WYNN RESORTS LTD
Form 10-Q
May 06, 2016
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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 March 31, 2016

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	46-0484987
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3131 Las Vegas Boulevard South - Las Vegas, Nevada 89109
(Address of principal executive offices) (Zip Code)
(702) 770-7555
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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 April 30, 2016
Common stock, $0.01 par value	101,790,911

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements
WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$2,107,253	$2,080,089
Investment securities	178,540	115,297
Receivables, net	188,476	187,887
Inventories	72,604	74,493
Prepaid expenses and other	58,620	48,012
Total current assets	2,605,493	2,505,778
Property and equipment, net	7,633,434	7,477,478
Restricted cash	8,390	2,060
Investment securities	73,374	136,256
Intangible assets, net	110,376	110,972
Other assets	215,493	225,888
Investment in unconsolidated affiliates	—	727
Total assets	$10,646,560	$10,459,159
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and construction payables	$111,114	$210,372
Current portion of land concession obligation	15,993	16,000
Customer deposits	429,346	436,409
Gaming taxes payable	90,968	98,559
Accrued compensation and benefits	116,045	129,697
Accrued interest	55,496	98,129
Other accrued liabilities	151,654	121,005
Total current liabilities	970,616	1,110,171
Long-term debt	9,408,555	9,149,665
Other long-term liabilities	146,709	141,121
Deferred income taxes, net	39,745	36,357
Total liabilities	10,565,625	10,437,314
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, par value $0.01; 40,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, par value $0.01; 400,000,000 shares authorized; 114,928,737 and 114,610,441 shares issued; 101,770,439 and 101,571,909 shares outstanding, respectively	1,149	1,146
Treasury stock, at cost; 13,158,298 and 13,038,532 shares, respectively	(1,158,971)	(1,152,680)
Additional paid-in capital	991,872	983,131
Accumulated other comprehensive income	1,927	1,092
Retained earnings	79,697	55,332
Total Wynn Resorts, Limited stockholders' deficit	(84,326)	(111,979)

Noncontrolling interest	165,261	133,824
Total stockholders' equity	80,935	21,845
Total liabilities and stockholders' equity	$10,646,560	$10,459,159

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
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Operating revenues:		
Casino	$732,730	$826,099
Rooms	135,592	132,055
Food and beverage	130,444	136,013
Entertainment, retail and other	81,995	90,376
Gross revenues	1,080,761	1,184,543
Less: promotional allowances	(83,083)	(92,305)
Net revenues	997,678	1,092,238
Operating costs and expenses:		
Casino	452,540	524,053
Rooms	37,709	36,686
Food and beverage	79,420	76,406
Entertainment, retail and other	38,299	40,294
General and administrative	117,445	122,200
Provision for doubtful accounts	706	6,079
Pre-opening costs	33,769	16,091
Depreciation and amortization	77,971	82,866
Property charges and other	1,521	2,504
Total operating costs and expenses	839,380	907,179
Operating income	158,298	185,059
Other income (expense):		
Interest income	3,479	1,692
Interest expense, net of amounts capitalized	(44,772)	(77,983)
Change in swap fair value	(1,825)	(4,609)
Increase in Redemption Note fair value	(5,003)	—
Loss on extinguishment of debt	—	(116,194)
Equity in income from unconsolidated affiliates	16	197
Other	(483)	1,133
Other income (expense), net	(48,588)	(195,764)
Income (loss) before income taxes	109,710	(10,705)
Provision for income taxes	(3,918)	(3,197)
Net income (loss)	105,792	(13,902)
Less: net income attributable to noncontrolling interest	(30,571)	(30,699)
Net income (loss) attributable to Wynn Resorts, Limited	$75,221	$(44,601)
Basic and diluted income (loss) per common share:		
Net income (loss) attributable to Wynn Resorts, Limited:		
Basic	$0.74	$(0.44)
Diluted	$0.74	$(0.44)
Weighted average common shares outstanding:		
Basic	101,392	101,135
Diluted	101,686	101,135
Dividends declared per common share	$0.50	$1.50

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 COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income (loss)	$105,792	$(13,902)
Other comprehensive income (loss):		
Foreign currency translation adjustments, before and after tax	(122)	(849)
Unrealized gain on investment securities, before and after tax	923	61
Total comprehensive income (loss)	106,593	(14,690)
Less: comprehensive income attributable to noncontrolling interest	(30,537)	(30,463)
Comprehensive income (loss) attributable to Wynn Resorts, Limited	$76,056	$(45,153)

