LAS VEGAS SANDS CORP
Form 10-Q
May 10, 2010

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 March 31, 2010

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 o 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 April 30, 2010
Common Stock ($0.001 par value)	660,337,124 shares

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Table of Contents

PART I
FINANCIAL INFORMATION

PART II
OTHER INFORMATION

Table of Contents

ITEM 1 ***FINANCIAL STATEMENTS***

LAS VEGAS SANDS CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2010	December 31, 2009
	(In thousands, except share and per share data) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,751,845	$ 4,955,416
Restricted cash	297,329	118,641
Investments	173,868	
Accounts receivable, net	436,074	460,766
Inventories	24,922	27,073
Deferred income taxes, net	28,776	26,442
Prepaid expenses and other	43,744	35,336
Total current assets	4,756,558	5,623,674
Property and equipment, net	13,736,138	13,351,271
Deferred financing costs, net	128,855	138,454
Restricted cash	4,245	
Deferred income taxes, net	22,989	22,219
Leasehold interests in land, net	1,217,995	1,209,820
Other assets, net	226,678	226,668
Total assets	$ 20,093,458	$ 20,572,106
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 86,829	$ 82,695
Construction payables	773,252	778,771
Accrued interest payable	16,592	18,332
Other accrued liabilities	825,651	786,192
Income taxes payable	7,033	
Current maturities of long-term debt	286,819	173,315
Total current liabilities	1,996,176	1,839,305
Other long-term liabilities	87,404	81,959
Deferred proceeds from sale of The Shoppes at The Palazzo	243,928	243,928
Deferred gain on sale of The Grand Canal Shoppes	53,406	54,272
Deferred rent from mall transactions	148,650	149,074
Long-term debt	10,174,574	10,852,147
Total liabilities	12,704,138	13,220,685
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	433,970	410,834

warrants, aggregate redemption/liquidation value of $577,500		
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock, $0.001 par value, 50,000,000 shares authorized, 4,089,999 shares issued and outstanding with warrants to purchase up to 68,166,786 shares of common stock	234,607	234,607
Common stock, $0.001 par value, 1,000,000,000 shares authorized, 660,337,124 and 660,322,749 shares issued and outstanding	660	660
Capital in excess of par value	5,129,757	5,114,851
Accumulated other comprehensive income	25,871	26,748
Retained earnings	444,928	473,833
Total Las Vegas Sands Corp. stockholders equity	5,835,823	5,850,699
Noncontrolling interests	1,119,527	1,089,888
Total equity	6,955,350	6,940,587
Total liabilities and equity	$ 20,093,458	$ 20,572,106

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 March 31, 2010	Three Months Ended March 31, 2009
	(In thousands, except share and per share data) (Unaudited)	
Revenues:		
Casino	$ 1,061,770	$ 797,925
Rooms	180,782	174,388
Food and beverage	92,079	87,308
Convention, retail and other	108,215	113,487
	1,442,846	1,173,108
Less-promotional allowances	(107,958)	(94,046)
Net revenues	1,334,888	1,079,062
Operating expenses:		
Casino	694,635	548,897
Rooms	29,654	33,767
Food and beverage	44,303	42,642
Convention, retail and other	58,404	59,243
Provision for doubtful accounts	16,442	21,010
General and administrative	126,259	121,303
Corporate expense	23,476	23,424
Rental expense	8,698	7,929
Pre-opening expense	37,459	44,934
Development expense	157	254
Depreciation and amortization	153,089	139,249
Loss on disposal of assets	492	131
	1,193,068	1,042,783
Operating income	141,820	36,279
Other income (expense):		
Interest income	1,633	5,549
Interest expense, net of amounts capitalized	(78,165)	(71,118)
Other expense	(6,448)	(5,743)
Gain on early retirement of debt	2,176	
Income (loss) before income taxes	61,016	(35,033)
Income tax expense	(13,202)	(813)
Net income (loss)	47,814	(35,846)
Net (income) loss attributable to noncontrolling interests	(30,233)	1,240

Net income (loss) attributable to Las Vegas Sands Corp.		17,581		(34,606)
Preferred stock dividends		(23,350)		(23,154)
Accretion to redemption value of preferred stock issued to Principal Stockholder s family		(23,136)		(23,136)
Net loss attributable to common stockholders	$	(28,905)	$	(80,896)
Basic and diluted loss per share	$	(0.04)	$	(0.12)
Basic and diluted weighted average shares outstanding		660,280,641		647,802,932

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 (Loss)

	Las Vegas Sands Corp. Stockholders Equity								
	Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Comprehensive Income (Loss)	Noncontrolling Interests	Total
	(In thousands) (Unaudited)								
Balance at January 1, 2009	$ 298,066	$ 642	$	$ 3,090,292	$ 17,554	$ 1,015,554		$ 3,073	$ 4,425,181
Net loss						(34,606)	(34,606)	(1,240)	(35,846)
Currency translation adjustment					(21,026)		(21,026)		(21,026)
Total comprehensive loss							(55,632)	(1,240)	(56,872)
Tax shortfall from stock-based compensation				(1,216)					(1,216)
Stock-based compensation				12,223					12,223
Purchase of treasury stock			(13)						(13)
Warrants exercised and settled with preferred stock	(47,271)	14		47,257					
Contribution from noncontrolling interest								41	41
Dividends declared, net of amounts previously accrued						(17,619)			(17,619)
Accumulated but undeclared dividend requirement on preferred stock						(6,854)			(6,854)

