LAS VEGAS SANDS CORP
Form 10-Q
August 09, 2011

Table of Contents

UNITED STATES SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2011

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

For the transition period from __________ to __________

Commission file number 001-32373

LAS VEGAS SANDS CORP.

(Exact name of registration as specified in its charter)

Nevada	**27-0099920**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3355 Las Vegas Boulevard South Las Vegas, Nevada	**89109**
(Address of principal executive offices)	*(Zip Code)*

(702) 414-1000

(Registrant s telephone number, including area code)

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 þ No o

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

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

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

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

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

Class	Outstanding at July 29, 2011
Common Stock ($0.001 par value)	730,174,694 shares

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Table of Contents

2

Table of Contents

ITEM 1 ***FINANCIAL STATEMENTS***

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	June 30, 2011	December 31, 2010
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,479,106	$ 3,037,081
Restricted cash and cash equivalents	171,228	164,315
Accounts receivable, net	968,988	716,919
Inventories	35,634	32,260
Deferred income taxes, net	14,713	61,606
Prepaid expenses and other	51,636	46,726
Total current assets	4,721,305	4,058,907
Property and equipment, net	14,892,790	14,502,197
Deferred financing costs, net	133,882	155,378
Restricted cash and cash equivalents	272,563	645,605
Deferred income taxes, net	9,259	10,423
Leasehold interests in land, net	1,441,023	1,398,840
Intangible assets, net	85,844	89,805
Other assets, net	180,491	183,153
Total assets	$ 21,737,157	$ 21,044,308
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 92,953	$ 113,505
Construction payables	383,489	516,981
Accrued interest payable	13,982	42,625
Other accrued liabilities	1,136,304	1,160,234
Income taxes payable	39,130	
Current maturities of long-term debt	1,073,484	767,068
Total current liabilities	2,739,342	2,600,413
Other long-term liabilities	79,938	78,240
Deferred income taxes	133,859	115,219
Deferred proceeds from sale of The Shoppes at The Palazzo	266,184	243,928
Deferred gain on sale of The Grand Canal Shoppes	49,076	50,808
Deferred rent from mall transactions	116,712	147,378
Long-term debt	8,985,396	9,373,755
Total liabilities	12,370,507	12,609,741

Preferred stock, $0.001 par value, issued to Principal Stockholder s family, 5,250,000 shares issued and outstanding, after allocation of fair value of attached warrants, aggregate redemption/liquidation value of $577,500	549,651	503,379
Commitments and contingencies (Note 9)		
Equity:		
Preferred stock, $0.001 par value, 50,000,000 shares authorized, 2,406,123 and 3,614,923 shares issued and outstanding with warrants to purchase up to 2,178,171 and 22,663,212 shares of common stock	138,018	207,356
Common stock, $0.001 par value, 1,000,000,000 shares authorized, 729,950,068 and 707,507,982 shares issued and outstanding	730	708
Capital in excess of par value	5,564,289	5,444,705
Accumulated other comprehensive income	218,495	129,519
Retained earnings	1,476,466	880,703
Total Las Vegas Sands Corp. stockholders equity	7,397,998	6,662,991
Noncontrolling interests	1,419,001	1,268,197
Total equity	8,816,999	7,931,188
Total liabilities and equity	$ 21,737,157	$ 21,044,308

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

Table of Contents

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands, except share and per share data) (Unaudited)			
Revenues:				
Casino	$ 1,862,272	$ 1,294,301	$ 3,526,761	$ 2,356,071
Rooms	239,696	190,767	471,670	371,549
Food and beverage	146,016	105,079	291,409	197,158
Convention, retail and other	200,642	115,266	365,297	223,481
	2,448,626	1,705,413	4,655,137	3,148,259
Less-promotional allowances	(103,530)	(110,937)	(198,122)	(218,895)
Net revenues	2,345,096	1,594,476	4,457,015	2,929,364
Operating expenses:				
Casino	974,413	790,947	1,895,949	1,485,582
Rooms	50,733	34,073	99,186	63,727
Food and beverage	73,135	47,798	144,838	92,101
Convention, retail and other	105,024	65,326	192,269	123,730
Provision for doubtful accounts	23,496	18,711	58,554	35,153
General and administrative	223,561	172,919	434,046	299,178
Corporate expense	42,376	25,954	79,952	49,430
Rental expense	10,034	12,806	23,190	21,504
Pre-opening expense	18,178	50,118	27,649	87,577
Development expense	2,420	676	2,993	833
Depreciation and amortization	206,161	170,694	396,398	323,783
Loss on disposal of assets	7,443	37,679	7,942	38,171
	1,736,974	1,427,701	3,362,966	2,620,769
Operating income	608,122	166,775	1,094,049	308,595
Other income (expense):				
Interest income	4,028	2,073	6,075	3,706
Interest expense, net of amounts capitalized	(70,592)	(76,987)	(144,177)	(155,152)
Other income (expense)	1,908	(6,201)	(2,767)	(12,649)
Gain on early retirement of debt		961		3,137
Income before income taxes	543,466	86,621	953,180	147,637
Income tax expense	(54,374)	(8,073)	(99,585)	(21,275)
Net income	489,092	78,548	853,595	126,362
Net income attributable to noncontrolling interests	(78,455)	(36,741)	(153,635)	(66,974)

Net income attributable to Las Vegas Sands Corp.	410,637	41,807	699,960	59,388
Preferred stock dividends	(19,219)	(23,350)	(38,817)	(46,700)
Accretion to redemption value of preferred stock issued to Principal Stockholder s family	(23,136)	(23,136)	(46,272)	(46,272)
Preferred stock inducement and repurchase premiums	(675)		(19,108)	
Net income (loss) attributable to common stockholders	$ 367,607	$ (4,679)	$ 595,763	$ (33,584)
Basic earnings (loss) per share	$ 0.50	$ (0.01)	$ 0.82	$ (0.05)
Diluted earnings (loss) per share	$ 0.45	$ (0.01)	$ 0.73	$ (0.05)
Weighted average shares outstanding:				
Basic	728,695,140	660,364,559	726,056,840	660,322,428
Diluted	811,274,706	660,364,559	811,243,195	660,322,428

