

WYNN RESORTS LTD
Form 10-Q
August 09, 2007
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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 June 30, 2007

OR

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

For the transition period from _____ to _____

Commission File No. 000-50028

WYNN RESORTS, LIMITED

(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of

incorporation or organization)

3131 Las Vegas Boulevard South Las Vegas, Nevada 89109

(Address of principal executive offices) (Zip Code)

(702) 770-7555

(Registrant's telephone number, including area code)

46-0484987
(I.R.S. Employer

Identification No.)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 July 31, 2007
Common stock, \$0.01 par value	109,912,140

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share data)

(unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 838,539	\$ 789,407
Restricted cash and investments	10,288	58,598
Receivables, net	124,969	140,232
Inventories	65,418	64,368
Deferred income taxes	17,955	13,727
Prepaid expenses and other	34,550	30,759
Total current assets	1,091,719	1,097,091
Restricted cash and investments	30,312	178,788
Property and equipment, net	3,456,380	3,157,622
Intangibles, net	62,551	65,135
Deferred financing costs	82,523	74,871
Deposits and other assets	128,756	80,692
Investment in unconsolidated affiliates	5,262	5,981
Total assets	\$ 4,857,503	\$ 4,660,180
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 3,505	\$ 6,115
Current portion of land concession obligation	5,587	7,433
Accounts and construction payable	155,150	115,612
Income taxes payable	78,670	87,164
Accrued interest	15,611	15,495
Accrued compensation and benefits	65,547	71,537
Gaming taxes payable	52,186	46,403
Other accrued expenses	13,795	13,926
Customer deposits and other liabilities	114,467	131,702
Construction retention	17,298	15,700
Total current liabilities	521,816	511,087
Long-term debt	2,473,889	2,380,537
Other long-term liabilities	18,743	5,214
Long-term land concession obligation	8,915	11,809
Deferred income taxes	133,969	97,064
Construction retention	21,961	8,884
Total liabilities	3,179,293	3,014,595

Commitments and contingencies (Note 14)

Stockholders equity:

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Preferred stock, par value \$0.01; authorized 40,000,000 shares; no shares issued and outstanding .

Common stock, par value \$0.01; authorized 400,000,000 shares; 102,056,781 and 101,887,031 shares issued and 100,745,947 and 101,887,031 outstanding	1,021	1,018
Treasury stock, at cost (1,310,834 shares)	(123,393)	
Additional paid-in capital	2,036,417	2,022,408
Accumulated other comprehensive loss	(3,998)	(94)
Accumulated deficit	(231,837)	(377,747)
Total stockholders' equity	1,678,210	1,645,585
Total liabilities and stockholders' equity	\$ 4,857,503	\$ 4,660,180

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

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

(unaudited)

	Three Months Ended		Six Months Ended	
	2007	June 30, 2006	2007	June 30, 2006
Operating revenues:				
Casino	\$ 491,825	\$ 113,527	\$ 949,017	\$ 240,041
Rooms	87,797	69,222	173,088	137,399
Food and beverage	92,226	77,686	180,109	152,320
Entertainment, retail and other	62,661	49,389	114,866	98,346
Gross revenues	734,509	309,824	1,417,080	628,106
Less: promotional allowances	(46,968)	(36,454)	(94,222)	(77,511)
Net revenues	687,541	273,370	1,322,858	550,595
Operating costs and expenses:				
Casino	289,668	57,920	554,393	121,156
Rooms	21,365	18,140	42,341	35,125
Food and beverage	54,953	49,423	109,208	94,182
Entertainment, retail and other	41,446	34,112	76,547	66,626
General and administrative	74,294	49,011	152,460	95,976
Provision for doubtful accounts	14,362	3,646	22,103	6,575
Pre-opening costs	889	17,028	2,725	25,974
Depreciation and amortization	51,902	40,542	103,426	82,327
Contract termination fee				5,000
Property charges and other	13,021	2,376	26,290	7,325
Total operating costs and expenses	561,900	272,198	1,089,493	540,266
Equity in income from unconsolidated affiliates	512	511	967	1,086
Operating income	126,153	1,683	234,332	11,415
Other income (expense):				
Interest and other income	10,408	9,617	22,508	18,049
Interest expense, net of capitalized interest	(35,460)	(35,307)	(73,133)	(71,250)
Increase in swap fair value	2,334	4,246	1,859	10,591
Loss from extinguishment of debt			(157)	
Other income (expense), net	(22,718)	(21,444)	(48,923)	(42,610)
Income (loss) before income taxes	103,435	(19,761)	185,409	(31,195)
Provision for income taxes	(13,885)	(309)	(37,454)	(309)
Net income (loss)	\$ 89,550	\$ (20,070)	\$ 147,955	\$ (31,504)