issued to Principal Stockholder s family									
Accretion to redemption value of preferred stock issued to Principal Stockholder s family						(23,136)			(23,136)
Balance at March 31, 2009	$ 250,795	$ 656	$ (13)	$ 3,148,556	$ (3,472)	$ 933,339		$ 1,874	$ 4,331,735
Balance at January 1, 2010	$ 234,607	$ 660	$	$ 5,114,851	$ 26,748	$ 473,833		$ 1,089,888	$ 6,940,587
Net income						17,581	17,581	30,233	47,814
Currency translation adjustment					(877)		(877)	(1,447)	(2,324)
Total comprehensive income							16,704	28,786	45,490
Exercise of stock options				73					73
Tax shortfall from stock-based compensation				(195)					(195)
Stock-based compensation				14,970				853	15,823
Deemed contribution from Principal Stockholder				58					58
Dividends declared, net of amounts previously accrued						(16,496)			(16,496)
Accumulated but undeclared dividend requirement on preferred stock						(6,854)			(6,854)

issued to Principal Stockholder s family								
Accretion to redemption value of preferred stock issued to Principal Stockholder s family						(23,136)		(23,136)
Balance at March 31, 2010	$ 234,607	$ 660	$	$ 5,129,757	$ 25,871	$ 444,928	$ 1,119,527	$ 6,955,350

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

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

	Three Months Ended March 31, 2010	2009
	(In thousands) (Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 47,814	$ (35,846)
Adjustments to reconcile net income (loss) to net cash generated from operating activities:		
Depreciation and amortization	153,089	139,249
Amortization of leasehold interests in land included in rental expense	8,698	6,490
Amortization of deferred financing costs and original issue discount	7,809	8,940
Amortization of deferred gain and rent	(1,290)	(1,291)
Gain on early retirement of debt	(2,176)	
Loss on disposal of assets	492	131
Stock-based compensation expense	15,093	11,596
Provision for doubtful accounts	16,442	21,010
Foreign exchange (gain) loss	(3,198)	363
Deferred income taxes	4,965	12,405
Non-cash contribution from Principal Stockholder included in corporate expense	58	
Changes in operating assets and liabilities:		
Accounts receivable	8,070	17,237
Inventories	2,139	1,650
Prepaid expenses and other	(8,050)	(39,690)
Leasehold interests in land	(13,891)	(309)
Accounts payable	4,164	(2,719)
Accrued interest payable	(1,784)	(6,943)
Income taxes payable	7,033	
Other accrued liabilities	37,317	13,442
Net cash generated from operating activities	282,794	145,715
Cash flows from investing activities:		
Changes in restricted cash	(182,575)	90,140
Capital expenditures	(538,201)	(523,841)
Proceeds from disposal of property and equipment	2,311	
Purchases of investments	(173,978)	
Net cash used in investing activities	(892,443)	(433,701)
Cash flows from financing activities:		
Proceeds from exercise of stock options	73	
Dividends paid to preferred stockholders	(23,350)	(24,473)
Purchase of treasury stock		(13)
Proceeds from long-term debt (Note 4)	272,056	177,429
Repayments on long-term debt (Note 4)	(847,326)	(144,575)

Contribution from noncontrolling interest		41
Payments of deferred financing costs	(821)	
Net cash generated from (used in) financing activities	(599,368)	8,409
Effect of exchange rate on cash	5,446	(114)
Decrease in cash and cash equivalents	(1,203,571)	(279,691)
Cash and cash equivalents at beginning of period	4,955,416	3,038,163
Cash and cash equivalents at end of period	$ 3,751,845	$ 2,758,472
Supplemental disclosure of cash flow information:		
Cash payments for interest, net of amounts capitalized	$ 72,149	$ 70,776
Cash payments for taxes, net of refunds	$ 120	$ 600
Changes in construction payables	$ (5,519)	$ (51,950)
Non-cash investing and financing activities:		
Capitalized stock-based compensation costs	$ 730	$ 627
Property and equipment acquired under capital lease	$ 773	$
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	$ 23,136	$ 23,136
Warrants exercised and settled through tendering of preferred stock	$	$ 47,271

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

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
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, 2009. The year-end balance sheet data was derived from audited financial statements, except as discussed below, 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 newly formed 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. Immediately following the SCL Offering and several transactions consummated in connection with such offering, the Company owned 70.3% of 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 3 Property and Equipment, Net regarding the sale of The Shoppes at The Palazzo.

Pennsylvania

The Company is in the process of developing 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. Sands Bethlehem is also expected to be home to the National Museum of Industrial History, an arts and cultural center, and the broadcast home of the local PBS affiliate. 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.

On May 22, 2009, the Company opened the casino component of Sands Bethlehem, which features slot machines and several food and beverage offerings, as well as the parking garage and surface parking. In April 2010, the Company received approval of its table games application from the Pennsylvania Gaming Control Board that will allow Sands Bethlehem to operate table games, which it is targeting to commence in the third quarter of 2010, and has recommenced construction of a 300-room hotel tower, which is expected to open in the second quarter of 2011. Construction activities on the remaining components, which include an approximate 200,000-square-foot retail facility, a 50,000-square-foot multipurpose event center and a variety of additional dining options, have been suspended temporarily and are intended to recommence when capital markets and general economic conditions improve and when the suspended components are able to be financed. As of March 31, 2010, the Company has capitalized construction costs of $631.1 million for this project (including $22.7 million in outstanding construction payables). The Company expects to spend approximately $80 million to complete construction of the hotel tower, on furniture, fixtures and equipment (FF&E) and other costs, and to pay outstanding construction payables, as noted above, and the $16.5 million license fee. The impact of the suspension on the estimated overall cost of the project s remaining components is currently not determinable with certainty.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

Macau

SCL, of which the Company owns 70.3% subsequent to the SCL Offering and related transactions, 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.

