feet of high-end, brand-name retail shopping, including stores and boutiques by Bvlgari, Cartier, Chanel, Dior, Dunhill, Ferrari, Giorgio Armani, Graff, Gucci, Hermes, Hugo Boss, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Miu Miu, Piaget, Prada, Roger Dubuis, Rolex, Tiffany, Tudor, Vacheron Constantin, Van Cleef & Arpels, Versace, Vertu, Ermenegildo Zegna and others;

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

Lounges and meeting facilities.

## **Table of Contents**

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.

### *Las Vegas Operations*

Wynn Las Vegas | Encore is located at the intersection of the Las Vegas Strip and Sands Avenue, and occupies approximately 215 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. We also occupy 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 4,748 spacious guest rooms, suites and villas;

35 food and beverage outlets featuring signature chefs;

A Ferrari and Maserati automobile dealership;

Approximately 284,000 square feet of meeting and convention space;

Approximately 96,000 square feet of high-end, brand-name retail shopping, including stores and boutiques by Alexander McQueen, Brioni, Cartier, Chanel, Chloé, Chopard, Dior, Graff, Hermes, IWC Schaffhausen, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Manolo Blahnik, Nicholas Kirkwood, Oscar de la Renta, Piaget, Rolex, Vertu and others;

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

Two showrooms; and

Three nightclubs and a beach club.

In response to our evaluation of our Las Vegas 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*

We are currently constructing Wynn Palace in the Cotai area of Macau, a full-scale integrated resort containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail and food and beverage outlets. We estimate the project budget to be approximately \$4 billion including all project costs, land costs, preopening expenses, capitalized interest, and opening inventories. We have completed the pre-foundation, substantially completed the piling work and started the structural steel erection. We continue to remain on schedule for an opening in the first half of 2016.

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

On July 29, 2013, Wynn Macau, S.A. and Palo finalized and executed a guaranteed maximum price construction ( GMP ) contract with Leighton Contractors (Asia) Limited, acting as the general contractor. Under the GMP contract, the general contractor is responsible for both the construction and design of the Wynn Palace project. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK\$20 billion (approximately US\$2.57 billion). An early completion bonus for achievement of substantial completion on or before January 25, 2016 will be paid to the general contractor if certain conditions are satisfied under the GMP contract. Both the contract time and guaranteed maximum price are subject to further adjustment under certain specified conditions. The performance of the general contractor is backed by a full completion guarantee given by Leighton Holdings Limited, the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price.

**Table of Contents**

We continually seek out new opportunities for additional gaming or related businesses, in the United States, and worldwide. On November 11, 2013, we announced that our Board had elected to withdraw the previously-filed application for a gaming license in Pennsylvania. We have made an application for a gaming license in Massachusetts and have announced a potential project in that jurisdiction. The process is competitive and we do not expect to know the outcome until 2014. Proceeding with this project will require significant expenditure of Company funds. In addition, we are exploring various international jurisdictions for expansion opportunities.

**Results of Operations**

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Net revenues</b>				
Macau Operations	\$ 997,635	\$ 910,451	\$ 2,920,591	\$ 2,768,795
Las Vegas Operations	392,477	388,044	1,180,448	1,096,405
	\$ 1,390,112	\$ 1,298,495	\$ 4,101,039	\$ 3,865,200

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 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 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. Below is a discussion of the methodologies used to calculate win percentage at our resorts.

*Macau Operations*

In our VIP casino in Macau, customers primarily purchase non-negotiable chips, commonly referred to as 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 chips in the VIP casino is recorded as turnover and provides a base for calculating VIP casino win percentage. It is customary in Macau to measure VIP casino play using this rolling chip method. The measurement base used in the general casino is not the same that is used in the VIP casino. We expect our win as a percentage of turnover to be within the range of 2.7% to 3.0%.

In our general casino in Macau, customers may purchase cash chips at either the gaming tables or at the casino cage. The cash and net markers used to purchase the cash chips at the gaming tables are deposited in the gaming table's drop box. This is the base of measurement that we use for calculating win percentage in our general casino. We do not report an expected range for the win percentage in our general casino as chips purchased at the casino cage are excluded from table games drop and distort our expected win percentage. With increased purchases at the casino cage, we believe the relevant indicator of volumes in the mass market segment should be table games win.

The measurements in our VIP casino and the general casino are not comparable as the general casino tracks the initial purchase of chips at the table while the measurement method in our VIP casino tracks the sum of all losing wagers. Accordingly, the base measurement in the VIP casino is much larger than the base measurement in the general casino. As a result, the expected win percentage with the same amount of gaming win is smaller in the VIP casino when compared to the general casino.



## **Table of Contents**

### *Las Vegas Operations*

In Las Vegas, customers purchase chips at the gaming tables. The cash and net markers used to purchase chips are deposited in the gaming table's drop box. This is the base of measurement that we use for calculating win percentage in Las Vegas. Each type of table game has its own theoretical win percentage. Our expected table games win percentage in Las Vegas is 21% to 24%.

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.

Turnover is the sum of all losing rolling chip wagers within our Wynn Macau Operations' VIP program.

Rolling chips are identifiable chips that are used to track 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 including the retail value of promotional allowances (less service charges, if any) by total rooms occupied including complimentary rooms.

Revenue per Available Room (REVPAR) is calculated by dividing total room revenue including the retail value of promotional allowances (less service charges, if any) by total rooms available.

Occupancy is calculated by dividing total occupied rooms, including complimentary rooms, by total rooms available.

***Financial results for the three months ended September 30, 2013 compared to the three months ended September 30, 2012.***

### *Revenues*

Net revenues for the three months ended September 30, 2013, were comprised of \$1,105.6 million in casino revenues (79.5% of total net revenues) and \$284.5 million of net non-casino revenues (20.5% of total net revenues). Net revenues for the three months ended September 30, 2012, were comprised of \$1,012.8 million in casino revenues (78% of total net revenues) and \$285.7 million of net non-casino revenues (22% of total net revenues).

Casino revenues are primarily comprised of the net win from our table games and slot machine operations. Casino revenues for the three months ended September 30, 2013, of \$1,105.6 million represents a \$92.8 million (9.2%) increase from casino revenues of \$1,012.8 million for the three months ended September 30, 2012.