Basic and diluted income (loss) per common share:

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Net income (loss):				
Basic	\$ 0.88	\$ (0.20)	\$ 1.46	\$ (0.32)
Diluted	\$ 0.82	\$ (0.20)	\$ 1.36	\$ (0.32)
Weighted average common shares outstanding:				
Basic	101,214	99,830	101,307	99,286
Diluted	112,111	99,830	112,237	99,286

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

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

(amounts in thousands)

(unaudited)

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ 147,955	\$ (31,504)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	103,426	82,327
Deferred income taxes	36,641	
Stock-based compensation	9,341	7,802
Amortization and writeoffs of deferred financing costs, and other	10,183	7,466
Loss on extinguishment of debt	157	
Provision for doubtful accounts	22,103	6,575
Property charges and other	26,290	7,325
Equity in income of unconsolidated affiliates, net of distributions	719	(123)
Increase in swap fair value	(1,859)	(10,591)
Increase (decrease) in cash from changes in:		
Receivables, net	(2,619)	16,121
Inventories and prepaid expenses and other	(7,338)	(11,547)
Accounts payable and accrued expenses	(7,818)	(32,393)
Net cash provided by operating activities	337,181	41,458
Cash flows from investing activities:		
Capital expenditures, net of construction payables	(379,562)	(225,584)
Restricted cash and investments	196,786	(11,994)
Purchase of intangibles and other assets	(58,753)	(73,527)
Proceeds from sale of equipment	1,632	
Net cash used in investing activities	(239,897)	(311,105)
Cash flows from financing activities:		
Proceeds from exercise of stock options	4,262	4,788
Proceeds from issuance of long-term debt	220,576	227,279
Principal payments of long-term debt	(128,691)	(13,032)
Purchase of treasury stock	(123,393)	
Payments on long-term land concession obligation	(4,659)	(4,397)
Payments of deferred financing costs	(14,343)	(328)
Net cash provided by (used in) financing activities	(46,248)	214,310
Effect of exchange rate on cash	(1,904)	
Cash and cash equivalents:		
Increase (decrease) in cash and cash equivalents	49,132	(55,337)
Balance, beginning of period	789,407	434,289
Balance, end of period	\$ 838,539	\$ 378,952

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

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Basis of Presentation

Organization

Wynn Resorts, Limited, a Nevada corporation (together with its subsidiaries, Wynn Resorts or the Company), was formed in June 2002 and completed an initial public offering of its common stock on October 25, 2002. Wynn Resorts' predecessor, Valvino Lamore, LLC (Valvino), was formed on April 21, 2000 as a Nevada limited liability company to purchase the Desert Inn Resort and Casino for the site of the Company's first casino resort in Las Vegas, Nevada, hereinafter referred to as Wynn Las Vegas.

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

The Company currently owns and operates two casino hotel resort properties, Wynn Las Vegas, which opened on April 28, 2005 and Wynn Macau, which opened on September 6, 2006. In addition, the Company is constructing Encore at Wynn Las Vegas or Encore and continues development of the second phase of Wynn Macau, as well as the Diamond Suites hotel tower at Wynn Macau. Encore will be fully integrated with Wynn Las Vegas and is being constructed on 20 acres of land immediately adjacent to Wynn Las Vegas. Encore is expected to open to the public in early 2009. The second phase of Wynn Macau will be fully integrated into the first phase and is being constructed on the five remaining acres of the 16 acres of land for Wynn Macau. Wynn Macau intends to open approximately 20,000 square feet of additional gaming space and one restaurant in the expansion area in the third quarter of 2007. Further expansion areas are expected to open by Chinese New Year, 2008.