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

Table of Contents

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity and Comprehensive Income

	Las Vegas Sands Corp. Stockholders Equity							
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Total Comprehensive Income	Noncontrolling Interests	Total
	(In thousands) (Unaudited)							
Balance at January 1, 2010	$ 234,607	$ 660	$ 5,114,851	$ 26,748	$ 473,833		$ 1,089,888	$ 6,940,587
Net income					59,388	59,388	66,974	126,362
Currency translation adjustment				(348)		(348)	(4,148)	(4,496)
Total comprehensive income						59,040	62,826	121,866
Exercise of stock options		1	3,922					3,923
Tax shortfall from stock-based compensation			(195)					(195)
Stock-based compensation			28,718				1,742	30,460
Deemed contribution from Principal Stockholder			213					213
Acquisition of remaining shares of noncontrolling interest			2,345				(2,345)	
Dividends declared, net of amounts previously accrued					(39,846)			(39,846)
Accumulated but undeclared dividend requirement on preferred stock issued to					(6,854)			(6,854)

Principal Stockholder s family								
Accretion to redemption value of preferred stock issued to Principal Stockholder s family					(46,272)			(46,272)
Balance at June 30, 2010	$ 234,607	$ 661	$ 5,149,854	$ 26,400	$ 440,249		$ 1,152,111	$ 7,003,882
Balance at January 1, 2011	$ 207,356	$ 708	$ 5,444,705	$ 129,519	$ 880,703		$ 1,268,197	$ 7,931,188
Net income					699,960	699,960	153,635	853,595
Currency translation adjustment				88,976		88,976	(128)	88,848
Total comprehensive income						788,936	153,507	942,443
Exercise of stock options		1	13,605				724	14,330
Tax shortfall from stock-based compensation			(83)					(83)
Stock-based compensation			32,698				1,607	34,305
Issuance of restricted stock		1	(1)					
Exercise of warrants	(66,625)	20	73,365					6,760
Repurchase of preferred stock	(2,713)				(2,615)			(5,328)
Disposition of interest in majority owned subsidiary							829	829
Distributions to noncontrolling interests							(5,863)	(5,863)
Dividends declared, net of amounts previously					(31,963)			(31,963)

accrued								
Accumulated but undeclared dividend requirement on preferred stock issued to Principal Stockholder s family					(6,854)			(6,854)
Accretion to redemption value of preferred stock issued to Principal Stockholder s family					(46,272)			(46,272)
Preferred stock inducement premium					(16,493)			(16,493)
Balance at June 30, 2011	$ 138,018	$ 730	$ 5,564,289	$ 218,495	$ 1,476,466		$ 1,419,001	$ 8,816,999

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

Table of Contents

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands) (Unaudited)	
Cash flows from operating activities:		
Net income	$ 853,595	$ 126,362
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation and amortization	396,398	323,783
Amortization of leasehold interests in land included in rental expense	23,190	21,504
Amortization of deferred financing costs and original issue discount	23,762	17,530
Amortization of deferred gain and rent	(2,580)	(2,580)
Gain on early retirement of debt		(3,137)
Loss on disposal of assets	7,942	38,171
Stock-based compensation expense	33,289	28,932
Provision for doubtful accounts	58,554	35,153
Foreign exchange (gain) loss	2,444	(8,836)
Deferred income taxes	61,255	(6,450)
Non-cash contribution from Principal Stockholder included in corporate expense		213
Changes in operating assets and liabilities:		
Accounts receivable	(297,370)	(104,581)
Inventories	(3,046)	543
Prepaid expenses and other	1,409	(6,561)
Leasehold interests in land	(22,988)	(17,211)
Accounts payable	(21,416)	36,285
Accrued interest payable	(29,063)	2,464
Income taxes payable	38,038	15,011
Other accrued liabilities	(41,890)	141,310
Net cash generated from operating activities	1,081,523	637,905
Cash flows from investing activities:		
Changes in restricted cash and cash equivalents	366,680	22,926
Capital expenditures	(720,696)	(1,127,268)
Proceeds from disposal of property and equipment	4,416	5,647
Acquisition of intangible assets	(575)	(43,305)
Purchases of investments		(173,774)
Net cash used in investing activities	(350,175)	(1,315,774)
Cash flows from financing activities:		
Proceeds from exercise of stock options	14,330	3,923
Proceeds from exercise of warrants	6,760	
Dividends paid to preferred stockholders	(38,817)	(46,700)
Distributions to noncontrolling interests	(5,863)	
Proceeds from long-term debt (Note 3)		596,560

Repayments on long-term debt (Note 3)	(259,518)	(1,265,218)
Repurchase of preferred stock	(5,328)	
Payments of preferred stock inducement premium	(16,493)	
Payments of deferred financing costs	(57)	(54,365)
Net cash used in financing activities	(304,986)	(765,800)
Effect of exchange rate on cash	15,663	7,088
Increase (decrease) in cash and cash equivalents	442,025	(1,436,581)
Cash and cash equivalents at beginning of period	3,037,081	4,955,416
Cash and cash equivalents at end of period	$ 3,479,106	$ 3,518,835
Supplemental disclosure of cash flow information:		
Cash payments for interest, net of amounts capitalized	$ 149,045	$ 134,979
Cash payments for taxes, net of refunds	$ (5,672)	$ 150
Changes in construction payables	$ (133,492)	$ (24,104)
Non-cash investing and financing activities:		
Capitalized stock-based compensation costs	$ 1,016	$ 1,528
Property and equipment acquired under capital lease	$	$ 2,802
Accumulated but undeclared dividend requirement on preferred stock issued to Principal Stockholder s family	$ 6,854	$ 6,854
Accretion to redemption value of preferred stock issued to Principal Stockholder s family	$ 46,272	$ 46,272
Acquisition of remaining shares of noncontrolling interest	$	$ 2,345
Disposition of interest in majority owned subsidiary	$ 829	$
Warrants exercised and settled through tendering of preferred stock	$ 66,625	$