For the three months ended September 30, 2013, our Macau Operations experienced an \$86.8 million (10.1%) increase in casino revenues to \$944 million, compared to the prior year quarter casino revenue of \$857.2 million due primarily to stronger table games profits in our general casino and VIP casino. For the three months ended September 30, 2013, our Las Vegas Operations experienced a \$6 million (3.9%) increase in casino revenues to \$161.6 million, compared to the prior year quarter casino revenue of \$155.6 million primarily due to an increase in table games win percentage (before discounts).



**Table of Contents**

The table below sets forth key gaming statistics related to our Macau and Las Vegas Operations.

	Three Months Ended September 30,			Percent Change
	2013	2012	Increase/ (Decrease)	
(amounts in thousands, except for win per day amounts)				
<b>Macau Operations:</b>				
<b>VIP Casino</b>				
VIP turnover	\$ 30,334,611	\$ 27,622,665	\$ 2,711,946	9.8%
VIP win as a % of turnover	3.04%	3.08%	(.04)pts	
<b>General Casino</b>				
Drop (1)	\$ 630,683	\$ 686,122	\$ (55,439)	(8.1)%
Table games win	\$ 239,828	\$ 211,307	\$ 28,521	13.5%
Table games win % (1)	38.0%	30.8%	7.2pts	
Table games win per unit per day	\$ 12,872	\$ 11,423	\$ 1,449	12.7%
Slot machine handle	\$ 1,165,840	\$ 983,705	\$ 182,135	18.5%
Slot machine win	\$ 55,729	\$ 54,412	\$ 1,317	2.4%
Slot machine win per unit per day	\$ 689	\$ 620	\$ 69	11.2%
<b>Las Vegas Operations:</b>				
Drop	\$ 676,287	\$ 682,349	\$ (6,062)	(0.9)%
Table games win	\$ 152,842	\$ 149,204	\$ 3,638	2.4%
Table games win %	22.6%	21.9%	0.7pts	
Table games win per unit per day	\$ 7,031	\$ 7,323	\$ (292)	(4.0)%
Slot machine handle	\$ 733,540	\$ 723,514	\$ 10,026	1.4%
Slot machine win	\$ 45,848	\$ 46,326	\$ (478)	(1.0)%
Slot machine win per unit per day	\$ 258	\$ 215	\$ 43	20.0%

(1) Customers purchase general casino gaming chips at either the gaming tables or the casino cage. Chips purchased at the casino cage are excluded from table games drop and will increase the expected win percentage. With the increased purchases at the casino cage in our Macau general casino, we believe the relevant indicator of volumes in the general casino should be table games win.

For the three months ended September 30, 2013, room revenues were \$123.1 million, an increase of \$3.5 million (2.9%) compared to prior year quarter room revenue of \$119.6 million. Room revenue at our Macau Operations decreased \$1.2 million (4.2%) to \$27.4 million compared to the prior year quarter room revenue of \$28.6 million. During the second quarter of 2013, we began a renovation of the approximately 600 guestrooms in the original Wynn Macau tower, contributing to an approximate 7% reduction in the number of available room-nights for the third quarter of 2013 compared to the third quarter of 2012. We expect to complete the guestroom renovation by the end of 2013. Room revenue at our Las Vegas Operations increased approximately \$4.7 million (5.1%) to \$95.7 million compared to the prior year quarter room revenue of \$91 million. In Las Vegas, during the three months ended September 30, 2013, we experienced an increase in room rates and occupancy rate.

**Table of Contents**

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

	Three Months Ended September 30,	
	2013	2012
<b>Average Daily Rate</b>		
Macau Operations	\$ 310	\$ 307
Las Vegas Operations	250	244
<b>Occupancy</b>		
Macau Operations	95.8%	94.2%
Las Vegas Operations	87.9%	85.7%
<b>REVPAR</b>		
Macau Operations	\$ 297	\$ 289
Las Vegas Operations	220	209

Other non-casino revenues for the three months ended September 30, 2013, included food and beverage revenues of \$152.2 million, retail revenues of \$69.4 million, entertainment revenues of \$17.5 million, and other revenues from outlets, including the spa and salon, of \$18.2 million. Other non-casino revenues for the three months ended September 30, 2012, included food and beverage revenues of \$156.6 million, retail revenues of \$63.2 million, entertainment revenues of \$21.6 million, and other revenues from outlets such as the spa and salon, of \$16.3 million. Food and beverage revenues at our Macau Operations decreased \$0.8 million, while food and beverage revenues at our Las Vegas Operations decreased \$3.6 million as compared to the prior year quarter. Retail revenues at our Macau Operations increased \$1.9 million and retail revenues at our Las Vegas operations increased \$4.3 million as we completed the reconfiguration to our retail area during the first half of 2013. Entertainment revenues decreased \$4.1 million from the prior year quarter due to a Las Vegas show that ended its run in November 2012.

*Departmental, Administrative and Other Expenses*

For the three months ended September 30, 2013, departmental expenses included casino expenses of \$699.9 million, room expenses of \$33.6 million, food and beverage expenses of \$84.1 million, and entertainment, retail and other expenses of \$45.5 million. Also included are general and administrative expenses of \$105 million and a charge of \$11.3 million for the provision for doubtful accounts. For the three months ended September 30, 2012, departmental expenses included casino expenses of \$653.9 million, room expenses of \$31.9 million, food and beverage expenses of \$80.7 million, and entertainment, retail and other expenses of \$46.9 million. Also included for the three months ended September 30, 2012, are general and administrative expenses of \$115.8 million and a charge of \$5.3 million for the provision for doubtful accounts. Casino expenses increased for the three months ended September 30, 2013, from the prior year quarter primarily due to higher gaming taxes commensurate with the increase in casino revenue at our Macau Operations (where we incur a gaming tax and other levies at a rate totaling 39% in accordance with the concession agreement). Food and beverage expenses increased over the prior year quarter primarily due to additional nightclub promotional costs at our Las Vegas Operations. General and administrative expenses decreased from the prior year quarter due to higher expenses related to litigation with a former shareholder that were incurred in the prior year quarter. Our provision for doubtful accounts increased from the prior year quarter due to the timing of collections.