The Company owns and operates the Sands Macao, the first Las Vegas-style casino in Macau. The Sands Macao offers approximately 229,000 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™, 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 opened the Four Seasons Hotel Macao, Cotai Strip™ (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 (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 March 31, 2010, the Company has capitalized construction costs of $1.06 billion for the entire project (including $24.1 million in outstanding construction payables). The Company expects to spend approximately $155 million primarily on additional costs to complete the Four Seasons Apartments, including FF&E, pre-opening costs and additional land premiums, and to pay outstanding construction payables, as noted above.

Development Projects

Given the challenging conditions in the capital markets and the global economy and their impact on the Company s ongoing operations, the Company revised its development plan to suspend portions of its development projects and focus its development 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 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 St. Regis-branded high-rise residential condominium tower, the St. Regis Residences at The Venetian Palazzo (the St. Regis Residences), located on the Las Vegas Strip between The Palazzo and The Venetian Las Vegas. As part of its revised development plan, 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 March 31, 2010, the

Company has capitalized construction costs of $184.9 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. AND SUBSIDIARIES
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 parcels 3, 5 and 6, and 7 and 8). Subject to the approval from the Macau government, 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 on these developments and plans to operate the related gaming areas under the Company s Macau gaming subconcession.

As part of its revised development plan, the Company is sequencing the construction of its integrated resort development on parcels 5 and 6 due to difficulties in the capital markets and the overall decline in general economic conditions. Upon completion of phases I and II of the project, the integrated resort is expected to feature approximately 6,000 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 with approximately 3,700 hotel rooms to be managed by Shangri-La International Hotel Management Limited (Shangri-La) under its Shangri-La and Traders brands and 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 with approximately 2,300 rooms to be managed by Starwood under its Sheraton brand. Phase I will also include the gaming space, theater and a partial opening of the retail and exhibition and conference facilities. The total cost to complete phase I is expected to be approximately $2.0 billion. Phase II of the project includes completion of the additional Sheraton hotel tower as well as the remaining retail facilities and the total cost is expected to be approximately $235 million. 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. In connection with receiving commitments for a proposed $1.75 billion project financing credit facility (which the Company expects to close in the second quarter of 2010) to be used together with $500.0 million of proceeds from the SCL Offering, the Company is mobilizing to recommence construction of phases I and II and expects that phase I will be completed in the third quarter of 2011, and that it will take an additional six months thereafter to complete the adjacent Sheraton tower in phase II and an additional 24 months thereafter to complete the remaining retail facilities in phase II. The Company intends to commence construction of phase III of the project as demand and market conditions warrant it. As of March 31, 2010, the Company has capitalized construction costs of $1.75 billion for the entire project (including $132.7 million in outstanding construction payables). The Company s management agreements with Starwood and Shangri-La impose certain construction deadlines and opening obligations on the Company and certain past and/or anticipated delays, as described above, may represent a default under the respective agreements, which would allow Starwood and Shangri-La to terminate their respective agreements. See Note 10 Commitments and Contingencies Other Agreements.

The Company had commenced pre-construction on parcels 7 and 8 and 3, and has capitalized construction costs of $114.1 million for parcels 7 and 8 and $35.6 million for parcel 3 as of March 31, 2010. The Company intends to commence construction after the integrated resort on parcels 5 and 6 is complete, necessary government approvals are obtained, 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 with certainty. As of March 31, 2010, the Company has capitalized an aggregate of $5.86 billion in costs 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 receiving commitments for project financing for phases I and II of parcels 5 and 6, 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.

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 a land concession from the Macau government to build on parcels 1, 2 and 3, including the sites on which The Venetian Macao (parcel 1) and Four Seasons Macao (parcel 2) are located. The Company does not own these land sites in Macau; however, the land concession grants the Company exclusive use of the land. As specified in the land concession, the Company is required to pay premiums for each parcel, which are either payable in a single lump sum upon acceptance of the land concession 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 concession.

**LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)**

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 Company believes that if it is not able to complete the development by the revised deadline, it will likely be able to obtain another extension from the Macau government; however, no assurances can be given that an additional extension will be granted. If the Company is unable to meet the April 2013 deadline and that deadline is not extended, it could lose its land concession for parcel 3, which would prohibit the Company from operating any facilities developed under the land concession. As a result, the Company could forfeit all or a substantial portion of its $35.6 million in capitalized costs, as of March 31, 2010, related to its development on parcel 3.

In November 2009, the Company formally accepted the terms and conditions of the final draft of the land concession agreement received from the Macau government for parcels 5 and 6 and made an initial premium payment of 700.0 million patacas (approximately $87.5 million at exchange rates in effect on March 31, 2010). The land concession will not become effective until the date it is published in Macau s Official Gazette. Once the land concession becomes effective, the Company will be required to make additional land premium and annual rent payments in the amounts and at the times specified in the land concession. The land concession requires the Company to complete the development of the integrated resort on parcels 5 and 6 within 48 months of the date it is published in Macau s Official Gazette. If the Company is not able to meet this deadline, it will need to obtain an extension to complete the development on parcels 5 and 6; however, no assurances can be given that such extension will be granted. If the Company is unable to the meet the deadline and that deadline is not extended, the Company could lose its land concession for parcels 5 and 6, which would prohibit the Company from operating any facilities developed under the land concession. As a result, the Company could forfeit all or a substantial portion of its $1.75 billion in capitalized costs, as of March 31, 2010, related to its development on parcels 5 and 6.