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

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common stock								
	Shares outstanding	Par value	Treasury stock	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total Wynn Resorts, Ltd. stockholders' deficit	Noncontrolling interest	Total stockholders' equity
Balances, January 1, 2016	101,571,909	$1,146	$(1,152,680)	$983,131	$1,092	$55,332	$(111,979)	$133,824	$21,845
Net income	—	—	—	—	—	75,221	75,221	30,571	105,792
Currency translation adjustment	—	—	—	—	(88)	—	(88)	(34)	(122)
Net unrealized gain on investment securities	—	—	—	—	923	—	923	—	923
Shares repurchased by the Company and held as treasury shares	(119,766)	—	(6,291)	—	—	—	(6,291)	—	(6,291)
Issuance of restricted stock	318,296	3	—	(3)	—	—	—	—	—
Shares of subsidiary repurchased for share award plan	—	—	—	(740)	—	—	(740)	(285)	(1,025)
Cash dividends declared	—	—	—	—	—	(50,856)	(50,856)	7	(50,849)
Excess tax benefits from stock-based compensation	—	—	—	10	—	—	10	—	10
Stock-based compensation	—	—	—	9,474	—	—	9,474	1,178	10,652
Balances, March 31,	101,770,439	$1,149	$(1,158,971)	$991,872	$1,927	$79,697	$(84,326)	$165,261	$80,935

2016

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
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	$105,792	$(13,902)
Adjustments to reconcile net income to net cash provided (used in) by operating activities:		
Depreciation and amortization	77,971	82,866
Deferred income taxes	3,397	2,621
Stock-based compensation expense	10,628	10,696
Excess tax benefits from stock-based compensation	(10)	(335)
Amortization of deferred financing costs and other	6,108	6,515
Loss on extinguishment of debt	—	116,194
Provision for doubtful accounts	706	6,079
Property charges and other	2,770	2,200
Equity in income of unconsolidated affiliates, net of distributions	—	(197)
Change in swap fair value	1,825	4,609
Increase in Redemption Note fair value	5,003	—
Decrease in cash from changes in:		
Receivables, net	(1,303)	(58,832)
Inventories and prepaid expenses and other	(13,809)	(1,154)
Customer deposits	(6,888)	(44,265)
Accounts payable and accrued expenses	(76,817)	(128,108)
Net cash provided by (used in) operating activities	115,373	(15,013)
Cash flows from investing activities:		
Capital expenditures, net of construction payables and retention	(273,162)	(519,644)
Return of investment in unconsolidated affiliates	727	—
Purchase of investment securities	(4,991)	(89,898)
Proceeds from sale or maturity of investment securities	4,750	88,154
Purchase of other assets	(1,194)	(1,222)
Proceeds from sale of assets	1,149	1,013
Net cash used in investing activities	(272,721)	(521,597)
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	584
Excess tax benefits from stock-based compensation	10	335
Dividends paid	(50,571)	(346,812)
Proceeds from issuance of long-term debt	250,665	2,061,059
Repayments of long-term debt	—	(1,422,374)
Restricted cash	(6,329)	(163,871)
Repurchase of common stock	(6,291)	(6,912)
Shares of subsidiary repurchased for share award plan	(1,025)	(689)
Payments for financing costs	(1,637)	(124,754)
Net cash provided by (used in) financing activities	184,822	(3,434)
Effect of exchange rate on cash	(310)	(212)
Cash and cash equivalents:		
Increase (decrease) in cash and cash equivalents	27,164	(540,256)

Balance, beginning of period	2,080,089	2,182,164
Balance, end of period	$2,107,253	$1,641,908
Supplemental cash flow disclosures:		
Cash transactions:		
Cash paid for interest, net of amounts capitalized	$81,483	$117,305
Non-cash transactions:		
Stock-based compensation capitalized into construction	$24	$66
Change in accounts and construction payables related to property and equipment	$(49,353)	$(23,318)
Change in dividends payable on unvested restricted stock included in accrued liabilities	$278	$837

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)

Note 1 - Organization and Basis of Presentation

Organization

Wynn Resorts, Limited, a Nevada corporation (together with its subsidiaries, "Wynn Resorts" or the "Company") is a developer, owner and operator of destination casino resorts (integrated resorts). In the Macau Special Administrative Region of the People's Republic of China ("Macau"), the Company owns 72% of Wynn Macau, Limited ("WML") and operates the integrated Wynn Macau and Encore at Wynn Macau resort. In Las Vegas, Nevada, the Company owns 100% of and operates the integrated Wynn Las Vegas and Encore at Wynn Las Vegas resort.