*Depreciation and amortization*

Depreciation and amortization for the three months ended September 30, 2013, was \$93.3 million compared to \$94.3 million for the three months ended September 30, 2012.

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 are capitalized. Once these properties open, their assets

## **Table of Contents**

are placed into service and we begin recognizing the associated depreciation expense. Depreciation expenses 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 three months ended September 30, 2013, were \$2.6 million compared to \$22.7 million for the three months ended September 30, 2012. For the three months ended September 30, 2013, property charges and other related primarily to miscellaneous renovations and abandonments at our resorts. For the three months ended September 30, 2012, property charges and other related primarily to a remodel of a Las Vegas restaurant, charges related to the termination of a Las Vegas show which ended its run in November 2012, and miscellaneous renovations and abandonments.

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 \$3.2 million for the three months ended September 30, 2013, compared to \$3.8 million for the three months ended September 30, 2012. During 2013 and 2012, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. The majority of our short-term investments were primarily in money market accounts, time deposits and fixed deposits with a maturity of three months or less.

Interest expense was \$73.5 million, net of capitalized interest of \$3 million, for the three months ended September 30, 2013, compared to \$75.1 million, net of capitalized interest of \$0.5 million, for the three months ended September 30, 2012. Capitalized interest increased due to the construction costs of Wynn Palace. Capitalized interest will continue to increase with the ongoing borrowings and construction costs related to Wynn Palace.

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 loss of \$3.5 million for the three months ended September 30, 2013, resulting from the decrease in the fair value of our interest rate swaps during the period. For further information on our interest rate swaps, see Item 3 Quantitative and Qualitative Disclosures about Market Risk.

As described in Note 9 to our Condensed Consolidated Financial Statements, we amended our Wynn Macau credit facilities in July 2012. In connection with amending the Wynn Macau credit facilities, we expensed \$17.7 million of deferred financing costs and third party fees.

On September 17, 2012, we terminated the Wynn Las Vegas Credit Agreement. No loans were outstanding under the Wynn Las Vegas Credit Agreement at the time of termination. Prior to such termination, certain letters of credit in which lenders had participated pursuant to the Wynn Las Vegas Credit Agreement were reallocated to a separate, unsecured letter of credit facility provided by Deutsche Bank, A.G. Wynn Las Vegas did not incur any early termination penalties in connection with the termination. In connection with the termination, the Company expensed \$2 million of previously deferred financing costs and third party fees related to the Wynn Las Vegas Credit Agreement.

**Table of Contents**

*Income Taxes*

For the three months ended September 30, 2013 and 2012, we recorded a tax benefit of \$7.3 million and \$7.6 million, respectively. Our income tax benefit is primarily related to a decrease in deferred tax liabilities reduced by 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 repatriation. We have not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences as these amounts are permanently reinvested. For the three months ended September 30, 2013 and 2012, we recognized income tax benefits related to excess tax deductions associated with stock compensation costs of \$0.7 million and \$0.6 million, respectively.

Wynn Macau, S.A. has received an exemption from Macau's 12% Complementary Tax on casino gaming profits through December 31, 2015. Accordingly, we were exempt from the payment of \$26 million and \$20.3 million in such taxes during the three months ended September 30, 2013 and 2012, respectively. 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.

In February 2013, we received notification that we had been accepted into the IRS Compliance Assurance Program (CAP) for the 2013 tax year and in March 2013, we received additional notification that we had been selected for the Compliance Maintenance phase of CAP for the 2013 tax year. In the Compliance Maintenance phase, the IRS, at its discretion, may reduce the level of review of the taxpayer's tax positions based on the complexity and number of issues, and the taxpayer's history of compliance, cooperation and transparency in the CAP.

In January 2013, the Financial Services Bureau examined the 2009 and 2010 Macau income tax returns of Palo Real Estate Company Limited. The exam resulted in no change to the tax returns.

In March 2013, the Financial Services Bureau commenced an examination of the 2009, 2010, and 2011 Macau income tax returns of Wynn Macau, S.A. Since the examination is in its initial stages, we are unable to determine if it will conclude within the next 12 months. We believe that our liability for uncertain tax positions is adequate with respect to these years.

In May 2013, the Company received notification that the IRS completed its examination of the Company's 2011 U.S. income tax return and had no changes.

*Net income attributable to noncontrolling interests*

In October 2009, Wynn Macau, Limited, our 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 \$66.8 million for the three months ended September 30, 2013, compared to \$53.1 million for the three months ended September 30, 2012. This represents the noncontrolling interests' share of net income from Wynn Macau, Limited during each quarter.

***Financial results for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.***

*Revenues*

Net revenues for the nine months ended September 30, 2013, were comprised of \$3,228.2 million in casino revenues (78.7% of total net revenues) and \$872.8 million of net non-casino revenues (21.3% of total net

**Table of Contents**

revenues). Net revenues for the nine months ended September 30, 2012, are comprised of \$3,015.5 million in casino revenues (78% of total net revenues) and \$849.7 million of net non-casino revenues (22% of total net revenues).

Casino revenues are comprised of the net win from our table games and slot machine operations. Casino revenues of \$3,228.2 million for the nine months ended September 30, 2013, represents a \$212.7 million (7.1%) increase from casino revenues of \$3,015.5 million for the nine months ended September 30, 2012.

For the nine months ended September 30, 2013, our Macau Operations experienced a \$144 million (5.5%) increase in casino revenues to \$2,747.7 million, compared to the prior year period casino revenue of \$2,603.7 million due primarily to strong table games results in both the general casino and VIP casino. For the nine months ended September 30, 2013, our Las Vegas Operations experienced a \$68.7 million (16.7%) increase in casino revenues to \$480.5 million, compared to the prior year period casino revenue of \$411.8 million due to a significant increase in our table games win percentage (before discounts).

The table below sets forth key gaming statistics related to our Macau and Las Vegas Operations.