The Company does not yet have all of the necessary Macau government approvals to develop its planned Cotai Strip developments on parcels 3, 5 and 6, and 7 and 8. The Company has received a land concession for parcel 3 and will negotiate the land concession for parcels 7 and 8 once the land concession for parcels 5 and 6, as previously noted, is finalized. Based on historical experience with the Macau government with respect to the Company s land concessions for the Sands Macao and parcels 1, 2, 3 and 5 and 6, management believes that the land concessions for parcels 7 and 8 will be granted; however, if the Company does not obtain these land concessions, the Company could forfeit all or a substantial portion of its $114.1 million in capitalized costs, as of March 31, 2010, related to its development on parcels 7 and 8.

Singapore

The Company s wholly owned subsidiary, Marina Bay Sands Pte. Ltd. (MBS), entered into a development agreement (the Development Agreement) with the Singapore Tourism Board (the STB) to build and operate an integrated resort called Marina Bay Sands in Singapore. Marina Bay Sands, portions of which opened on April 27, 2010, is expected to include three 55-story hotel towers (totaling approximately 2,600 rooms and suites), a casino, 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, theaters and a landmark iconic structure at the bay-front promenade that will contain an art/science museum. As of March 31, 2010, the Company has capitalized 6.31 billion Singapore dollars (SGD, approximately $4.51 billion at exchange rates in effect on March 31, 2010) in costs for this project, including the land premium and SGD 762.3 million (approximately $544.9 million at exchange rates in effect on March 31, 2010) in outstanding construction payables. The Company expects to spend approximately SGD 2.5 billion (approximately $1.8 billion at exchange rates in effect on March 31, 2010) through 2011 on additional costs to complete the construction of the integrated resort, FF&E, pre-opening and other costs, and to pay outstanding construction payables, as noted above, of which approximately SGD 1.9 billion (approximately $1.4 billion at exchange rates in effect on March 31, 2010) is expected to be spent during 2010. 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. Based on its current development plan, the Company expects to progressively open the remaining portions of Marina Bay Sands throughout 2010.

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 March 31, 2010, 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 recent equity offerings and proceeds from the disposition of non-core assets.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

The U.S. credit facility and FF&E facility require 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 6.0x for the quarterly periods ended March 31 and June 30, 2010, decreases to 5.5x for quarterly periods ended September 30 and December 31, 2010, and then decreases to 5.0x for all quarterly periods thereafter through maturity. The Macau credit facility, as amended in August 2009, requires 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 4.0x for the quarterly periods ended March 31 and June 30, 2010, decreases to 3.5x for the quarterly periods ended September 30 and December 31, 2010, and then decreases to 3.0x for all quarterly periods thereafter through maturity. The Company can elect to contribute up to $50 million and $20 million of cash on hand to its Las Vegas and 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). 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 facilities 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 Macau 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.

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, to exercise the EBITDA true-up provision during the quarterly periods ended September 30, 2009 and March 31, 2010, and was contributed to Las Vegas Sands, LLC (LVSLLC) to reduce its net debt in order to maintain compliance with the maximum leverage ratio for the quarterly period ended March 31, 2010. Proceeds were also used in Macau to exercise the EBITDA true-up provision during the quarterly period ended June 30, 2009, and cash on hand was used to pay down $125.0 million of indebtedness under the Macau credit facility in 2009 in order to maintain compliance with the maximum leverage ratio for the quarterly period ended March 31, 2010. In November 2009, in connection with the SCL Offering, the Company was required to repay $500.0 million of borrowings under its Macau credit facility, permanently reducing a pro rata portion of the revolving facility.

The Company held unrestricted and restricted cash, cash equivalents and investments of approximately $3.93 billion and $301.6 million, respectively, as of March 31, 2010. The Company believes that the cash and investments on hand, cash flow generated from operations and available borrowings under its credit facilities will be sufficient to fund its revised development plan and maintain compliance with the financial covenants of its U.S. and Macau credit facilities. In the normal course of its activities, the Company will continue to evaluate its capital structure and opportunities for enhancements thereof. Additionally, in connection with receiving commitments for the proposed $1.75 billion project financing credit facility (which the Company expects to close in the second quarter of 2010) to be used together with $500.0 million of proceeds from the SCL Offering, the Company is mobilizing to recommence construction of phases I and II of the Company s Cotai Strip development on parcels 5 and 6.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance for variable interest entities (VIEs), which changes the approach to determining the primary beneficiary of a VIE and requires companies to more frequently assess whether they must consolidate VIEs. In December 2009, the FASB supplemented its authoritative guidance for VIE s, which establishes new criteria for consolidation based on power to direct the activities of a VIE that would significantly impact the VIE s economic performance and the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The new guidance does not allow grandfathering of existing structures and is effective January 1, 2010. The application of this guidance did not have a material effect on the Company s financial condition, results of operations or cash flows. See Note 6 Variable Interest Entities.

In January 2010, the FASB 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 9 Fair Value Measurements for the required disclosure.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

In April 2010, the FASB issued authoritative guidance for companies that generate revenue from gaming activities that involve base jackpots, which requires companies to accrue for a liability and charge a jackpot (or portion thereof) to revenue at the time the company has the obligation to pay the jackpot. The guidance is effective for interim and annual reporting periods beginning on or after December 15, 2010. Base jackpots are currently not accrued for by the Company until it has the obligation to pay such jackpots. As such, the application of this guidance will not have a material effect on the Company s financial condition, results of operations or cash flows.