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

Table of Contents

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 ORGANIZATION AND BUSINESS OF COMPANY

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K of Las Vegas Sands Corp. (LVSC), a Nevada corporation, and its subsidiaries (collectively the Company) for the year ended December 31, 2010. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. In the opinion of management, all adjustments and normal recurring accruals considered necessary for a fair statement of the results for the interim period have been included. The interim results reflected in the unaudited condensed consolidated financial statements are not necessarily indicative of expected results for the full year. The Company s common stock is traded on the New York Stock Exchange under the symbol LVS.

In November 2009, the Company s subsidiary, Sands China Ltd. (SCL, the indirect owner and operator of the majority of the Company s operations in the Macau Special Administrative Region (Macau) of the People s Republic of China), completed an initial public offering by listing its ordinary shares (the SCL Offering) on The Main Board of The Stock Exchange of Hong Kong Limited (SEHK). Immediately following the SCL Offering and several transactions consummated in connection with such offering, the Company owned 70.3% of the issued and outstanding ordinary shares of SCL. The shares of SCL were not, and will not, be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the U.S. absent a registration under the Securities Act of 1933, as amended, or an applicable exception from such registration requirements.

Operations

United States

Las Vegas

The Company owns and operates The Venetian Resort Hotel Casino (The Venetian Las Vegas), a Renaissance Venice-themed resort; The Palazzo Resort Hotel Casino (The Palazzo), a resort featuring modern European ambience and design; and an expo and convention center of approximately 1.2 million square feet (the Sands Expo Center). These Las Vegas properties, situated on or near the Las Vegas Strip, form an integrated resort with approximately 7,100 suites; approximately 225,000 square feet of gaming space; a meeting and conference facility of approximately 1.1 million square feet; an enclosed retail, dining and entertainment complex located within The Venetian Las Vegas of approximately 440,000 net leasable square feet (The Grand Canal Shoppes), which was sold to GGP Limited Partnership (GGP) in 2004; and an enclosed retail and dining complex located within The Palazzo of approximately 400,000 net leasable square feet (The Shoppes at The Palazzo), which was sold to GGP in February 2008. See Note 2 Property and Equipment, Net regarding the sale of The Shoppes at The Palazzo.

Pennsylvania

In May 2009, the Company partially opened Sands Casino Resort Bethlehem (the Sands Bethlehem), a gaming, hotel, retail and dining complex located on the site of the historic Bethlehem Steel Works in Bethlehem, Pennsylvania. The Sands Bethlehem currently features approximately 152,000 square feet of gaming space, which include table games operations that commenced in July 2010, a 300-room hotel tower, which opened in May 2011, an arts and cultural center, and the broadcast home of the local PBS affiliate. The Company has initiated construction activities on the remaining components of the integrated resort, which include an approximate 200,000-square-foot retail facility and a 50,000-square-foot multipurpose event center. Sands Bethlehem is also expected to be home to the National Museum of Industrial History. The Company owns 86% of the economic interest of the gaming, hotel and entertainment portion of the property through its ownership interest in Sands Bethworks Gaming LLC and more than 35% of the economic interest of the retail portion of the property through its ownership interest in Sands Bethworks Retail LLC. As of June 30, 2011, the Company has capitalized construction costs of $686.8 million for this project (including $8.8 million in outstanding construction payables). The Company expects to spend approximately $40 million to complete construction of the project, on furniture, fixtures and equipment (FF&E) and other costs, and to pay outstanding construction payables, as noted above.

Macau

The Company currently owns 70.3% of SCL, which includes the operations of the Sands Macao, The Venetian Macao, Four Seasons Macao and other ancillary operations that support these properties, as further discussed below. The Company operates the gaming areas within these properties pursuant to a 20-year gaming subconcession.

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The Company owns and operates the Sands Macao, the first Las Vegas-style casino in Macau. The Sands Macao offers approximately 197,000 square feet of gaming space and a 289-suite hotel tower, as well as several restaurants, VIP facilities, a theater and other high-end services and amenities.

The Company also owns and operates The Venetian Macao Resort Hotel (The Venetian Macao), which anchors the Cotai Strip^{tm}, the Company s master-planned development of integrated resort properties in Macau. With a theme similar to that of The Venetian Las Vegas, The Venetian Macao includes a 39-floor luxury hotel with over 2,900 suites; approximately 550,000 square feet of gaming space; a 15,000-seat arena; an 1,800-seat theater; retail and dining space of approximately 1.0 million square feet; and a convention center and meeting room complex of approximately 1.2 million square feet.

The Company owns the Four Seasons Hotel Macao, Cotai Strip^{tm} (the Four Seasons Hotel Macao), which features 360 rooms and suites managed and operated by Four Seasons Hotels Inc. and is located adjacent and connected to The Venetian Macao. Connected to the Four Seasons Hotel Macao, the Company owns and operates the Plaza Casino (together with the Four Seasons Hotel Macao, the Four Seasons Macao), which features approximately 70,000 square feet of gaming space; 19 Paiza mansions; retail space of approximately 211,000 square feet, which is connected to the mall at The Venetian Macao; several food and beverage offerings; and conference, banquet and other facilities. This integrated resort will also feature the Four Seasons Apartment Hotel Macao, Cotai Strip^{tm} (the Four Seasons Apartments), an apart-hotel tower that consists of approximately 1.0 million square feet of Four Seasons-serviced and -branded luxury apart-hotel units and common areas. The Company has completed the structural work of the tower and expects to subsequently monetize units within the Four Seasons Apartments subject to market conditions and obtaining the necessary government approvals. As of June 30, 2011, the Company has capitalized $1.16 billion for the property, including the land premium and $15.3 million in outstanding construction payables. The Company expects to spend approximately $110 million primarily on additional costs to complete the Four Seasons Apartments, including FF&E and pre-opening costs, and to pay outstanding construction payables, as noted above.