	Nine Months Ended September 30,			
	2013	2012	Increase/ (Decrease)	Percent Change
	(amounts in thousands, except for win per unit per day amounts)			
<b>Macau Operations:</b>				
<b>VIP Casino</b>				
VIP turnover	\$ 88,617,910	\$ 91,512,158	\$ (2,894,248)	(3.2)%
VIP win as a % of turnover	3.04%	2.81%	.23pts	
<b>General Casino</b>				
Drop (1)	\$ 1,942,073	\$ 2,065,323	\$ (123,250)	(6.0)%
Table games win	\$ 699,999	\$ 625,355	\$ 74,644	11.9%
Table games win % (1)	36.0%	30.3%	5.7pts	
Table games win per unit per day	\$ 12,573	\$ 11,439	\$ 1,134	9.9%
Slot machine handle	\$ 3,453,231	\$ 3,610,782	\$ (157,551)	(4.4)%
Slot machine win	\$ 174,926	\$ 191,294	\$ (16,368)	(8.6)%
Slot machine win per unit per day	\$ 742	\$ 746	\$ (4)	(0.5)%
<b>Las Vegas Operations:</b>				
Drop	\$ 1,893,227	\$ 1,912,430	\$ (19,203)	(1.0)%
Table games win	\$ 449,414	\$ 384,979	\$ 64,435	16.7%
Table games win %	23.7%	20.1%	3.6pts	
Table games win per unit per day	\$ 7,027	\$ 6,397	\$ 630	9.8%
Slot machine handle	\$ 2,142,738	\$ 2,150,263	\$ (7,525)	(0.3)%
Slot machine win	\$ 132,821	\$ 129,812	\$ 3,009	2.3%
Slot machine win per unit per day	\$ 234	\$ 199	\$ 35	17.6%

- (1) Customers purchase general casino gaming chips at either the gaming tables or the casino cage. Chips purchased at the casino cage are excluded from table games drop and will increase the expected win percentage. With the increased purchases at the casino cage in our Macau general casino, we believe the relevant indicator of volumes in the general casino should be table games win.

For the nine months ended September 30, 2013, room revenues were \$372.9 million, an increase of \$10.9 million (3%) compared to prior year period room revenue of \$362 million. Room revenue at our Macau Operations decreased \$2.4 million (2.7%) to \$85.1 million compared to the prior year period of \$87.5 million. During the second quarter of 2013, we began a renovation of the approximately 600 guestrooms in the original

**Table of Contents**

Wynn Macau tower, contributing to an approximate 5% reduction in the number of available room-nights for the nine months ended September 30, 2013 compared to the prior year period of 2012. We expect to complete the guestroom renovation by the end of 2013. Room revenue at our Las Vegas Operations increased to \$287.8 million, approximately \$13.3 million (4.8%) compared to the prior year period's \$274.5 million. In Las Vegas, during the nine months ended September 30, 2013, we experienced an increase in occupancy and an increase in room rates compared to the nine months ended September 30, 2012.

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

	Nine Months Ended September 30,	
	2013	2012
<b>Average Daily Rate</b>		
Macau Operations	\$ 313	\$ 316
Las Vegas Operations	259	251
<b>Occupancy</b>		
Macau Operations	95.0%	91.8%
Las Vegas Operations	85.9%	84.2%
<b>REVPAR</b>		
Macau Operations	\$ 297	\$ 290
Las Vegas Operations	222	211

Other non-casino revenues for the nine months ended September 30, 2013, included food and beverage revenues of \$461.5 million, retail revenues of \$206.1 million, entertainment revenues of \$47.4 million, and other revenues from outlets, including the spa and salon, of \$56.2 million. Other non-casino revenues for the nine months ended September 30, 2012, included food and beverage revenues of \$452.8 million, retail revenues of \$192.8 million, entertainment revenues of \$60.8 million, and other revenues from outlets such as the spa and salon, of \$54.8 million. Food and beverage revenues increased primarily due to stronger business in our restaurants at our Las Vegas Operations. Retail revenues at our Macau Operations increased \$8 million due to stronger business in our leased stores. Retail revenues at our Las Vegas Operations increased \$5.3 million as we completed the reconfiguration to certain stores in our retail area during the first half of 2013. Entertainment revenues decreased due to a Las Vegas show that ended its run in November 2012.

*Departmental, Administrative and Other Expenses*

For the nine months ended September 30, 2013, departmental expenses included casino expenses of \$2,062.5 million, room expenses of \$101 million, food and beverage expenses of \$253.5 million, and entertainment, retail and other expenses of \$128.8 million. Also included are general and administrative expenses of \$332.3 million and a charge of \$7.1 million for the provision for doubtful accounts. For the nine months ended September 30, 2012, departmental expenses included casino expenses of \$1,974.2 million, room expenses of \$95.2 million, food and beverage expenses of \$235.6 million, and entertainment, retail and other expenses of \$144.6 million. Also included for the nine months ended September 30, 2012, are general and administrative expenses of \$321.5 million and \$6.1 million charged as a provision for doubtful accounts. Casino expenses have increased for the nine months ended September 30, 2013, over the prior year period due primarily to higher gaming taxes commensurate with the increase in casino revenue at our Las Vegas Operations and Macau Operations (where we incur a gaming tax and other levies at a rate totaling 39% in accordance with the concession agreement). Food and beverage expenses increased over the prior year period primarily due to additional nightclub promotional costs at our Las Vegas Operations. The decrease in entertainment, retail and other expenses was due primarily to a Las Vegas show that ended its run in November 2012. General and administrative expense increased primarily due to higher stock-based compensation expense related to the accelerated vesting of a restricted stock award that was previously granted to our former chief operating officer and increased development costs partially offset by higher expenses related to the share redemption and litigation



## **Table of Contents**

with a former shareholder that were incurred during the prior year period. During the nine months ended September 30, 2013 and 2012, we recorded adjustments of \$14.9 million and \$30.9 million, respectively, to our reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends.

### *Depreciation and amortization*

Depreciation and amortization for the nine months ended September 30, 2013, was \$279.1 million compared to \$280.1 million for the nine months ended September 30, 2012.

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 are capitalized. Once these properties open, their assets are placed into service and we begin 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 nine months ended September 30, 2013, were \$13.6 million compared to \$36.5 million for the nine months ended September 30, 2012. For the nine months ended September 30, 2013, property charges and other related primarily to miscellaneous renovations and abandonments at our resorts, entertainment development costs and a contract termination fee. For the nine months ended September 30, 2012, property charges and other related primarily to a remodel of a Las Vegas restaurant, charges related to the cancellation of a Las Vegas show which ended its run in November 2012, and miscellaneous renovations and abandonments.