Revision

The Company revised its December 31, 2009, condensed consolidated balance sheet and condensed consolidated statements of equity and comprehensive income (loss) to appropriately reflect the impact of the issuance of SCL shares upon its initial public offering. This revision resulted in a $655.7 million increase in the noncontrolling interests balance with a corresponding reduction to capital in excess of par value. The revision, which the Company determined is not material, had no impact on total equity, results of operations or cash flows.

NOTE 2 INVESTMENTS

In accordance with applicable accounting standards, investments in securities are classified as either held to maturity, trading or available for sale. Management determines the classification of its investments at the time of purchase. The Company s securities are classified as held to maturity, as the Company has positive intent and ability to hold the securities to maturity, and are recorded at cost, which is equivalent to their fair value. As of March 31, 2010, the Company has $173.9 million in non-U.S. government fixed maturity investments, of which $109.5 million and $64.4 million will mature in July and August 2010, respectively.

NOTE 3 PROPERTY AND EQUIPMENT, NET

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

	March 31, 2010	December 31, 2009
Land and improvements	$ 369,406	$ 353,791
Building and improvements	6,904,088	6,898,071
Furniture, fixtures, equipment and leasehold improvements	1,711,730	1,703,792
Transportation	403,736	403,256
Construction in progress	6,151,186	5,647,986
	15,540,146	15,006,896
Less accumulated depreciation and amortization	(1,804,008)	(1,655,625)
	$ 13,736,138	$ 13,351,271

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

	March 31, 2010	December 31, 2009
Marina Bay Sands	$ 3,610,227	$ 3,119,935
Other Macau Development Projects (principally Cotai Strip parcels 5 and 6)	1,930,405	1,915,587
Four Seasons Macao (principally the Four Seasons Apartments)	326,896	328,300
Sands Bethlehem	86,507	85,159
Other	197,151	199,005
	$ 6,151,186	$ 5,647,986

The $197.2 million in other construction in progress consists primarily of construction of the St. Regis Residences, other projects in Las Vegas and at The Venetian Macao and Sands Macao.

As of March 31, 2010, the Company has received proceeds of $295.4 million from the sale of The Shoppes at The Palazzo; however, the final purchase price will be determined in accordance with the agreement between Venetian Casino Resort, LLC (VCR) and GGP 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 agreement and subject to certain later audit adjustments. In April 2009, GGP and its subsidiary that owns The Shoppes at The Palazzo filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Chapter 11 Cases). Additionally, given the economic and market conditions facing retailers on a national and local level, tenants are facing economic challenges that have had an effect, and may have a future effect, on the calculation of NOI. Approximately $287.7 million of property and equipment (net of $23.6 million of accumulated depreciation), which was sold to GGP, is included in the condensed consolidated balance sheet as of March 31, 2010. The Company will continue to review the Chapter 11 Cases and the projected financial performance of the tenants to be included in the NOI calculation, and will adjust the estimates of NOI and capitalization rates as additional information is received. The Company may be required to record further impairment charges in the future depending on changes in the projections. Based on GGP s current financial condition, there can be no assurance that GGP will make its final payment.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

The cost and accumulated depreciation of property and equipment that the Company is leasing to tenants as part of its Macau mall operations was $386.1 million and $54.0 million, respectively, as of March 31, 2010. The cost and accumulated depreciation of property and equipment that the Company is leasing under capital lease arrangements is $25.2 million and $1.6 million, respectively, as of March 31, 2010.

During the three months ended March 31, 2010 and 2009, the Company capitalized interest expense of $19.7 million and $14.1 million, respectively.

As described in Note 1 Organization and Business of Company Development Projects, the Company revised its development plan to suspend portions of its development projects given the conditions in the capital markets and the global economy and their impact on the Company s ongoing operations. If circumstances change, the Company may be required to record an impairment charge related to these developments in the future.

NOTE 4 LONG-TERM DEBT

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

	March 31, 2010	December 31, 2009
Corporate and U.S. Related:		
Senior Secured Credit Facility Term B	$ 2,917,500	$ 2,925,000
Senior Secured Credit Facility Delayed Draws I and II	984,500	987,000
Senior Secured Credit Facility Revolving		775,860
6.375% Senior Notes (net of original issue discount of $977 and $1,164, respectively)	216,338	248,836
FF&E Facility	100,200	108,550
Airplane Financings	81,188	82,110
HVAC Equipment Lease	24,280	24,717
Other	4,550	4,778
Macau Related:		
Macau Credit Facility Term B	1,497,289	1,501,789
Macau Credit Facility Term B Delayed	582,279	584,029
Macau Credit Facility Revolving	479,640	479,640
Macau Credit Facility Local Term	61,336	67,697
Ferry Financing	201,725	210,762
Other	11,424	11,016
Singapore Related:		
Singapore Credit Facility	3,298,866	3,013,678
Other	278	
	10,461,393	11,025,462
Less current maturities	(286,819)	(173,315)
Total long-term debt	$ 10,174,574	$ 10,852,147

Senior Secured Credit Facility

During the three months ended March 31, 2010, the Company paid down $775.9 million under the revolving portion of the Senior Secured Credit Facility. As of March 31, 2010, the Company had $888.0 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.

Senior Notes

During the three months ended March 31, 2010, the Company repurchased $32.7 million of the outstanding principal of its Senior Notes and recorded a gain of $2.4 million in connection with the repurchase. Subsequent to March 31, 2010, the Company repurchased an additional $2.0 million of the outstanding principal of its Senior Notes.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

Macau Credit Facility

As of March 31, 2010, the Company had $120.4 million of available borrowing capacity under the Macau Credit Facility, net of undrawn amounts committed to be funded by Lehman Brothers Commercial Paper Inc.