The Company's integrated Macau resort of Wynn Macau and Encore at Wynn Macau features two luxury hotel towers with a total of 1,008 guest rooms and suites, approximately 284,000 square feet of casino space, casual and fine dining in eight restaurants, approximately 31,000 square feet of lounge and meeting space, approximately 57,000 square feet of retail space, recreation and leisure facilities, including two health clubs, spas and one pool. The Company refers to this resort as its Macau Operations.

The Company's integrated Las Vegas resort of Wynn Las Vegas and Encore at Wynn Las Vegas features two luxury hotel towers with a total of 4,748 guest rooms, suites and villas, approximately 186,000 square feet of casino space, 34 food and beverage outlets, an on-site 18-hole golf course, approximately 290,000 square feet of meeting and convention space, approximately 99,000 square feet of retail space, as well as two showrooms, three nightclubs and a beach club. The Company refers to this resort as its Las Vegas Operations.

The Company is currently constructing Wynn Palace, an integrated resort containing a 1,700-room hotel, a performance lake, and a wide range of amenities, including meeting, retail, food and beverage, and casino spaces, in the Cotai area of Macau. The Company expects to open Wynn Palace in the third quarter of 2016.

In November 2014, the Company was awarded a gaming license to develop and construct, Wynn Boston Harbor, an integrated resort in Everett, Massachusetts, adjacent to Boston. Wynn Boston Harbor will be located on a 33-acre site along the Mystic River and will contain a hotel, a waterfront boardwalk, meeting space, casino space, a spa, retail offerings and food and beverage outlets. The Company has begun site remediation, site preparation and pre-construction activities.

Basis of Presentation

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 U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include only normal recurring adjustments, except as disclosed in Note 2 under "Summary of Significant Accounting Policies: Prior Period Adjustments") necessary for a fair presentation of the results for the interim periods have been made. The results for the three months ended March 31, 2016 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, 2015.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. In April 2016, the Company dissolved its 50%-owned joint venture operating the Ferrari and Maserati automobile dealership inside Wynn Las Vegas, which was closed in October 2015 and was accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated.

Certain amounts in the Condensed Consolidated Statements of Cash Flows for the previous year have been reclassified to be consistent with the current year presentation. The payment of deposits on property and equipment, previously presented in purchase of other assets in investing activities, is now presented in capital expenditures in investing activities. The amount of deposits on property and equipment that have been reclassified for the three months ended March 31, 2015 was $23.9 million. The reclassification had no effect on the previously reported net cash used in investing activities.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid investments with original maturities of three months or less and include both U.S. dollar-denominated and foreign currency-denominated securities. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents of $807.1 million and $846.3 million at March 31, 2016 and December 31, 2015, respectively, were invested in bank time deposits, money market funds and commercial paper. In addition, the Company held bank deposits and cash on hand of approximately $1.30 billion and $1.23 billion as of March 31, 2016 and December 31, 2015, respectively.

Restricted Cash

At March 31, 2016 and December 31, 2015, the Company's non-current restricted cash consisted of cash held in trust in accordance with the Company's majority owned subsidiary's share award plan.

Investment Securities

Investment securities consist of domestic and foreign short-term and long-term investments in corporate bonds and commercial paper reported at fair value, with unrealized gains and losses, net of tax, reported in other comprehensive income (loss). Short-term investments have maturities of greater than three months but equal to or less than one year and long-term investments are those with a maturity date greater than one year. The Company's investment policy limits the amount of exposure to any one issuer with the objective of minimizing the potential risk of principal loss. Management determines the appropriate classification of its securities at the time of purchase and reevaluates such designation as of each balance sheet date. Adjustments are made for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization is included in interest income together with realized gains and losses and the stated interest on such securities.

Accounts Receivable and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues credit in the form of "markers" to approved casino customers following investigations of creditworthiness. As of March 31, 2016 and December 31, 2015, approximately 85.1%, 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 collectability of such receivables.

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

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Deferred Financing Costs

Direct and incremental costs incurred and original issue discounts and premiums in connection with the issuance of long-term debt are deferred and amortized to interest expense using the effective interest method or, if the amounts approximate the effective interest method, on a straight-line basis. Deferred financing costs incurred in connection with the issuance of the Company's revolving credit facilities are presented in noncurrent assets on the Condensed Consolidated Balance Sheets. All other deferred financing costs are presented as a direct reduction of long-term debt on the Condensed Consolidated Balance Sheets. See the Recently Issued and Adopted Accounting Standards section below for details on the presentation change of deferred financing costs.