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 \$11.6 million for the nine months ended September 30, 2013, compared to \$7.8 million for the nine months ended September 30, 2012. During 2013 and 2012, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. The majority of our short-term investments were primarily in money market accounts, time deposits and fixed deposits with a maturity of three months or less.

Interest expense was \$222.7 million, net of capitalized interest of \$6.4 million, for the nine months ended September 30, 2013, compared to \$211 million net of capitalized interest of \$1 million for the nine months ended September 30, 2012. Our interest expense increased compared to the prior year period primarily due to the issuance of the Wynn Las Vegas \$500 million 4 1/4 % Senior Notes in May 2013 and a full period of expense for the \$1.94 billion Redemption Note and the Wynn Las Vegas \$900 million 5 3/8 % first mortgage notes. Capitalized interest increased due to the construction costs of Wynn Palace. Capitalized interest will continue to increase with the ongoing borrowings and construction costs related to Wynn Palace.

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 \$13.1 million for the nine months ended September 30, 2013, resulting from the increase in the fair value of our interest rate swaps during the period. For the nine months ended September 30, 2012, we recorded a gain of \$4.9 million resulting from the increase in the fair value of

---

**Table of Contents**

interest rate swaps between December 31, 2011 and September 30, 2012. In addition, in June 2012, we terminated an interest rate swap agreement that was used to hedge a portion of the underlying interest rate risk on borrowings under the then existing Wynn Las Vegas Credit Agreement for a payment of \$2.4 million and an interest rate swap agreement that was used to hedge a portion of the underlying interest rate risk on borrowings under the then existing Wynn Macau credit facilities matured. For further information on our interest rate swaps, see Item 3 Quantitative and Qualitative Disclosures about Market Risk.

On May 22, 2013, Wynn Las Vegas completed the purchase of \$274.7 million of the 7<sup>7</sup>/<sub>8</sub>% First Mortgage Notes due 2017 (the 2017 Notes ) pursuant to a tender offer for any and all of the 2017 Notes. In connection with this tender offer, Wynn Las Vegas paid \$19.6 million in consideration to holders who tendered their notes. Additionally, Wynn Las Vegas expensed \$6.7 million of unamortized debt issue costs and original issue discount related to the 2017 Notes and incurred other fees of approximately \$0.3 million related to the tender offer. In accordance with the applicable accounting standards, we recorded these expenses and charges as a loss on extinguishment of debt totaling \$26.6 million.

On March 12, 2012, Wynn Las Vegas entered into an eighth amendment to its Amended and Restated Credit Agreement (the Wynn Las Vegas Credit Agreement ). In connection with this amendment Wynn Las Vegas prepaid all term loans under the Wynn Las Vegas Credit Agreement, terminated all of its revolving credit commitments that were due to expire in 2013, and terminated all but \$100 million of its revolving credit commitments expiring in 2015. In connection with this transaction, we expensed deferred financing fees of \$4.8 million.

As described in Note 9 to our Condensed Consolidated Financial Statements, we amended our Wynn Macau credit facilities in July 2012. In connection with amending the Wynn Macau credit facilities, we expensed \$17.7 million of deferred financing costs and third party fees.

*Income Taxes*

For the nine months ended September 30, 2013 and 2012, we recorded a tax benefit of \$11.3 million and \$12.5 million, respectively. Our income tax benefit is primarily related to a decrease in our deferred tax liabilities reduced by 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 repatriation. The Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences as these amounts are permanently reinvested. For the nine months ended September 30, 2013 and 2012, we recognized income tax benefits related to excess tax deductions associated with stock compensation costs of \$10.8 million and \$1.8 million, respectively.

Wynn Macau, S.A. has received an exemption from Macau's 12% Complementary Tax on casino gaming profits through December 31, 2015. Accordingly, the Company was exempted from the payment of \$76.7 million and \$66.9 million in such taxes during the nine months ended September 30, 2013 and 2012, respectively. 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.

In February 2013, we received notification that we had been accepted into the IRS CAP for the 2013 tax year and in March 2013, we received additional notification that we had been selected for the Compliance Maintenance phase of CAP for the 2013 tax year. In the Compliance Maintenance phase, the IRS, at its discretion, may reduce the level of review of the taxpayer's tax positions based on the complexity and number of issues, and the taxpayer's history of compliance, cooperation and transparency in the CAP.

In January 2013, the Financial Services Bureau examined the 2009 and 2010 Macau income tax returns of Palo Real Estate Company Limited. The exam resulted in no change to the tax returns.

**Table of Contents**

In March 2013, the Financial Services Bureau commenced an examination of the 2009, 2010, and 2011 Macau income tax returns of Wynn Macau, S.A. Since the examination is in its initial stages, we are unable to determine if it will conclude within the next 12 months. We believe that our liability for uncertain tax positions is adequate with respect to these years.

In May 2013, the Company received notification that the IRS completed its examination of the Company's 2011 U.S. income tax return and had no changes.

*Net income attributable to noncontrolling interests*

In October 2009, Wynn Macau, Limited, our 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 \$198.9 million for the nine months ended September 30, 2013, compared to \$172.2 million for the nine months ended September 30, 2012. This represents the noncontrolling interests' share of net income from Wynn Macau, Limited during each period.

**Adjusted Property EBITDA**

We use Adjusted Property EBITDA 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, intercompany golf course and water rights leases, 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, corporate expenses and stock-based compensation 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 (amounts in thousands) for our Macau and Las Vegas Operations as reviewed by management and summarized in Notes to Condensed Consolidated Financial Statements, Note 17 Segment Information. That footnote also presents a reconciliation of Adjusted Property EBITDA to net income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Macau Operations	\$ 329,106	\$ 292,161	\$ 949,905	\$ 884,144
Las Vegas Operations	106,515	110,390	362,529	293,193
	\$ 435,621	\$ 402,551	\$ 1,312,434	\$ 1,177,337

---

## **Table of Contents**

For the three months ended September 30, 2013, the Adjusted Property EBITDA at our Macau Operations benefitted from strong table games results in both the general casino and the VIP casino. For the three months ended September 30, 2013, the Adjusted Property EBITDA at our Las Vegas Operations was negatively impacted by a decrease in profitability at our nightclubs.