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 six months ended June 30, 2007 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, 2006.

2. Summary of Significant Accounting Policies

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

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casino customers following investigations of creditworthiness. At June 30, 2007 and December 31, 2006, approximately 63% and 59%, respectively, of the Company's markers were due from customers residing outside the United States, primarily in Asia. Business or economic conditions or other significant events in these countries could affect the collectibility of such receivables.

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

Inventories

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

Revenue recognition and promotional allowances

Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Hotel, food and beverage, entertainment and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as deferred revenues until services are provided to the customer.

Revenues are recognized net of certain sales incentives in accordance with the Emerging Issues Task Force (EITF) consensus on Issue 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products). EITF 01-9 requires that sales incentives be recorded as a reduction of revenue; consequently, the Company's casino revenues are reduced by discounts, certain commissions and points earned in customer loyalty programs, such as the players 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		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Rooms	\$ 7,808	\$ 5,916	\$ 14,846	\$ 12,044
Food & Beverage	16,069	13,385	33,354	29,232
Entertainment, retail and other	1,611	2,126	3,999	4,756
Total	\$ 25,488	\$ 21,427	\$ 52,199	\$ 46,032

Advertising Costs

The Company expenses advertising costs the first time the advertising takes place. Advertising costs incurred in development periods are included in pre-opening costs. Once a project is completed, advertising costs

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

are included in general and administrative expenses. For the three months ended June 30, 2007 and 2006, advertising costs totaled approximately \$5.7 million and \$6.1 million, respectively. For the six months ended June 30, 2007 and 2006, advertising costs totaled approximately \$13.6 million and \$11.6 million, respectively.

Reclassifications

Certain amounts in the condensed consolidated financial statements for 2006 have been reclassified to be consistent with the current year presentation. These reclassifications had no effect on the previously reported net loss.

Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48) Accounting for Uncertainty in Income Taxes . This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . The interpretation provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and translation. This interpretation is effective for fiscal years beginning after December 15, 2006. The adoption of this statement was effective January 1, 2007. The Company recorded a \$2 million cumulative effect adjustment to accumulated deficit in the first quarter of 2007 as a result of the adoption of FIN 48. See Note 15 for additional information.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements . This Statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements under other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. The Company has not yet determined the impact this statement will have on its consolidated financial statements after it is adopted on January 1, 2008.

In June 2006, the FASB ratified the consensus reached on EITF Issue No. 06-03, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross Versus Net Presentation) . The EITF reached a consensus that the presentation of taxes on either a gross or net basis is an accounting policy decision that requires disclosure. EITF Issue No. 06-03 is effective for the first interim or annual reporting period beginning after December 15, 2006. The Company has historically and will continue to record taxes collected from customers on a net basis. Accordingly, the adoption of EITF Issue No. 06-03 did not have an effect on the Company s results of operation or financial position.

3. Earnings Per Share

Earnings per share are calculated in accordance with SFAS No. 128, Earnings per Share, which provides for the reporting of basic, or undiluted, earnings per share (EPS) and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted EPS reflects the addition of potentially dilutive securities, which for the Company include: stock options, nonvested stock, and the 6% Convertible Subordinated Debentures due 2015 (the Debentures) which were called for redemption in July 2007 (see Note 8).

Table of Contents**WYNN RESORTS, LIMITED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average common shares outstanding (used in calculation of basic earnings per share)	101,214	99,830	101,307	99,286
Potential dilution from the assumed exercise of stock options, non-vested stock, and the Debentures	10,897		10,930	
Weighted average common and common equivalent shares outstanding (used in calculation of diluted earnings per share)	112,111	99,830	112,237	99,286

The calculation of diluted EPS for the three months and six months ended June 30, 2007 also includes an addition to net income of \$2.3 million and \$4.6 million, respectively, to reflect the interest expense, net of related tax effects that would not have been incurred on the Debentures, if converted.