Redemption Price Promissory Note

The Company records the Redemption Price Promissory Note (the "Redemption Note") at fair value in accordance with applicable accounting guidance. As of March 31, 2016 and December 31, 2015, the fair value of the Redemption Note was $1.89 billion and $1.88 billion, respectively. In determining this fair value, the Company estimated the Redemption Note's present value using discounted cash flows with a probability weighted expected return for redemption assumptions and a discount rate, which included time value and non-performance risk adjustments commensurate with risk of the Redemption Note.

Considerations for the redemption assumptions included the stated maturity of the Redemption Note, uncertainty of the related cash flows, as well as potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with Aruze USA, Inc. ("Aruze"), Universal Entertainment Corporation and Mr. Kazuo Okada (collectively, the "Okada Parties") (see Note 14 "Commitments and Contingencies"); the outcome of on-going investigations of Aruze by the U.S. Attorney's Office, the U.S. Department of Justice and the Nevada Gaming Control Board; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, the Company considered its ability, at its sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, the Company reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note.

In determining the appropriate discount rate to be used in the estimated present value, the Company considered the Redemption Note's subordinated position and credit risk relative to all other debt in the Company's capital structure and credit ratings associated with the Company's traded debt. Observable inputs for the risk free rate were based on Federal Reserve rates for U.S. Treasury securities and the credit risk spread was based on a yield curve index of similarly rated debt.

Revenue Recognition and Promotional Allowances

The Company recognizes revenues at the time persuasive evidence of an arrangement exists, the service is provided or the retail goods are sold, prices are fixed or determinable and collection is reasonably assured.

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

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

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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

	Three Months Ended March 31,	
	2016	2015
Rooms	$43,720	$47,826
Food and beverage	33,420	37,341
Entertainment, retail and other	5,943	7,138
	$83,083	$92,305

The estimated cost of providing such promotional allowances, which is included primarily in casino expenses, is as follows (in thousands):

	Three Months Ended March 31,	
	2016	2015
Rooms	$12,329	$13,393
Food and beverage	27,609	29,494
Entertainment, retail and other	3,732	4,419
	$43,670	$47,306

Gaming Taxes

The Company is subject to taxes based on gross gaming revenues in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on the Company's gross gaming revenues and are recorded as casino expenses in the accompanying Condensed Consolidated Statements of Operations. These taxes totaled approximately $278.7 million and $330.0 million for the three months ended March 31, 2016 and 2015, respectively.

Fair Value Measurements

The Company measures certain of its financial assets and liabilities, such as cash equivalents, restricted cash, available-for-sale securities, interest rate swaps and the Redemption Note, at fair value on a recurring basis pursuant to accounting standards for fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following tables present assets and liabilities carried at fair value (in thousands):

	March 31, 2016	Fair Value Measurements Using: Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$807,101	$1,188	$805,913	—
Restricted cash	$8,390	$8,390	—	—
Available-for-sale securities	$251,914	—	$251,914	—
Liabilities:				
Interest rate swaps	$1,202	—	$1,202	—
Redemption Note	$1,889,405	—	$1,889,405	—

	December 31, 2015	Fair Value Measurements Using: Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$846,281	$186	$846,095	—
Interest rate swaps	$726	—	$726	—
Restricted cash	$2,060	$2,060	—	—
Available-for-sale securities	$251,553	—	$251,553	—
Liabilities:				
Interest rate swaps	$108	—	$108	—
Redemption Note	$1,884,402	—	$1,884,402	—

As of March 31, 2016 and December 31, 2015 approximately 15% and 16%, respectively, of the Company's cash equivalents categorized as Level 2 were deposits held in foreign currencies.

Recently Issued and Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update, which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new guidance, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. In regards to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The effective date for this guidance is for financial statements for fiscal years beginning after December 15, 2016, and interim periods within those fiscal periods and early application is permitted. The Company is currently assessing the impact the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued an accounting standards update, which changes the accounting for leases and requires expanded disclosures about leasing activities. Under the new guidance, lessees will be required to recognize a right-of-use asset and lease liability, measured on a discounted basis, at the commencement date for all leases with terms greater than 12 months. Lessor accounting will remain largely unchanged, other than certain targeted improvements intended to align lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. Lessees and lessors are required to apply a modified retrospective transition approach for leases existing at the beginning of the earliest comparative period presented in the adoption-period financial statements. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. The Company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.