Singapore

The Company owns and operates the Marina Bay Sands in Singapore, which partially opened on April 27, 2010, with additional portions opened progressively throughout 2010. The Marina Bay Sands features three 55-story hotel towers (totaling approximately 2,600 rooms and suites), the Sands SkyPark^{tm} (which sits atop the hotel towers and features an infinity swimming pool and several dining options), approximately 160,000 square feet of gaming space, an enclosed retail, dining and entertainment complex of approximately 800,000 net leasable square feet, a convention center and meeting room complex of approximately 1.3 million square feet and theaters. In February 2011, the Marina Bay Sands opened a landmark iconic structure at the bay-front promenade that contains an art/science museum. As of June 30, 2011, the Company has capitalized 7.59 billion Singapore dollars (SGD, approximately $6.15 billion at exchange rates in effect on June 30, 2011) in costs for this project, including the land premium and SGD 228.5 million (approximately $185.2 million at exchange rates in effect on June 30, 2011) in outstanding construction payables. The Company expects to spend approximately SGD 590 million (approximately $478 million at exchange rates in effect on June 30, 2011) on additional costs to complete the construction of the integrated resort, FF&E and other costs, and to pay outstanding construction payables, as noted above. As the Company has obtained Singapore-denominated financing and primarily pays its costs in Singapore dollars, its exposure to foreign exchange gains and losses is expected to be minimal.

Development Projects

The Company has suspended portions of its development projects to focus its efforts on those projects with the highest expected rates of return on invested capital. Should general economic conditions fail to improve, if the Company is unable to obtain sufficient funding or applicable government approvals such that completion of its suspended projects is not probable, or should management decide to abandon certain projects, all or a portion of the Company s investment to date on its suspended projects could be lost and would result in an impairment charge. In addition, the Company may be subject to penalties under the termination clauses in its construction contracts or termination rights under its management contracts with certain hotel management companies.

United States

The Company was constructing a high-rise residential condominium tower (the Las Vegas Condo Tower), located on the Las Vegas Strip between The Palazzo and The Venetian Las Vegas. The Company suspended construction activities for the project due to reduced demand for Las Vegas Strip condominiums and the overall decline in general economic conditions. The Company intends to recommence construction when demand and conditions improve and expects that it will take approximately 18 months thereafter to complete construction of the project. As of June 30, 2011, the Company has capitalized construction costs of $177.7 million for this project. The impact of the suspension on the estimated overall cost of the project is currently not determinable with certainty.

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Macau

The Company submitted plans to the Macau government for its other Cotai Strip developments, which represent three integrated resort developments, in addition to The Venetian Macao and Four Seasons Macao, on an area of approximately 200 acres (which are referred to as Sands Cotai Central (formerly referred to as parcels 5 and 6) and parcels 3 and 7 and 8). Subject to the approval from the Macau government, as discussed further below, the developments are expected to include hotels, exhibition and conference facilities, gaming areas, showrooms, shopping malls, spas, restaurants, entertainment facilities and other amenities. The Company had commenced construction or pre-construction activities on these developments and plans to operate the related gaming areas under the Company s Macau gaming subconcession.

The Company is staging the construction of its Sands Cotai Central integrated resort development. Upon completion of phases I and II of the project, the integrated resort is expected to feature approximately 5,800 hotel rooms, approximately 300,000 square feet of gaming space, approximately 1.2 million square feet of retail, entertainment and dining facilities, exhibition and conference facilities and a multipurpose theater. Phase I of the project is expected to include two hotel towers, one of which will be managed by Sheraton International Inc. and Sheraton Overseas Management Co. (collectively Starwood) under its Sheraton brand, as well as completion of the structural work of an adjacent hotel tower to be managed by Starwood under its Sheraton Towers brand. The second hotel tower was to be managed by Shangri-La International Hotel Management Limited (Shangri-La); however, in March 2011, the Company and Shangri-La mutually agreed to terminate the hotel management agreement. This second tower will now be managed by Hilton Worldwide and InterContinental Hotels Group under their Conrad and Holiday Inn brands, respectively. The Company s anticipated opening of phase I will be on a progressive schedule starting in the first quarter of 2012 with the opening of parcel 5, which will feature 600 five-star rooms and suites under the Conrad brand along with 1,200 four-star rooms and suites under the Holiday Inn brand. Parcel 5 will also open with a variety of retail offerings, more than 300,000 square feet of meeting space, several food and beverage establishments along with the 106,000 square foot casino and VIP gaming areas. Phase I also includes the opening of the first hotel tower on parcel 6, which will feature nearly 2,000 Sheraton-branded rooms, along with the second casino and the remaining dining, entertainment, retail and meeting facilities, and is currently scheduled to open in the third quarter of 2012. Phase II of the project consisting of the second hotel tower on parcel 6, which will feature an additional 2,000 rooms and suites under the Sheraton Towers brand, is projected to open in early 2013. The total cost to complete phases I and II is expected to be approximately $1.9 billion. Phase III of the project is expected to include a fourth hotel and mixed-use tower to be managed by Starwood under its St. Regis brand and the total cost is expected to be approximately $450 million. The Company has recommenced construction activities and is currently working with the Macau government to obtain sufficient construction labor for the project. The Company intends to commence construction of phase III of the project as demand and market conditions warrant it. As of June 30, 2011, the Company has capitalized costs of $2.48 billion for the entire project, including the land premium and $164.9 million in outstanding construction payables. The Company s management agreement with Starwood imposes certain construction deadlines and opening obligations on the Company and certain past and/or anticipated delays, as described above, would allow Starwood to terminate its agreement. See Note 9 Commitments and Contingencies Other Agreements. The Company is currently negotiating an amendment to the management agreement with Starwood to provide for new opening timelines.