For the three months and six months ended June 30, 2006, the Company incurred a net loss. As a result, basic EPS is equal to diluted EPS for those periods. The calculation of diluted EPS for the six months ended June 30, 2006 excludes the following anti-dilutive securities: 3,329,750 shares issuable upon exercise of stock options, 270,000 shares under nonvested stock grants and 9,768,948 shares issuable upon conversion of the Debentures.

4. Comprehensive Income (loss)

Comprehensive income (loss) for the three months and six months ended June 30, 2007 and June 30, 2006 consisted of the following (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income (loss)	\$ 89,550	\$ (20,070)	\$ 147,955	\$ (31,504)
Currency translation adjustment	(261)	(229)	(3,904)	(229)
Comprehensive income (loss)	\$ 89,289	\$ (20,299)	\$ 144,051	\$ (31,733)

Accumulated other comprehensive loss as of June 30, 2007 and December 31, 2006 consists of cumulative translation adjustments.

5. Supplemental Disclosure of Cash Flow Information

Interest paid for the six months ended June 30, 2007 and 2006 totaled approximately \$82.7 million and \$80.1 million, respectively. Interest capitalized for the six months ended June 30, 2007 and 2006 totaled approximately \$16.1 million and \$14.9 million, respectively.

Stock-based compensation related to employees dedicated to the construction of Encore and Wynn Macau that was capitalized as a part of construction in progress for the six months ended June 30, 2007 and 2006 totaled approximately \$408,000 and \$1 million, respectively.

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During the six months ended June 30, 2006, approximately \$25.3 million principal amount of the Debentures were converted into 1,100,602 shares of common stock of Wynn Resorts, Limited. Accordingly,

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long-term debt was reduced by approximately \$25.3 million, equity was increased by approximately \$24.6 million and deferred financing costs were reduced by approximately \$669,000. There were no conversions during the six months ended June 30, 2007.

During the six months ended June 30, 2007 and 2006, capital expenditures excludes approximately a \$45.4 million increase and a \$1.1 million decrease, respectively, in construction payables and retention.

6. Receivables, net

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

	June 30,	December 31,
	2007	2006
Casino	\$ 147,695	\$ 148,929
Hotel	24,431	17,292
Other	9,015	9,538
	181,141	175,759
Less: allowance for doubtful accounts	(56,172)	(35,527)
	\$ 124,969	\$ 140,232

7. Property and Equipment, net

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

	June 30,	December 31,
	2007	2006
Land and improvements	\$ 615,776	\$ 603,290
Buildings and improvements	1,571,566	1,553,447
Airplanes	57,639	57,582
Furniture, fixtures and equipment	810,108	788,375
Leasehold interest in land	66,866	67,187
Construction in progress	677,968	345,377
	3,799,923	3,415,258
Less: accumulated depreciation	(343,543)	(257,636)
	\$ 3,456,380	\$ 3,157,622

As of June 30, 2007 and December 31, 2006, construction in progress includes interest and other costs capitalized in conjunction with Encore and the second phase of Wynn Macau.

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

	June 30,	December 31,
	2007	2006
6 ⁵ / ₈ % First Mortgage Notes, due December 1, 2014	\$ 1,300,000	\$ 1,300,000
\$1 billion Term Loan Facility, due June 21, 2010; interest at LIBOR plus 2.25%	100,000	
6% Convertible Subordinated Debentures, due July 15, 2015	224,128	224,128
\$900 million Revolving Credit Facility; due August 15, 2011; interest at LIBOR plus 1.625%		88,892
\$225 million Term Loan Facility; \$112.5 million due September 30, 2012 with remaining \$112.5 million due August 15, 2013; Interest at LIBOR plus 1.875%	225,000	225,000
\$550 million Macau Senior Term Loan Facility (as amended June 2007); due June 27, 2014; interest at LIBOR or HIBOR plus 1.75%	549,193	496,729
\$44.75 million Note Payable; due March 31, 2010; interest at LIBOR plus 2.375%		38,510
\$42 million Note Payable; due April 1, 2017; interest at LIBOR plus 1.25%	41,650	
\$32.5 million Term Loan; due August 10, 2012; interest at LIBOR plus 1.15%	24,428	
Note Payable - Aircraft; interest at 5.67%	12,902	13,274
Other	93	119
	2,477,394	2,386,652
Current portion of long-term debt	(3,505)	(6,115)
	\$ 2,473,889	\$ 2,380,537