For the nine months ended September 30, 2013, both our Macau and Las Vegas Operations benefitted from stronger operating results primarily in the casino department due to an increase in our table games win percentage. Refer to the discussions above regarding the specific details of our results of operations.

### **Liquidity and Capital Resources**

#### ***Cash Flow from Operations***

Our operating cash flows primarily consist of our operating income generated by our Macau and Las Vegas 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 significant 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 nine months ended September 30, 2013, was \$1,281.3 million compared to \$989.2 million provided by operations for the nine months ended September 30, 2012. Cash flow from operations improved due to significant changes in ordinary working capital accounts such as accounts payables and accrued expenses. Also benefitting operating cash flow was increased operating income that was driven by stronger operating results in the casino department.

#### ***Investing Activities***

Capital expenditures were approximately \$324.8 million for the nine months ended September 30, 2013. During the nine months ended September 30, 2013, our capital expenditures, net of construction payables and retention, included approximately \$249 million of site preparation costs and piling work for Wynn Palace and various other renovations at our resorts. Capital expenditures for the nine months ended September 30, 2012 were approximately \$168.3 million and related to various renovations at our resorts, a one-time payment of \$50 million in consideration of an unrelated third party's relinquishment of certain rights in and to any future development on the Cotai land that we are using for constructing Wynn Palace, as well as approximately \$35 million of site preparation costs for Wynn Palace.

#### ***Financing Activities***

##### ***Macau Operations***

On July 30, 2013, Wynn Macau, S.A. exercised its option to increase the senior term loan facility by US\$200 million equivalent pursuant to the terms and provisions of the Amended Wynn Macau Credit Facilities (as defined below). The US\$200 million equivalent was fully funded as of July 31, 2013 and is required to be used for the payment of certain Wynn Palace related construction and development costs. The additional US\$200 million equivalent will mature on July 31, 2018 and will bear interest at HIBOR plus a margin between 1.75% to 2.50% based on Wynn Macau's leverage ratio.

As of September 30, 2013, our Wynn Macau credit facilities, as amended, (collectively the Amended Wynn Macau Credit Facilities) consisted of a US\$950 million equivalent fully funded senior secured term loan facility (the Wynn Macau Senior Term Loan) and a US\$1.55 billion equivalent senior secured revolving credit

---

**Table of Contents**

facility (the Wynn Macau Senior Revolver ). Borrowings under the Amended Wynn Macau Credit Facilities, which consist of both Hong Kong Dollars and United States Dollar tranches, were used to refinance Wynn Macau's existing indebtedness, and will be used to fund the design, development, construction and pre-opening expenses of Wynn Palace, and for general corporate purposes.

As of September 30, 2013, there were no amounts outstanding under the Wynn Macau Senior Revolver. Accordingly, the Company has availability of US\$1.55 billion under the Amended Wynn Macau Credit Facilities.

On October 16, 2013, Wynn Macau, Limited issued \$600 million aggregate principal amount of 5.25% Senior Notes due 2021 (the 2021 Notes ). Wynn Macau, Limited received net proceeds of approximately \$591.5 million from the offering of the 2021 Notes after deducting commissions and estimated expenses of the offering and will use the net proceeds for working capital requirements and general corporate purposes.

*Las Vegas Operations*

On May 15, 2013, Wynn Las Vegas, LLC commenced the tender offer for any and all of the outstanding \$500 million aggregate principal amount of the 2017 Notes of Wynn Las Vegas and Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts, Limited (together with Wynn Las Vegas, the Issuers ), and a solicitation of consents to certain proposed amendments to the indenture (the 2017 Indenture ) governing the 2017 Notes.

The tender offer expired on May 21, 2013 and at the time of expiration, Wynn Las Vegas had received valid tenders with respect to approximately \$274.7 million of the \$500 million aggregate principal amount of the 2017 Notes outstanding. On May 22, 2013, note holders who validly tendered their 2017 Notes received the total consideration of \$1,071.45 for each \$1,000 principal amount of 2017 Notes, the premium portion of which totaled approximately \$19.6 million. In accordance with accounting standards, the tender offer premium was expensed and is included in loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Income. In addition, upon the tender offer completion, the Issuers entered into a supplemental indenture, which eliminated substantially all of the restrictive covenants and certain events of default from the 2017 Indenture.

Also in connection with this transaction, unamortized debt issue costs and original issue discount related to the 2017 Notes totaling \$6.7 million were expensed and are included in loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Income.

Separately, on May 22, 2013, the Issuers completed its issuance of \$500 million aggregate principal amount of 4 1/4% Senior Notes due 2023 (the 2023 Notes ) pursuant to an indenture, dated as of May 22, 2013 (the 2023 Indenture ), among the Issuers, all of the Issuers' subsidiaries, other than Wynn Las Vegas Capital Corp. which was a co-issuer, and U.S. Bank National Association, as trustee. The 2023 Notes were issued at par. The Issuers used the net proceeds from the 2023 Notes to cover the cost of purchasing the 2017 Notes tendered in the tender offer. In addition, the Issuers satisfied and discharged the 2017 Indenture and, in November 2013, used the remaining net proceeds to redeem any and all of the 2017 Notes not previously tendered. In connection with the issuance of the 2023 Notes, the Company capitalized approximately \$4.1 million of financing costs.

*Wynn Resorts Redemption Price Promissory Note*

Based on the Board of Directors' finding of unsuitability, on February 18, 2012, we redeemed and cancelled Aruze USA, Inc.'s 24,549,222 shares of Wynn Resorts' common stock. Following a finding of unsuitability, our articles of incorporation authorize redemption at fair value of the shares held by unsuitable persons. We engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares which were subject to the terms of an existing stockholder agreement. Pursuant to the articles of incorporation, we issued the Redemption Note to Aruze USA, Inc., a former stockholder and related party, in

**Table of Contents**

redemption of the shares. The Redemption Note has a principal amount of approximately \$1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Note. We may, in our sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of Wynn Resorts or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts and any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

We recorded the fair value of the Redemption Note at its estimated present value of approximately \$1.94 billion in accordance with applicable accounting guidance. In determining this fair value, we considered the stated maturity of the Redemption Note, its stated interest rate, and the uncertainty of the related cash flows of the Redemption Note as well as the potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with Aruze USA, Inc. and its affiliates (see Note 15 Commitments and Contingencies); the outcome of ongoing investigations by the Nevada Gaming Control Board and/or other governmental regulatory agencies; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, we considered our ability, at our sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, we reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note. When considering the appropriate rate of interest to be used to determine fair value for accounting purposes and in light of the uncertainty in the timing of the cash flows, we used observable inputs from a range of trading values of financial instruments with terms and lives similar to the estimated life and terms of the Redemption Note. As a result of this analysis, we concluded the Redemption Note's stated rate of 2% approximated a market rate.