In January 2016, the FASB issued an accounting standards update requiring all equity investments to be measured at fair value with changes in fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). The update also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This update eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The effective date for this guidance is for financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted as of the beginning of the fiscal year of adoption. The Company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.

In July 2015, the FASB issued an accounting standards update which changes the measurement principle for inventories valued under the first-in, first-out or weighted-average methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The effective date for this guidance is for financial statements for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company does not anticipate that the adoption of this standard will have a material effect on the Company's financial condition, results of operations, or cash flows.

In April 2015, the FASB issued an accounting standards update that requires deferred financing costs related to a recognized debt liability be presented on the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for deferred financing costs are not affected by the amendments in this update. In August 2015, the FASB issued an accounting standards update which clarifies that the guidance issued in April 2015 does not apply to line-of-credit arrangements. According to the additional guidance, deferred financing costs related to line-of-credit arrangements will continue to be presented as an asset and subsequently amortized ratably over the term of the arrangement. The effective date for this guidance is for financial statements for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company adopted the guidance on January 1, 2016, with retrospective application in the accompanying Condensed Consolidated Balance Sheet at December 31, 2015. This change in accounting principle resulted in net deferred financing costs of $63.1 million incurred in connection with the issuance of the Company's long-term debt (excluding revolving credit facilities) being reclassified from noncurrent assets to a direct reduction of the long-term debt balance. The presentation of the $41.3 million of net deferred financing costs incurred in connection with the issuance of the Company's revolving credit facilities as of December 31, 2015, are not affected by the adoption of this new accounting guidance and are included in other assets on the Condensed Consolidated Balance Sheet.

In May 2014, the FASB issued an accounting standards update that amends the FASB Accounting Standards Codification and creates a new topic for Revenue from Contracts with Customers. The new guidance is expected to clarify the principles for revenue recognition and to develop a common revenue standard for GAAP applicable to revenue transactions. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This guidance also provides substantial revision of interim and annual disclosures. The update allows for either full retrospective adoption, meaning the guidance is applied for all periods presented, or modified retrospective adoption, meaning the guidance is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the guidance recognized at the date of initial application. In August 2015, the FASB issued an accounting standards update which defers the effective date of the new revenue recognition accounting guidance by one year, to annual and interim periods beginning after December 15, 2017. Early application is permitted for annual and interim periods beginning after December 15, 2016. The Company will adopt this standard effective January 1, 2018. The Company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.

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Prior Period Adjustments

During the three months ended March 31, 2016, the Company identified $21.9 million and $3.7 million of additional interest that should have been capitalized instead of being expensed during the years ended December 31, 2015 and 2014, respectively. Considering both quantitative and qualitative factors, the Company has determined the amounts were immaterial to any previously issued financial statements and would be immaterial to the expected full year results for 2016. Accordingly, the Company corrected these immaterial amounts during the three months ended March 31, 2016, resulting in a decrease to interest expense of $25.6 million and increases to net income attributable to Wynn Resorts, Limited of $18.5 million and basic and diluted net income per common share of $0.18. Had these amounts been corrected in the appropriate periods, it would have resulted in a decrease to interest expense of $5.1 million and increases to net income attributable to Wynn Resorts, Limited of $3.7 million and basic and diluted net income per common share of $0.04, for the three months ended March 31, 2015.

Note 3 - Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income attributable to Wynn Resorts, Limited by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Wynn Resorts, Limited by the weighted average number of common shares outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potential dilutive securities had been issued. Potentially dilutive securities include outstanding stock options and unvested restricted stock.

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

	Three Months Ended March 31,	
	2016	2015
Numerator:		
Net income (loss) attributable to Wynn Resorts, Limited	$75,221	$(44,601)
Denominator:		
Weighted average common shares outstanding	101,392	101,135
Potential dilutive effect of stock options and restricted stock	294	—
Weighted average common and common equivalent shares outstanding	101,686	101,135
Net income (loss) attributable to Wynn Resorts, Limited per common share, basic	$0.74	$(0.44)
Net income (loss) attributable to Wynn Resorts, Limited per common share, diluted	$0.74	$(0.44)
Anti-dilutive stock options and restricted stock excluded from the calculation of diluted earnings per share	785	1,757

For the three months ended March 31, 2015, the Company recorded a net loss attributable to Wynn Resorts, Limited. Accordingly, the potential dilutive effect of stock options and restricted stock is anti-dilutive. As a result, basic EPS is equal to diluted EPS for this period.