The Company had commenced pre-construction activities on parcels 7 and 8 and 3, and has capitalized costs of $102.1 million for parcels 7 and 8 and $96.9 million for parcel 3 (including the land premium) as of June 30, 2011. The Company intends to commence construction after Sands Cotai Central is complete, necessary government approvals are obtained (including the land concession, see below), regional and global economic conditions improve, future demand warrants it and additional financing is obtained.

The impact of the delayed construction on the Company s previously estimated cost to complete its Cotai Strip developments is currently not determinable. As of June 30, 2011, the Company has capitalized an aggregate of

$6.87 billion in construction costs and land premiums for its Cotai Strip developments, including The Venetian Macao and Four Seasons Macao, as well as the Company s investments in transportation infrastructure, including its passenger ferry service operations. In addition to funding phases I and II of Sands Cotai Central with the $1.75 billion VOL credit facility, the Company will need to arrange additional financing to fund the balance of its Cotai Strip developments and there is no assurance that the Company will be able to obtain any of the additional financing required.

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Land concessions in Macau generally have an initial term of 25 years with automatic extensions of 10 years thereafter in accordance with Macau law. The Company has received land concessions from the Macau government to build on parcels 1, 2, 3 and 5 and 6, including the sites on which The Venetian Macao (parcel 1), the Four Seasons Macao (parcel 2) and Sands Cotai Central (parcels 5 and 6) are located. The Company does not own these land sites in Macau; however, the land concessions grant the Company exclusive use of the land. As specified in the land concessions, the Company is required to pay premiums for each parcel, which are either payable in a single lump sum upon acceptance of the land concessions by the Macau government or in seven semi-annual installments (provided that the outstanding balance is due upon the completion of the corresponding integrated resort), as well as annual rent for the term of the land concessions. During December 2010, the Company received notice from the Macau government that its application for a land concession for parcels 7 and 8 was not approved and the Company applied to the Chief Executive of Macau for a review of the decision. In January 2011, the Company filed an appeal with the Court of Second Instance in Macau, which has yet to issue a decision. Should the Company win its appeal, it is still possible for the Chief Executive of Macau to again deny the land concession based upon public policy considerations. If the Company does not obtain the land concession or does not receive full reimbursement of its capitalized investment in this project, the Company would record a charge for all or some portion of the $102.1 million in capitalized construction costs, as of June 30, 2011, related to its development on parcels 7 and 8.

Under the Company s land concession for parcel 3, the Company was initially required to complete the corresponding development by August 2011. The Macau government has granted the Company a two-year extension to complete the development of parcel 3, which now must be completed by April 2013. The land concession for Sands Cotai Central contains a similar requirement that the corresponding development be completed by May 2014. The Company believes that if it is not able to complete the developments by the respective deadlines, it will likely be able to obtain extensions from the Macau government; however, no assurances can be given that additional extensions will be granted. If the Company is unable to meet the applicable deadlines and those deadlines are not extended, it could lose its land concessions for parcel 3 or Sands Cotai Central, which would prohibit the Company from operating any facilities developed under the respective land concessions. As a result, the Company could record a charge for all or some portion of its $96.9 million and $2.48 billion in capitalized construction costs and land premiums, as of June 30, 2011, related to its developments on parcel 3 or Sands Cotai Central, respectively.

Other

When the current economic environment and access to capital improve, the Company may continue exploring the possibility of developing and operating additional properties, including integrated resorts, in additional Asian and U.S. jurisdictions, and in Europe.

Development Financing Strategy

Through June 30, 2011, the Company has funded its development projects primarily through borrowings under its U.S., Macau and Singapore credit facilities, operating cash flows, proceeds from its equity offerings and proceeds from the disposition of non-core assets.

The U.S. credit facility, as amended in August 2010, requires the Company s Las Vegas operations to comply with certain financial covenants at the end of each quarter, including maintaining a maximum leverage ratio of net debt, as defined, to trailing twelve-month adjusted earnings before interest, income taxes, depreciation and amortization, as defined (Adjusted EBITDA). The maximum leverage ratio is 6.5x for the quarter ended June 30, 2011, decreases to 6.0x for the quarterly periods ended September 30 and December 31, 2011, decreases to 5.5x for the quarterly periods ended March 31 and June 30, 2012, and then decreases to 5.0x for all quarterly periods thereafter through maturity. One of the Company s Macau credit facilities, the VML credit facility, as amended in August 2009, requires certain of the Company s Macau operations to comply with similar financial covenants, including maintaining a maximum leverage ratio of debt to Adjusted EBITDA. The maximum leverage ratio is 3.0x for the quarterly periods through maturity. The Company can elect to contribute up to $50 million and $20 million of cash on hand to its Las Vegas and relevant Macau operations, respectively, on a bi-quarterly basis; such contributions having the effect of increasing

Adjusted EBITDA by the corresponding amount during the applicable quarter for purposes of calculating compliance with the maximum leverage ratio (the EBITDA true-up). The Singapore credit facility requires operations of Marina Bay Sands to comply with similar financial covenants commencing with the quarterly period ending September 30, 2011, including maintaining a maximum leverage ratio of debt to Adjusted EBITDA. The maximum leverage ratio is 5.5x for the quarterly period ending September 30, 2011, and then decreases by 0.25x every other quarter until it decreases to, and remains at, 3.75x for all quarterly periods thereafter through maturity (commencing with the quarterly period ending September 30, 2014). If the Company is unable to maintain compliance with the financial covenants under these credit facilities, it would be in default under the respective credit facilities. A default under the U.S. credit facility would trigger a cross-default under the Company s airplane financings, which, if the respective lenders chose to accelerate the indebtedness outstanding under these agreements, would result in a default under the Company s senior notes. A default under the VML credit facility would trigger a cross-default under the Company s ferry financing. Any defaults or cross-defaults under these agreements would allow the lenders, in each case, to exercise their rights and remedies as defined under their respective agreements. If the lenders were to exercise their rights to accelerate the due dates of the indebtedness outstanding, there can be no assurance that the Company would be able to repay or refinance any amounts that may become due and payable under such agreements, which could force the Company to restructure or alter its operations or debt obligations.