\$1 Billion Term Loan

On June 21, 2007, the Company entered into a \$1 billion term loan facility (*Term Loan*). Borrowings under the Term Loan are available in the form of a delayed-draw term loan facility available through December 31, 2007, with the option to increase the facility to \$1.25 billion if certain conditions are met. The Term Loan will mature and be payable on June 21, 2010. The Company may use the Term Loan to fund (a) the Company's equity repurchase program announced on June 7, 2007, (b) up to \$150 million in swing line (overnight) borrowings and (c) up to \$350 million for general corporate purposes.

Loans under the Term Loan will accrue interest, at the election of the Company, at either the London Interbank Offer Rate (*LIBOR*) or a Base Rate, plus a borrowing margin as described below. Interest on LIBOR loans shall be payable at the end of the applicable interest period in the case of interest periods of one, two or three months, and every three months in the case of interest periods of six months or longer. Base Rate loans are expected to bear interest at (a) the greater of (i) the rate most recently announced by Deutsche Bank as its prime rate, or (ii) the Federal Funds Rate plus 1/2 of 1% per annum; plus (b) a borrowing margin as described below. Interest on Base Rate loans will be payable quarterly in arrears. The borrowing margin is 2.25% for LIBOR loans and 1% for Base Rate loans, if Wynn Resorts, Limited and Wynn Macau's combined net liquidity is equal to or greater than \$400 million and 2.50% for LIBOR loans and 1.25% for Base Rate loans, if such net liquidity is less than \$400 million. The Company will pay 112.5 bps per annum of the actual daily amount by which the actual Term Loan commitment exceeds the outstanding amount of the Term Loan.

Redemption of 6% Convertible Subordinated Debentures due July 15, 2015

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On June 15, 2007, the Company announced that it had called for redemption on July 20, 2007, all of the outstanding principal amount of its 6% Convertible Subordinated Debentures due 2015 (the Debentures). Prior

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to redemption, in July 2007 all of the holders converted their Debentures into shares of the Company's common stock at a conversion price of \$23 per share (a conversion rate of approximately 43.4782 shares per \$1,000 principal amount of Debentures). Cash was paid in lieu of fractional shares. As a result, in July 2007 \$224.1 million principal amount of the debentures were converted into 9,744,680 shares of the Company's common stock. Accordingly, in July 2007 long-term debt was reduced by \$224.1 million, equity was increased by \$218.9 million, and deferred financing costs were reduced by approximately \$5.2 million.

Wynn Las Vegas Credit Facilities

In April 2007, the Company amended the Wynn Las Vegas \$900 million Revolving Credit Facility and its \$225 million Term Loan Facility (together the Wynn Las Vegas Credit Facilities, or the Credit Facilities) to: (a) have the Final Completion as defined, be deemed satisfied for Wynn Las Vegas with the resulting release of (i) all amounts in excess of \$30 million, which amount must remain for the completion of Encore, from the Completion Guaranty Deposit Account, (\$24.6 million), and (ii) the balance of funds in the Project Liquidity Reserve Account (\$32.8 million), (b) increase the permitted expenditures for Encore from \$300 million to \$500 million prior to the execution of a guaranteed maximum price construction contract, and (c) permit the issuance of up to \$500 million of unsecured debt as and when permitted under the indenture governing the 6 5/8% First Mortgage Notes due December 1, 2014 (the First Mortgage Notes).

Wynn Macau Credit Facilities

On June 27, 2007, Wynn Macau amended its credit facilities dated September 14, 2005 and entered into related amendments and agreements with a syndicate of lenders. The amended agreements took effect on June 29, 2007 and expand availability under Wynn Macau's existing senior bank facility from US \$764 million to US \$1.550 billion, including a US \$550 million equivalent in fully-funded senior term loan facilities, and a US \$1 billion senior revolving credit facility. Wynn Macau also has the ability to upsize the total facilities by an additional US \$50 million pursuant to the terms and provisions of the agreements. All of the senior credit facilities described above are collectively referred to herein as the senior secured credit facilities.