Singapore Credit Facility

As of March 31, 2010, the Company had SGD 485.5 million (approximately $347.1 million at exchange rates in effect on March 31, 2010) of available borrowing capacity under the Singapore Credit Facility, net of outstanding banker s guarantees and undrawn amounts to be funded by Lehman Brothers Finance Asia Pte. Ltd.

Cash Flows from Financing Activities

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Proceeds from Singapore Credit Facility	$ 272,056	$ 171,026
Proceeds from Ferry Financing		6,403
	$ 272,056	$ 177,429
Repayments on Senior Secured Credit Facility	$ (785,860)	$ (10,000)
Repayments on Macau Credit Facility	(12,525)	(125,000)
Repayments on Senior Notes	(30,156)	
Repayments on Ferry Financing	(8,762)	
Repayments on Airplane Financings	(922)	(922)
Repayments on HVAC Equipment Lease	(437)	
Repayments on FF&E Facility and Other Long-Term Debt	(8,664)	(8,653)
	$ (847,326)	$ (144,575)

Fair Value of Long-Term Debt

The estimated fair value of the Company s long-term debt as of March 31, 2010, was approximately $9.46 billion, compared to its carrying value of $10.44 billion. As of December 31, 2009, the estimated fair value of the Company s long-term debt was approximately $9.66 billion, compared to its carrying value of $11.0 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 5 EQUITY AND 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, 2009	February 17, 2009	$ 13,125	$ 11,348	$ 24,473

February 5, 2010	February 16, 2010	13,125	10,225	23,350
May 4, 2010	May 17, 2010	13,125	10,225	23,350

During the three months ended March 31, 2010, no warrants were exercised. During the three months ended March 31, 2009, holders of the preferred stock exercised 824,101 warrants to purchase an aggregate of 13,735,042 shares of the Company s common stock at $6.00 per share and tendered 824,101 shares of preferred stock as settlement of the warrant exercise price.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

Loss Per Share

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

	Three Months Ended March 31,	
	2010	2009
Weighted-average common shares outstanding (used in the calculation of basic loss per share)	660,280,641	647,802,932
Potential dilution from stock options, restricted stock and warrants		
Weighted-average common and common equivalent shares (used in the calculation of diluted loss per share)	660,280,641	647,802,932
Antidilutive stock options, restricted stock and warrants excluded from the calculation of diluted loss per share	172,467,803	176,057,087

NOTE 6 VARIABLE INTEREST ENTITIES

The Company consolidates any 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. In accordance with revised accounting standards, 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 March 31, 2010 and December 31, 2009, the Company s joint ventures had total assets of $98.5 million and $105.6 million, respectively, and total liabilities of $71.9 million and $75.3 million, respectively.

NOTE 7 INCOME TAXES

The Company s major tax jurisdictions are the U.S., Macau and Singapore. In the U.S., the Company is currently under examination for years after 2004. In Macau and Singapore, the Company is subject to examination for years after 2005. It is reasonably possible that unrecognized tax benefits could significantly change within the next 12 months, due to the progression of open audits. An estimate of the amount of possible changes cannot be made at this time. The Company believes it has adequately reserved for its uncertain tax positions; however, there is no assurance that taxing authorities will not propose adjustments that are different than the Company s expected outcome and impact the provision for income taxes.

The Company recorded a valuation allowance on the net deferred tax assets of the Company s U.S. operations during the year ended December 31, 2009, and does not anticipate recording an income tax benefit related to deferred tax assets generated by its U.S. operations. 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 U.S. operations improve and it becomes more likely than not that the deferred tax assets are realizable.

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.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

NOTE 8 STOCK-BASED EMPLOYEE COMPENSATION

Sands China Ltd. Equity Award Plan

The Company s subsidiary, SCL, adopted an equity award plan (the SCL Equity Plan) for grants of options to purchase ordinary shares of SCL. The purpose of the SCL Equity Plan is to give SCL a competitive edge in attracting, retaining and motivating employees, directors and consultants and to provide SCL with a stock plan providing incentives directly related to increases in its stockholder value. Subject to certain criteria as defined in the SCL Equity Plan, SCL s subsidiaries or affiliates employees, directors or officers and many of its consultants are eligible for awards under the SCL Equity Plan. The SCL Equity Plan provides for an aggregate of 804,786,508 shares of SCL s common stock to be available for awards, representing 10% of the outstanding shares upon completion of the SCL Offering. The SCL Equity Plan has a term of ten years and no further awards may be granted after the expiration of the term. SCL s compensation committee may grant awards of stock options, stock appreciation rights, restricted stock awards, restricted stock units, stock bonus awards, performance compensation awards or any combination of the foregoing. As of March 31, 2010, there were 786,910,408 shares available for grant under the SCL Equity Plan.

Stock option awards are granted with an exercise price not less than (i) the closing price of SCL s stock on the date of grant or (ii) the average closing price of SCL s stock for the five business days immediately preceding the date of grant. The outstanding stock options vest over four years and have ten-year contractual terms. Compensation cost for all stock option grants, which all have graded vesting, is net of estimated forfeitures and is recognized on a straight-line basis over the awards respective requisite service periods. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Expected volatilities are based on the historical volatilities from a selection of companies from SCL s peer group due to SCL s lack of historical information. The Company used the simplified method for estimating expected option life, as the options qualify as plain-vanilla options. The risk-free interest rate for periods equal to the expected term of the stock option is based on the Hong Kong Exchange Fund Note rate in effect at the time of grant.