Table of Contents

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

In 2008, the Company completed a $475.0 million convertible senior notes offering and a $2.1 billion common and preferred stock and warrants offering. In 2009, the Company completed a $600.0 million exchangeable bond offering and its $2.5 billion SCL Offering. A portion of the proceeds from these offerings was used in the U.S. to pay down $775.9 million under the revolving portion of the U.S. credit facility in March 2010 and $1.0 billion under the term loan portions of the U.S. credit facility in August 2010, and to exercise the EBITDA true-up provision during the quarterly periods ended September 30, 2010 and March 31, 2011.

The Company held unrestricted and restricted cash and cash equivalents of approximately $3.48 billion and $443.8 million, respectively, as of June 30, 2011. The Company believes the cash on hand, cash flow generated from operations and available borrowings under its credit facilities will be sufficient to fund its developments currently under construction and maintain compliance with the financial covenants of its U.S., Macau and Singapore credit facilities. In the normal course of its activities, the Company will continue to evaluate its capital structure and opportunities for enhancements thereof. The Company has recommenced construction activities at Sands Cotai Central using the proceeds from the $1.75 billion VOL credit facility together with $500.0 million of proceeds from the SCL Offering.

The Company is currently in the process of refinancing its VML and VOL credit facilities. The Company has received lender commitments for $3.7 billion and will have the option to raise incremental senior secured and unsecured debt under existing baskets within the new credit facility. See Note 3 Long-Term Debt for further disclosure.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board issued authoritative guidance for fair value measurements, which requires new disclosures regarding significant transfers in and out of Level 1 and 2 fair value measurements and gross presentation of activity within the reconciliation for Level 3 fair value measurements. The guidance also clarifies existing requirements on the level of disaggregation and required disclosures regarding inputs and valuation techniques for both recurring and nonrecurring Level 2 and 3 fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, with the exception of gross presentation of Level 3 activity, which is effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of this guidance did not have a material effect on the Company s financial condition, results of operations or cash flows. See Note 8 Fair Value Measurements for the required disclosure.

In June 2011, the Financial Accounting Standards Board issued authoritative guidance that amends the presentation of comprehensive income in the financial statements by requiring an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The update also eliminates the option to present the components of other comprehensive income as part of the statement of equity. The guidance is effective for interim and annual reporting periods beginning on or after December 15, 2011, with early adoption permitted. The adoption of this guidance will not have a material effect on the Company s financial condition, results of operations or cash flows.

NOTE 2 PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following (in thousands):

	June 30, 2011	December 31, 2010
Land and improvements	$ 436,053	$ 410,758
Building and improvements	11,482,772	10,881,936
Furniture, fixtures, equipment and leasehold improvements	2,078,752	1,990,721
Transportation	405,740	402,904
Construction in progress	3,208,655	3,147,750

	17,611,972	16,834,069
Less accumulated depreciation and amortization	(2,719,182)	(2,331,872)
	$ 14,892,790	$ 14,502,197

Table of Contents

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Construction in progress consists of the following (in thousands):

	June 30, 2011	December 31, 2010
Sands Cotai Central	$ 2,364,732	$ 2,005,386
Four Seasons Macao (principally the Four Seasons Apartments)	387,089	379,161
Marina Bay Sands	84,767	337,835
Sands Bethlehem	52,761	101,960
Other	319,306	323,408
	$ 3,208,655	$ 3,147,750

The $319.3 million in other construction in progress consists primarily of construction of the Las Vegas Condo Tower and costs incurred at the Cotai Strip parcels 3 and 7 and 8.

The final purchase price for The Shoppes at The Palazzo was to be determined in accordance with the April 2004 purchase and sale agreement, as amended, between Venetian Casino Resort, LLC (VCR) and GGP (the Amended Agreement) based on net operating income (NOI) of The Shoppes at The Palazzo calculated 30 months after the closing date of the sale, as defined under the Amended Agreement (the Final Purchase Price) and subject to certain later audit adjustments. The Company and GGP had entered into several amendments to the Amended Agreement to defer the time to reach agreement on the Final Purchase Price as both parties continued to work on various matters related to the calculation of NOI. On June 24, 2011, the Company reached a settlement with GGP regarding the Final Purchase Price. Under the terms of the settlement, the Company retained the $295.4 million of proceeds previously received and participates in certain future revenues earned by GGP. Under generally accepted accounting principles, the transaction has not been accounted for as a sale because the Company s participation in certain future revenues constitutes continuing involvement in The Shoppes at The Palazzo. Therefore, $266.2 million of the proceeds allocated to the mall sale transaction has been recorded as deferred proceeds (a long-term financing obligation), which will accrue interest at an imputed rate and will be offset by (i) imputed rental income and (ii) rent payments made to GGP related to spaces leased back from GGP by the Company. The property and equipment legally sold to GGP totaling $271.0 million (net of $40.4 million of accumulated depreciation) as of June 30, 2011, will continue to be recorded on the Company s condensed consolidated balance sheet and will continue to be depreciated in the Company s condensed consolidated income statement.

During the three and six months ended June 30, 2011 and the three and six months ended June 30, 2010, the Company capitalized interest expense of $31.8 million, $62.4 million, $22.7 million and $42.3 million, respectively. During the three and six months ended June 30, 2011 and the three and six months ended June 30, 2010, the Company capitalized approximately $5.6 million, $17.0 million, $15.6 million and $31.0 million, respectively, of internal costs, consisting primarily of compensation expense for individuals directly involved with the development and construction of property and equipment.