***Capital Resources***

At September 30, 2013 we had approximately \$2 billion of cash and cash equivalents and \$255.7 million of available for sale investments in foreign and domestic debt securities with maturities of up to two years. Our cash is available for operations, debt service and extinguishment, development activities, general corporate purposes and enhancements to our resorts. In addition, at September 30, 2013 we had \$443 million of restricted cash consisting of funds held for the purpose of redeeming, in November 2013, the portion of the 2017 Notes that were not tendered in May 2013 and also consisting of proceeds from our financing activities that were restricted by the agreements governing our debt instruments for the payment of certain Wynn Palace related construction and development costs. Of our total unrestricted cash and investments, Wynn Macau, Limited and its subsidiaries held \$1,096.7 million and \$13 million in cash and available for sale investments, respectively, of which we own 72.3%. If our portion of this cash was repatriated to the U.S. on September 30, 2013, approximately two-thirds of this amount would be subject to U.S. tax in the year of repatriation. Wynn Resorts, Limited, which is not a guarantor of the debt of its subsidiaries, held \$730 million and \$242.7 million of cash and available for sale investments, respectively. Wynn Las Vegas, LLC held cash balances of \$214.5 million.

On July 31, 2012, Wynn Macau, S.A. amended and restated its credit facilities, dated September 14, 2004 to expand the availability under the Wynn Macau, S.A. senior secured bank facility to US\$2.3 billion equivalent, consisting of a US\$750 million equivalent fully funded senior term loan facility and a US\$1.55 billion equivalent senior secured revolving credit facility.

On July 30, 2013, Wynn Macau, S.A. exercised its option to increase the senior term loan facility by US\$200 million equivalent pursuant to the terms and provisions of the Amended Wynn Macau Credit Facilities. The US\$200 million equivalent was fully funded as of July 31, 2013 and is required to be used for the payment of certain Wynn Palace related construction and development costs. The additional US\$200 million equivalent will mature on July 31, 2018 and will bear interest at HIBOR plus a margin between 1.75% to 2.50% based on Wynn Macau's leverage ratio.

---

## **Table of Contents**

As of September 30, 2013, there were no amounts outstanding under the Wynn Macau Senior Revolver. Accordingly, the Company has availability of US\$1.55 billion under the Amended Wynn Macau Credit Facilities.

On October 16, 2013, Wynn Macau, Limited issued the 2021 Notes. Wynn Macau, Limited received net proceeds of approximately \$591.5 million from the offering of the 2021 Notes after deducting commissions and estimated expenses of the offering and will use the net proceeds for working capital requirements and general corporate purposes.

We believe that cash flow from operations, availability under our bank credit facility and our existing cash balances will be adequate to satisfy our anticipated uses of capital for the remainder of 2013. If any additional financing became necessary, we cannot provide assurance that future borrowings will be available.

Cash and cash equivalents include cash in bank and fixed deposits, investments in money market funds, domestic and foreign bank time deposits and commercial paper, all with maturities of less than 90 days.

We continually seek out new opportunities for additional gaming or related businesses, in the United States, and worldwide. On November 11, 2013, we announced that our Board had elected to withdraw the previously-filed application for a gaming license in Pennsylvania. We have made an application for a gaming license in Massachusetts and have announced a potential project in that jurisdiction. The process is competitive and we do not expect to know the outcome until 2014. Proceeding with this project will require significant expenditure of Company funds. In addition, we are exploring various international jurisdictions for expansion opportunities.

### *Off Balance Sheet Arrangements*

We have not entered into any transactions with special purpose entities nor do we engage in any derivatives except for previously discussed interest rate swaps. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity. At September 30, 2013, we had unsecured outstanding letters of credit totaling \$15.8 million.

### *Contractual Obligations and Commitments*

There have been no material changes outside the ordinary course of our business during the nine months ended September 30, 2013 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, 2012, except as discussed above under Financing Activities.

### *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 its 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. While the Amended Wynn Macau Credit Facilities contain 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 Amended Wynn Macau Credit Facilities.

Wynn Las Vegas, LLC intends to fund its operations and capital requirements from cash on hand and operating cash flow. We cannot assure you however, that our Las Vegas Operations will generate sufficient cash

**Table of Contents**

flow from operations or the availability of additional indebtedness will be sufficient to enable us to service and repay Wynn Las Vegas, LLC's indebtedness and to fund its other liquidity needs. Similarly, we expect that our Macau Operations will fund Wynn Macau, S.A.'s debt service obligations with existing cash, operating cash flow and availability under the Amended Wynn Macau Credit Facilities. 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. Certain legal matters may also impact our liquidity. As described in our Notes to Condensed Consolidated Financial Statements, Note 15 – Commitments and Contingencies, Elaine Wynn has submitted a cross claim against Steve Wynn and Kazuo Okada. The indentures governing the Existing Notes (other than the 5<sup>3</sup>/<sub>8</sub>% First Mortgage Notes due 2022) and the 2023 Notes provide that if Steve Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of Wynn Resorts than are beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Steve Wynn would not beneficially own or control Elaine Wynn's shares and a change in control may result under our debt documents.

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.

The Company's articles of incorporation provide that, to the extent required by the gaming authority making the determination of unsuitability or to the extent the Board of Directors determines, in its sole discretion, that a person is likely to jeopardize the Company's or any affiliate's application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license, shares of Wynn Resorts' capital stock that are owned or controlled by an unsuitable person or its affiliates are subject to redemption by the Company. 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.