Stock-Based Compensation Activity

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 March 31, 2010	2009
Compensation expense:		
Stock options	$ 14,968	$ 11,097
Restricted shares	125	499
	$ 15,093	$ 11,596
Compensation cost capitalized as part of property and equipment	$ 730	$ 627
LVSC 2004 Plan:		
Stock options granted	2,046	5,599
Weighted average grant date fair value	$ 10.66	$ 1.74
Restricted shares granted		29

Weighted average grant date fair value	$		$	4.67
SCL Equity Plan:				
Stock options granted		17,876		
Weighted average grant date fair value	$	1.06	$	

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:

	Three Months Ended March 31,	
	2010	**2009**
LVSC 2004 Plan:		
Weighted average volatility	97.8%	74.1%
Expected term (in years)	4.4	4.7
Risk-free rate	2.9%	2.7%
Expected dividends		
SCL Equity Plan:		
Weighted average volatility	73.6%	
Expected term (in years)	6.3	
Risk-free rate	2.0%	
Expected dividends		

Table of Contents

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

NOTE 9 FAIR VALUE MEASUREMENTS

Under applicable accounting guidance, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance also establishes a valuation hierarchy for inputs in measuring fair value that maximizes the use of observable inputs (inputs market participants would use based on market data obtained from sources independent of the Company) and minimizes the use of unobservable inputs (inputs that reflect the Company s assumptions based upon the best information available in the circumstances) by requiring that the most observable inputs be used when available. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the assets or liabilities, either directly or indirectly. Level 3 inputs are unobservable inputs for the assets or liabilities. Categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table provides the assets carried at fair value (in thousands):

		Fair Value Measurements as of March 31, 2010 Using:		
	Total Carrying Value as of March 31, 2010	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents(1)	$ 2,510,568	$ 2,510,568	$	$
Interest rate caps(2)	$ 813	$	$ 813	$

(1) The Company has short-term investments classified as cash equivalents as the original maturities are less than 90 days.

(2) The Company has 29 interest rate cap agreements with an aggregate fair value of approximately $0.8 million, based on quoted

market values from the institutions holding the agreements as of March 31, 2010.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in other litigation in addition to those noted below, arising in the normal course of business. Management has made certain estimates for potential litigation costs based upon consultation with legal counsel. Actual results could differ from these estimates; however, in the opinion of management, such litigation and claims will not have a material effect on the Company s financial condition, results of operations or cash flows.

Macau Operations

On October 15, 2004, Richard Suen and Round Square Company Limited filed an action against LVSC, Las Vegas Sands, Inc. (LVSI), Sheldon G. Adelson and William P. Weidner in the District Court of Clark County, Nevada, asserting a breach of an alleged agreement to pay a success fee of $5.0 million and 2.0% of the net profit from the Company s Macau resort operations to the plaintiffs as well as other related claims. In March 2005, LVSC was dismissed as a party without prejudice based on a stipulation to do so between the parties. Pursuant to an order filed March 16, 2006, plaintiffs fraud claims set forth in the first amended complaint were dismissed with prejudice as against all defendants. The order also dismissed with prejudice the first amended complaint against defendants Sheldon G. Adelson and William P. Weidner. On May 24, 2008, the jury returned a verdict for the plaintiffs in the amount of $43.8 million. On June 30, 2008, a judgment was entered in this matter in the amount of $58.6 million (including pre-judgment interest). The Company has appealed the verdict to the Nevada Supreme Court and the appeal has been fully briefed by all parties. The Company believes that it has valid bases in law and fact to overturn or appeal the verdict. As a result, the Company believes that the likelihood that the amount of the judgment will be affirmed is not probable, and, accordingly, that the amount of any loss cannot be reasonably estimated at this time. Because the Company believes that this potential loss is not probable or estimable, it has not recorded any reserves or contingencies related to this legal matter. In the event that the Company s assumptions used to evaluate this matter as neither probable nor estimable change in future periods, it will be required to record a liability for an adverse outcome, which may include post judgment interest.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

On February 5, 2007, Asian American Entertainment Corporation, Limited (AAEC) filed an action against LVSI, VCR, Venetian Venture Development, William P. Weidner and David Friedman in the United States District Court for the District of Nevada (the District Court). The plaintiffs assert (i) breach of contract by LVSI, VCR and Venetian Venture Development of an agreement under which AAEC would work to obtain a gaming license in Macau and, if successful, AAEC would jointly operate a casino, hotel and related facilities in Macau with Venetian Venture Development and Venetian Venture Development would receive fees and a minority equity interest in the venture and (ii) breach of fiduciary duties by all of the defendants. The plaintiffs have requested an unspecified amount of actual, compensatory and punitive damages, and disgorgement of profits related to the Company s Macau gaming license. The Company filed a motion to dismiss on July 11, 2007. On August 1, 2007, the District Court granted the defendants motion to dismiss the complaint against all defendants without prejudice. The plaintiffs appealed this decision and subsequently, the Ninth Circuit Court of Appeals (the Circuit Court) decided that AAEC was not barred from asserting claims that the written agreement was breached prior to its expiration on January 15, 2002. The Circuit Court remanded the case back to the District Court for further proceedings on this issue and discovery has recently begun. The plaintiffs counsel filed a motion to withdraw from representing the plaintiffs on December 15, 2009, and it was granted by the Magistrate on January 12, 2010. On February 11, 2010, the Magistrate filed a recommendation that the case be dismissed in the court docket. The plaintiffs had until February 28, 2010, to file any objections thereto. None were filed and the District Court entered an order on April 16, 2010, dismissing the case. Management believes that AAEC s case against the Company is without merit and will continue to defend this matter if an appeal from the dismissal is taken.