The Company suspended portions of its development projects. As described in Note 1 Organization and Business of Company Development Projects, the Company may be required to record an impairment charge related to these developments in the future.

The Company had commenced pre-construction activities on parcels 7 and 8, and has capitalized construction costs of $102.1 million as of June 30, 2011. During December 2010, the Company received notice from the Macau government that its application for a land concession for parcels 7 and 8 was not approved and the Company applied to the Chief Executive of Macau for a review of the decision. In January 2011, the Company filed an appeal with the Court of Second Instance in Macau, which has yet to issue a decision. Should the Company win its appeal, it is still possible for the Chief Executive of Macau to again deny the land concession based upon public policy considerations.

In order to obtain the land concession and construct the resort, the Company would need to win its appeal and avoid any future denial of the land concession based upon public policy considerations. If the Company does not obtain the land concession or does not receive full reimbursement of its capitalized investment in this project, the Company would record a charge for all or some portion of the $102.1 million in capitalized construction costs, as of June 30, 2011, related to its development on parcels 7 and 8.

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

NOTE 3 LONG-TERM DEBT

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

	June 30, 2011	December 31, 2010
Corporate and U.S. Related:		
Senior Secured Credit Facility Term B	$ 2,146,352	$ 2,157,199
Senior Secured Credit Facility Delayed Draws I and II	716,711	720,332
6.375% Senior Notes (net of original issue discount of $634 and $720, respectively)	189,078	188,992
Airplane Financings	76,578	78,422
HVAC Equipment Lease	22,145	23,006
Other	3,413	3,868
Macau Related:		
VML Credit Facility Term B	1,465,789	1,483,789
VML Credit Facility Term B Delayed	570,029	577,029
VOL Credit Facility Term	749,918	749,930
Ferry Financing	157,504	175,011
Other	470	640
Singapore Related:		
Singapore Credit Facility	3,958,995	3,980,435
Other	1,898	2,170
	10,058,880	10,140,823
Less current maturities	(1,073,484)	(767,068)
Total long-term debt	$ 8,985,396	$ 9,373,755

Senior Secured Credit Facility

As of June 30, 2011, the Company had $724.6 million of available borrowing capacity under the Senior Secured Credit Facility, net of outstanding letters of credit and undrawn amounts committed to be funded by Lehman Brothers Commercial Paper Inc.

VML Credit Facility

As of June 30, 2011, the Company has no available borrowing capacity under the VML Credit Facility.

VOL Credit Facility

As of June 30, 2011, the Company had $1.0 billion of available borrowing capacity under the VOL Credit Facility.

VML and VOL Credit Facilities Refinancing

The Company is currently in the process of refinancing its VML and VOL credit facilities. The Company has received lender commitments for $3.7 billion and will have the option to raise incremental senior secured and unsecured debt under existing baskets within the new credit facility. The new credit facility, once entered into, is expected to significantly reduce the Company s interest expense, extend the Macau debt maturities to 2016, enhance the Company s financial flexibility and further strengthen its financial position. Proceeds from the new Macau senior secured credit facility coupled with cash on hand will be used to retire the outstanding balances and commitments on the existing VML and VOL credit facilities as well as fund the completion of construction of the first two phases of Sands Cotai Central on the Cotai Strip in Macau. The refinancing is subject to final loan documentation as well as certain Macao Government approvals. The refinancing is expected to close in late 2011 and the Company anticipates recording a loss on modification or extinguishment of debt in conjunction with the refinancing.

Singapore Credit Facility

As of June 30, 2011, the Company had SGD 102.8 million (approximately $83.3 million at exchange rates in effect on June 30, 2011) of available borrowing capacity under the Singapore Credit Facility, net of outstanding banker s guarantees.

Cash Flows from Financing Activities

Cash flows from financing activities related to long-term debt are as follows (in thousands):

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Proceeds from Singapore Credit Facility	$	$ 596,560
Repayments on Singapore Credit Facility	$ (198,940)	$
Repayments on VML Credit Facility	(25,000)	(375,036)
Repayments on Senior Secured Credit Facility	(14,469)	(795,860)
Repayments on Ferry Financing	(17,508)	(17,493)
Repayments on Airplane Financings	(1,844)	(1,844)
Repayments on HVAC Equipment Lease	(861)	(882)
Repayments on FF&E Facility and Other Long-Term Debt	(896)	(17,428)
Repurchase and cancellation of Senior Notes		(56,675)
	$ (259,518)	$ (1,265,218)

Table of Contents

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Fair Value of Long-Term Debt

The estimated fair value of the Company s long-term debt as of June 30, 2011, was approximately $9.83 billion, compared to its carrying value of $10.04 billion. As of December 31, 2010, the estimated fair value of the Company s long-term debt was approximately $9.72 billion, compared to its carrying value of $10.10 billion. The estimated fair value of the Company s long-term debt is based on quoted market prices, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates.

NOTE 4 EQUITY AND EARNINGS (LOSS) PER SHARE

Preferred Stock and Warrants

Preferred stock dividend activity is as follows (in thousands):

Board of Directors Declaration Date	Payment Date	Preferred Stock Dividends Paid to Principal Stockholder s Family	Preferred Stock Dividends Paid to Public Holders	Total Preferred Stock Dividends Paid
February 5, 2010	February 16, 2010	$ 13,125	$ 10,225	$ 23,350
May 4, 2010	May 17, 2010	$ 13,125	$ 10,225	$ 23,350
				$ 46,700
February 1, 2011	February 15, 2011	$ 13,125	$ 6,473	$ 19,598
May 5, 2011	May 16, 2011	$ 13,125	$ 6,094	$ 19,219
				$ 38,817
August 4, 2011	August 15, 2011	$ 13,125	$ 6,015	$ 19,140

During the six months ended June 30, 2011, holders of preferred stock exercised 1,229,100 warrants to purchase an aggregate of 20,485,036 shares of the Company s common stock at $6.00 per share and tendered 1,161,500 shares of preferred stock and $6.8 million in cash as settlement of the warrant exercise price. In conjunction with certain of these transactions, the Company paid $16.5 million in premiums to induce the exercise of warrants with settlement through tendering preferred stock. During the six months ended June 30, 2011, the Company also repurchased and retired 47,300 shares of preferred stock for $5.3 million and recorded a $2.6 million repurchase premium as part of the transaction. During the six months ended June 30, 2010, no warrants were exercised and no preferred shares were repurchased and retired.