The term loan facilities mature in June 2014, and the revolving credit facility matures in June 2012. The principal amount of the term loans is required to be repaid in quarterly installments, commencing in September 2011. Borrowings under the senior secured credit facilities will bear interest at LIBOR or the Hong Kong Interbank Offer Rate (HIBOR) plus a margin of 1.75%.

As part of the amendment to the Macau senior secured credit facilities, Wynn Resorts, Limited's remaining support obligations to Wynn Macau and the US \$30 million in contingent equity previously provided by the Company has been released.

\$44.75 Million Note Payable

On March 30, 2007, World Travel, LLC, a subsidiary of Wynn Las Vegas, refinanced the \$44.75 million note payable. The new loan has a principal balance of \$42 million and is due April 1, 2017. The loan is guaranteed by Wynn Las Vegas, LLC and secured by a first priority security interest in one of the Company's two aircraft. Principal and interest are due quarterly with a balloon payment of \$28 million due at maturity. Interest is calculated at 90-day LIBOR plus 125 basis points. In connection with this transaction, the Company incurred a loss from extinguishment of debt of \$157,000 related to the write-off of unamortized debt issue costs associated with the original loan.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

\$32.5 Million Term Loan for Aircraft

On May 10, 2007, World Travel G-IV, a subsidiary of Wynn Resorts, entered into a term loan credit facility to finance the purchase of an aircraft. The Company may borrow up to \$32.5 million under this term loan facility of which approximately \$25 million has been drawn through June 30, 2007. The loan bears interest at LIBOR plus 1.15% and will mature on August 10, 2012. Principle and interest payments will be made quarterly beginning July 1, 2007. Principle payments will be approximately \$542,000 with a balloon payment of \$21.1 million due at maturity.

Debt Covenant Compliance

As of June 30, 2007, the Company was in compliance with all covenants governing the Company's debt facilities.

9. Related Party Transactions

Amounts Due to Officers, net

The Company periodically provides services to Stephen A. Wynn, Chairman of the Board of Directors and Chief Executive Officer (Mr. Wynn), and certain other officers of the Company, including the personal use of corporate aircraft and household employees, construction work and other personal services. Mr. Wynn and other officers have deposits with the Company to prepay any such items, which are replenished on an ongoing basis as needed. As of June 30, 2007 and December 31, 2006, Mr. Wynn and the other officers had a credit balance with the Company of approximately \$350,000 and \$315,000, respectively.

Villa Suite Lease

Effective July 1, 2005, Mr. Wynn and his wife, Elaine P. Wynn (Mrs. Wynn), who is also a director of Wynn Resorts, lease from year to year a villa suite in the Wynn Las Vegas resort as their personal residence. Rent is determined by the Audit Committee of the Board of Directors of Wynn Resorts (the Audit Committee), and is based on the fair market value of the use of the suite accommodations. Based on third-party appraisals, the Audit Committee determined the rent for each year in the three-year period commencing July 1, 2005 and ending June 30, 2008 to be \$580,000. Substantially all services for, and maintenance of, the suite are included in the rental.

The Wynn Collection

Through May 6, 2004, the Company operated an art gallery at the former Desert Inn displaying The Wynn Collection, a collection of fine art owned by Mr. and Mrs. Wynn. The art gallery in the Desert Inn was closed on May 6, 2004, and a new art gallery featuring The Wynn Collection was displayed from the opening of Wynn Las Vegas through February 2006. The Company leased the artwork from Mr. and Mrs. Wynn for an annual fee of one dollar (\$1), and the Company was entitled to retain all revenues from the public display of the artwork and the related merchandising revenues. The Company was responsible for all expenses incurred in exhibiting and safeguarding the artwork, including the cost of insurance (including terrorism insurance) and taxes relating to the rental of the art. In February 2006, the Company closed the art gallery and began converting the gallery location into additional retail stores. The Company continues to lease works of art from Mr. and Mrs. Wynn for an annual fee of one dollar (\$1) and continues to display certain pieces throughout Wynn Las Vegas. All expenses in exhibiting and safeguarding the artwork displayed at Wynn Las Vegas are the responsibility of the Company.