On October 16, 2009, the Company received a letter from counsel to Far East Consortium International Ltd. (FEC) notifying the Company that it may pursue various claims seeking, among other things, monetary damages and an entitlement to an ownership interest in any development projects on parcel 3 in Macau, which the Company will own and operate. The Company believes such claims, which are based on a non-legally binding memorandum of agreement that expired by its terms over three years ago, are frivolous, baseless and without merit. The Company intends to vigorously contest any claims or lawsuits that may be brought by FEC.

China Matters

The State Administration of Foreign Exchange in China (SAFE) regulates foreign currency exchange transactions and other business dealings in China. SAFE has made inquiries and requested and obtained documents relating to certain payments made by the Company s wholly foreign-owned enterprises (WFOEs) to counterparties and other vendors in China. These WFOEs were established to conduct non-gaming marketing activities in China and to create goodwill in China and Macau for the Company s operations in Macau. SAFE recently preliminarily indicated that its investigation of these matters was nearly complete and that it may impose a fine or penalty against the Company s WFOEs, although it has not done so to date. The Company believes that the WFOEs complied with then-applicable SAFE regulations in connection with these matters. The Company and the WFOEs will continue to address this matter with SAFE and would likely contest any fine or penalty that may be imposed. The Company does not believe that any fine or penalty that may be imposed on the WFOEs as a result of these matters would have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Singapore Development Project

In August 2006, the Company entered into the Development Agreement with the STB, which requires the Company to construct and operate the Marina Bay Sands in accordance with the Company s proposal for the integrated resort and in accordance with the agreement. The Company entered into the SGD 5.44 billion (approximately $3.89 billion at exchange rates in effect on March 31, 2010) Singapore Credit Facility to fund a significant portion of the construction, operating and other development costs of the Marina Bay Sands.

In December 2009, MBS signed a supplement to the Development Agreement with the STB, which permits the Marina Bay Sands to open in stages throughout 2010 in accordance with an agreed upon schedule. There are no financial consequences to MBS if it fails to meet the agreed upon schedule, provided that the entire integrated resort is opened by December 31, 2011. If MBS fails to meet this deadline, the STB will be entitled to draw on the SGD 192.6 million (approximately $137.7 million at exchange rates in effect on March 31, 2010) security deposit under the Singapore Credit Facility.

Other Agreements

The Company has entered into agreements with Starwood and Shangri-La to manage hotels and serviced luxury apart-hotel units on the Company s Cotai Strip parcels 5 and 6, and for Starwood to brand the St. Regis Residences in connection with the sales and marketing of these condominium units. The management agreements with Starwood and Shangri-La impose certain construction and opening obligations and deadlines on the Company, and certain past and/or anticipated delays may represent a default under the agreements, which would allow Starwood and Shangri-La to terminate their respective agreements. The Company is mobilizing to recommence construction on parcels 5 and 6 and is negotiating amendments to the management agreements with Starwood and Shangri-La to provide for new opening timelines, which the Company expects to finalize in the second quarter of 2010. If negotiations are unsuccessful, Starwood and Shangri-La would have the right to terminate their agreements with the Company, which would result in the Company having to find new managers and brands for these projects. Such measures could have a material adverse effect on the Company s financial condition, results of operations and cash flows, including requiring the Company to write-off its $20.0 million investment related to the St. Regis Residences.

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(UNAUDITED)

NOTE 11 SEGMENT INFORMATION

The Company s principal operating and developmental activities occur in three geographic areas: United States, Macau and Singapore. The Company reviews the results of operations for each of its key operating segments: The Venetian Las Vegas, which includes the Sands Expo Center; The Palazzo; Sands Bethlehem; Sands Macao; The Venetian Macao; Four Seasons Macao; and Other Asia (comprised primarily of the Company s ferry operations and various other operations that are ancillary to the Company s properties in Macau). The Company also reviews construction and development activities for each of its primary projects: The Venetian Las Vegas; The Palazzo; Sands Bethlehem; Sands Macao; The Venetian Macao; Four Seasons Macao; Other Asia; Marina Bay Sands in Singapore; Other Development Projects (on Cotai Strip parcels 3, 5, 6, 7 and 8); and Corporate and Other (comprised primarily of airplanes and the St. Regis Residences). The Venetian Las Vegas and The Palazzo operating segments are managed as a single integrated resort and have been aggregated as one reportable segment (the Las Vegas Operating Properties), considering their similar economic characteristics, types of customers, types of service and products, the regulatory business environment of the operations within each segment and the Company s organizational and management reporting structure. The information for the three months ended March 31, 2009, has been reclassified to conform to the current presentation. The Company s segment information as of March 31, 2010 and December 31, 2009, and for the three months ended March 31, 2010 and 2009, is as follows (in thousands):

	Three Months Ended March 31,	
	2010	**2009**
Revenues:		
Macau:		
The Venetian Macao	$ 549,695	$ 484,100
Sands Macao	283,806	224,412
Four Seasons Macao	102,344	46,991
Other Asia	24,172	23,929
	960,017	779,432
United States:		
Las Vegas Operating Properties	325,510	318,638
Sands Bethlehem	67,241	
	392,751	318,638
Intersegment eliminations	(17,880)	(19,008)
Net revenues	$ 1,334,888	$ 1,079,062
Adjusted Property EBITDA (1)		
Macau:		