Accumulated Comprehensive Income and Comprehensive Income

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$ 489,092	$ 78,548	$ 853,595	$ 126,362
Currency translation adjustment	56,892	(2,172)	88,848	(4,496)
Total comprehensive income	545,984	76,376	942,443	121,866
Less: comprehensive income attributable to noncontrolling interests	(80,864)	(34,040)	(153,507)	(62,826)
Comprehensive income attributable to Las Vegas Sands Corp.	$ 465,120	$ 42,336	$ 788,936	$ 59,040

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Noncontrolling Interests

In June 2011, the Company disposed of its interest in one of its majority owned subsidiaries, resulting in a loss of $3.7 million, which is included in loss on disposal of assets. In addition, during the six months ended June 30, 2011, the Company distributed $5.9 million to certain of its noncontrolling interests.

Earnings (Loss) Per Share

The weighted average number of common and common equivalent shares used in the calculation of basic and diluted earnings (loss) per share consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Weighted-average common shares outstanding (used in the calculation of basic earnings (loss) per share)	728,695,140	660,364,559	726,056,840	660,322,428
Potential dilution from stock options, restricted stock and warrants	82,579,566		85,186,355	
Weighted-average common and common equivalent shares (used in the calculation of diluted earnings (loss) per share)	811,274,706	660,364,559	811,243,195	660,322,428
Antidilutive stock options, restricted stock and warrants excluded from the calculation of diluted earnings (loss) per share	5,981,719	173,331,327	6,515,362	173,331,327

NOTE 5 VARIABLE INTEREST ENTITIES

The Company consolidates any variable interest entities (VIEs) in which it is the primary beneficiary and discloses significant variable interests in VIEs of which it is not the primary beneficiary, if any, which management determines such designation based on accounting standards for VIEs.

The Company has entered into various joint venture agreements with independent third parties. The operations of these joint ventures have been consolidated by the Company due to the Company s significant investment in these joint ventures, its power to direct the activities of the joint ventures that would significantly impact their economic performance and the obligation to absorb potentially significant losses or the rights to receive potentially significant benefits from these joint ventures. The Company evaluates its primary beneficiary designation on an ongoing basis and will assess the appropriateness of the VIE s status when events have occurred that would trigger such an analysis.

As of June 30, 2011 and December 31, 2010, the Company s joint ventures had total assets of $101.0 million and $95.3 million, respectively, and total liabilities of $89.9 million and $78.4 million, respectively.

NOTE 6 INCOME TAXES

The Company s major tax jurisdictions are the U.S., Macau and Singapore. In 2010, the Internal Revenue Service (IRS) issued a Revenue Agent s Report for tax years 2005 through 2008 proposing certain adjustments, which the Company is appealing. The Company is in the initial stages of the appeals process with the IRS and while the final outcome of these matters is inherently uncertain, the Company believes it is reasonably possible that the total amount of unrecognized tax benefits may decrease by a range between $0 and $23 million within the next twelve months primarily due to the possible settlement of matters presently under consideration at appeals. In the U.S., the Company s 2009 tax year is also under examination by the IRS. The Company is subject to examination for tax years after 2006 in Macau and Singapore. The Company believes it has adequately reserved for its uncertain tax positions; however, there

is no assurance that the taxing authorities will not propose adjustments that are more or less than the Company s expected outcome and impact the provision for income taxes.
The Company recorded valuation allowances on the net deferred tax assets of the Company s U.S. operations and certain foreign jurisdictions and does not anticipate recording an income tax benefit related to these deferred tax assets. The Company will reassess the realization of deferred tax assets based on accounting standards for income taxes each reporting period and will be able to reduce the valuation allowance to the extent that the financial results of these operations improve and it becomes more likely than not that the deferred tax assets are realizable.

Table of Contents

Las Vegas Sands Corp.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The Company received a 5-year income tax exemption in Macau that exempts the Company from paying corporate income tax on profits generated by gaming operations. The Company will continue to benefit from this tax exemption through the end of 2013. In February 2011, the Company entered into an agreement with the Macau government effective through 2013 that provides for an annual payment of 14.4 million patacas (approximately $1.8 million at exchange rates in effect on June 30, 2011) that is a substitution for a 12% tax otherwise due from Venetian Macau Limited (VML) shareholders on dividend distributions paid from VML gaming profits.

NOTE 7 STOCK-BASED EMPLOYEE COMPENSATION

Stock-based compensation activity under the LVSC 2004 and SCL Equity Plans is as follows (in thousands, except weighted average grant date fair values):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Compensation expense:				
Stock options	$ 9,668	$ 13,714	$ 24,969	$ 28,682
Restricted shares	3,382	125	8,320	250
	$ 13,050	$ 13,839	$ 33,289	$ 28,932
Compensation cost capitalized as part of property and equipment	$ 416	$ 798	$ 1,016	$ 1,528
LVSC 2004 Plan:				
Stock options granted	30	2,043	260	4,089
Weighted average grant date fair value	$ 37.19	$ 25.69	$ 36.33	$ 20.62
Restricted shares granted	71	14	691	14
Weighted average grant date fair value	$ 44.19	$ 24.94	$ 47.62	$ 24.94
SCL Equity Plan:				
Stock options granted	2,531	2,500	5,277	20,376
Weighted average grant date fair value	$ 1.81	$ 0.88	$ 1.66	$ 1.03

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