Table of Contents**WYNN RESORTS, LIMITED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)***The Wynn Surname Rights Agreement*

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

10. Property Charges and Other

Property charges and other for the three months ended June 30, 2007 and 2006 were \$13 million and \$2.4 million, respectively. Property charges and other for the six months ended June 30, 2007 and 2006 were \$26.3 million and \$7.3 million, respectively. Property charges generally include costs related to the retirement of assets for remodels and asset abandonments. Property charges and other for the six months ended June 30, 2007 includes a \$10.2 million charge at Wynn Macau for the abandonment of costs related to portions of the main kitchen, warehouse, and restaurants to enable the main casino to be connected with the expansion and a \$10 million charge related to the abandonment of a parking garage at Wynn Macau. In January 2007, the Company decided to abandon this parking garage to make room for the Wynn Diamond Suites expansion. The remaining property charges were related to the renovations to portions of the Le Rêve Theatre at Wynn Las Vegas and the remodeling of certain areas at Wynn Macau.

11. Interest Rate Swaps

The Company has entered into floating-for-fixed interest rate swap arrangements relating to two of its debt facilities. The Company accounts for its interest rate swaps in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations. These interest rate swaps essentially fix the interest rate at the percentages noted below, however, changes in the fair value of the interest rate swaps for each reporting period have been recorded in the increase (or decrease) in swap fair value as a component of other income (expense), because the interest rate swaps do not qualify for hedge accounting.

The following table represents the historical asset (liability) fair values (reflected in deposits and other assets or in other long-term liabilities as appropriate) as of June 30, 2007 and December 31, 2006. The fair value approximates the amount the Company would receive 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 of fluctuation between periods.

Asset / (Liability) Fair Value at:

(amounts in thousands)	Wynn Las Vegas Interest Rate Swap	Wynn Macau Interest Rate Swaps	All Interest Rate Swaps
June 30, 2007	\$ 4,201	\$ 980	\$ 5,181
December 31, 2006	\$ 4,789	\$ (1,467)	\$ 3,322
<i>Wynn Las Vegas Swap</i>			

The Company currently has one \$200 million notional amount interest rate swap to essentially fix the interest rate on \$200 million of the \$225 million of Term Loan borrowings. Pursuant to the terms of this interest

Table of Contents**WYNN RESORTS, LIMITED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

rate swap, the Company pays a fixed rate of 3.793% on the \$200 million notional amount and receives payments based on LIBOR. This swap fixes the interest rate at approximately 5.7% on \$200 million of the outstanding \$225 million term loan. This swap terminates in December 2008.

Wynn Macau Swaps

The Company entered into two interest rate swaps to hedge a portion of the underlying interest rate risk on future borrowings under Wynn Macau S.A.'s senior term loan facility. Under the first swap agreement, the Company pays a fixed interest rate of 4.84% on borrowings estimated to be incurred under the senior term loan facility up to a maximum of approximately \$198.2 million, in exchange for receipts on the same amounts at a variable interest rate based on the applicable LIBOR at the time of payment. Under the second swap agreement, the Company pays a fixed interest rate of 4.77% on borrowings estimated to be incurred under the senior term loan facility up to a maximum of approximately HK\$1.1 billion (approximately US\$140.1 million), in exchange for receipts on the same amounts at a variable interest rate based on the applicable HIBOR at the time of payment. Both swap agreements terminate on November 28, 2008.

These interest rate swaps are expected to be highly effective in fixing the interest rate on approximately 100% of the US dollar and approximately 35% of the Hong Kong dollar borrowings under the senior bank facility at approximately 6.59% and 6.52%, respectively.

12. Share-Based Compensation

The Company adopted SFAS No. 123(R), Share Based Payment effective January 1, 2006. The total compensation cost relating both to stock options and nonvested stock is allocated as follows (amounts in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Casino	\$ 1,253	\$ 653	\$ 2,522	\$ 1,304
Rooms	188	158	358	299
Food & beverage	276	268	562	539
Entertainment, retail and other	79	78	158	138
General and administrative	3,085	2,286	5,741	4,594
Pre-opening		440	&n	