On February 18, 2012, the Board of Directors of Wynn Resorts determined that Aruze USA, Inc., Universal Entertainment Corporation and Mr. Kazuo Okada are unsuitable under the provision of our articles of incorporation and redeemed and cancelled all of Aruze USA, Inc.'s, 24,549,222 shares of Wynn Resorts' common stock. Pursuant to our articles of incorporation, we issued the Redemption Note to Aruze USA, Inc. in redemption of the shares. For additional information on the redemption and the Redemption Note, see Notes to Condensed Consolidated Financial Statements, Note 15 – Commitments and Contingencies.

**Critical Accounting Policies**

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, 2012. There has been no material change to these policies for the nine months ended September 30, 2013.

**Recently Issued Accounting Standards**

In July 2013, the Financial Accounting Standards Board (FASB) issued an accounting standards update that amends the presentation requirements of an unrecognized tax benefit when a loss or other carryforward exists. The update would require the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. The effective date for this update is for the annual and interim periods beginning after December 15, 2013. The Company is currently evaluating the impact, if any, of adopting this statement on its condensed consolidated financial statements.



**Table of Contents**

In February 2013, the FASB issued an accounting standards update that amends the presentation requirements for reclassifications out of accumulated other comprehensive income. The amendment would require an entity to present amounts reclassified out of accumulated other comprehensive income by component either on the face of the statement where net income is presented or in the notes. This update is effective prospectively for reporting periods beginning after December 15, 2012. We have adopted this update; see Notes to Condensed Consolidated Financial Statements, Note 4 Accumulated Other Comprehensive Income.

In July 2012, the FASB issued an accounting standards update that is intended to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. The update allows for the consideration of qualitative factors in determining whether it is necessary to perform quantitative impairment tests. The effective date for this update is for the years and interim impairment tests performed for years beginning after September 15, 2012. The adoption of this update did not have a material impact on our financial statements.

**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 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. 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 or (decrease) in swap fair value in our Condensed Consolidated Statements of Income as the swaps do not qualify for hedge accounting.

*Wynn Macau*

We currently have three interest rate swap agreements intended to hedge a portion of the underlying interest rate risk on borrowings under the Amended Wynn Macau Credit Facilities. Under two of the swap agreements, we pay a fixed interest rate (excluding the applicable interest margin) of 0.73% on notional amounts corresponding to borrowings of HK\$3.95 billion (approximately US\$509.4 million) incurred under the Amended 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. These interest rate swaps fix the all-in interest rate on such amounts at 2.48% to 3.23%. These interest rate swap agreements mature in July 2017.

Under the third swap agreement, we pay a fixed interest rate (excluding the applicable interest margin) of 0.6763% on notional amounts corresponding to borrowings of US\$243.75 million incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the all-in interest rate on such amounts at 2.4263% to 3.1763%. This interest rate swap agreement matures in July 2017.

*Interest Rate Sensitivity*

As of September 30, 2013, approximately 96% of our long-term debt was based on fixed rates. Based on our borrowings as of September 30, 2013, an assumed 1% change in the variable rates would cause our annual interest cost to change by \$2.3 million.

**Table of Contents***Foreign Currency Risks*

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. To date, we have not engaged in hedging activities intended to protect against foreign currency risk. Approximately 55% of our cash balances are denominated in foreign currencies, primarily the Hong Kong Dollar. Based on our balances at September 30, 2013, an assumed 1% change in the US dollar/Hong Kong dollar exchange rate would cause a foreign currency transaction gain/loss of approximately \$10.9 million.

**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 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 proceedings see Note 15 Commitments and Contingencies 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, 2012. There were no material changes to those risk factors during the nine months ended September 30, 2013.

**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. On January 31, 2013 the Company announced a cash dividend of \$1.00 per share, payable on February 28, 2013 to stockholders of record as of February 14, 2013. On April 25, 2013 the Company announced a cash dividend of \$1.00 per share, payable on May 23, 2013 to stockholders of record as of May 9, 2013. On July 29, 2013 the Company announced a cash dividend of \$1.00 per share, payable on August 26, 2013 to stockholders of record as of August 12, 2013. On October 24, 2013, the Company announced a cash dividend of \$1.00 per share, payable on November 21, 2013 to stockholders of record as of November 7, 2013. On November 5, 2013 the Company announced a cash dividend of \$3.00 per share payable on December 6, 2013 to stockholders of record on November 20, 2013. Wynn Resorts is a holding company and, as a result, our ability to pay dividends is 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 certain key subsidiaries holding a majority of our assets, including Wynn Las Vegas, LLC and Wynn Macau, S.A. from making dividends or distributions to Wynn Resorts. Specifically, Wynn Las Vegas, LLC and certain of its subsidiaries are restricted under the indentures governing its 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. Restricted payments cannot be made unless certain financial and non-financial criteria have been satisfied. While the Amended Wynn Macau Credit Facilities contain 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 Amended Wynn Macau Credit Facilities. On March 28, 2013, the Wynn Macau, Limited Board of Directors recommended the payment of a HK\$1.24 per share dividend that was approved by the shareholders of Wynn Macau, Limited at their annual meeting on May 16, 2013 and subsequently paid on June 6, 2013. On August 23, 2013, the Wynn Macau, Limited Board of Directors approved a dividend of HK\$0.50 per share that was paid on September 23, 2013.

*Issuer Purchases of Equity Securities*

In July 2013, the Company repurchased a total of 684 shares at an average price of \$131.99 per share in satisfaction of tax withholding obligations on vested restricted stock.

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

(a) Exhibits

**EXHIBIT INDEX**

Exhibit No.	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant. (1)
3.2	Sixth 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 September 30, 2013, filed with the SEC on November 12, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2013 and 2012, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012, (v) the Condensed Consolidated Statement of Stockholders' Equity at September 30, 2013 and (vi) Notes to Condensed Consolidated Financial Statements.

Wynn Resorts, Limited agrees to furnish to the U.S. Securities and Exchange Commission, upon request, a copy of each agreement with respect to long-term debt not filed herewith in reliance upon the exemption from filing applicable to any series of debt which does not exceed 10% of the total consolidated assets of the company.

\* Filed herewith.

- (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 Current Report on Form 8-K filed by the Registrant on September 12, 2013 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: November 12, 2013

By: /s/ Matt Maddox  
Matt Maddox  
President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)