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Note 4 - Accumulated Other Comprehensive Income

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

	Foreign currency translation	Unrealized loss on investment securities	Accumulated other comprehensive income
December 31, 2015	$ 2,343	$ (1,251)	$ 1,092
Current period other comprehensive income (loss)	(88)	923	835
March 31, 2016	$ 2,255	$ (328)	$ 1,927

Note 5 - Investment Securities

Investment securities consisted of the following (in thousands):

	March 31, 2016				December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value (net carrying amount)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value (net carrying amount)
Domestic and foreign corporate bonds	$241,290	$ 82	$ (414)	$240,958	$243,857	$ —	$ (1,243)	$242,614
Commercial paper	10,952	4	—	10,956	8,947	—	(8)	8,939
	$252,242	$ 86	$ (414)	$251,914	$252,804	$ —	$ (1,251)	$251,553

For investments with unrealized losses as of March 31, 2016 and December 31, 2015, the Company has determined that it does not have the intent to sell any of these investments and it is not likely that the Company will be required to sell these investments prior to the recovery of the amortized cost. Accordingly, the Company has determined that no other-than-temporary impairments exist at the reporting dates.

The Company obtains pricing information in determining the fair value of its available-for-sale securities from independent pricing vendors. Based on management's inquiries, the pricing vendors use various pricing models consistent with what other market participants would use. The assumptions and inputs used by the pricing vendors are derived from market observable sources including: reported trades, broker/dealer quotes, issuer spreads, benchmark curves, bids, offers and other market-related data. The Company has not made adjustments to such prices. Each quarter, the Company validates the fair value pricing methodology to determine the fair value is consistent with applicable accounting guidance and to confirm that the securities are classified properly in the fair value hierarchy. The Company compares the pricing received from its vendors to independent sources for the same or similar securities.

The fair values of these investment securities at March 31, 2016, by contractual maturity, are as follows (in thousands):

	Fair value
Available-for-sale securities	

Due in one year or less	$178,540
Due after one year through two years	63,062
Due after two years through three years	10,312
	$251,914

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Note 6 - Receivables, net

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

	March 31, 2016	December 31, 2015
Casino	$189,467	$ 190,294
Hotel	18,954	20,661
Retail leases and other	36,145	43,989
	244,566	254,944
Less: allowance for doubtful accounts	(56,090)	(67,057)
	$188,476	$ 187,887

Note 7 - Property and Equipment, net

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

	March 31, 2016	December 31, 2015
Land and improvements	$806,431	$ 804,512
Buildings and improvements	3,986,200	3,975,419
Furniture, fixtures and equipment	1,827,946	1,809,938
Leasehold interests in land	316,542	316,681
Airplanes	194,412	194,412
Construction in progress	3,409,355	3,217,117
	10,540,886	10,318,079
Less: accumulated depreciation	(2,907,452)	(2,840,601)
	$7,633,434	$ 7,477,478

Construction in progress consists primarily of costs capitalized, including interest, for the construction of Wynn Palace and Wynn Boston Harbor.

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Note 8 - Long-Term Debt

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

	March 31, 2016		December 31, 2015	
Macau Related:				
Wynn Macau Credit Facilities:				
Senior Term Loan Facility (as amended September 2015), due September 2021; interest at LIBOR or HIBOR plus 1.50%—2.25% (2.34% and 2.08% at March 31, 2016 and December 31, 2015), net of debt issuance costs and original issue discount of $33,343 at March 31, 2016 and $35,112 at December 31, 2015	$	2,273,518	$	2,272,200
Senior Revolving Credit Facility (as amended September 2015), due September 2020; interest at LIBOR or HIBOR plus 1.50%—2.25% (2.30% and 2.07% at March 31, 2016 and December 31, 2015)	581,466		431,172	
5 1/4% Senior Notes, due October 15, 2021, net of debt issuance costs and original issue premium of $7,604 at March 31, 2016 and $7,896 at December 31, 2015	1,342,396		1,342,104	
U.S. and Corporate Related:				
Wynn America Credit Facilities:				

Senior Term Loan Facility, due November 2020; interest at base rate plus 0.75% or LIBOR plus 1.75% (2.19% and 1.99% at March 31, 2016 and December 31, 2015), net of debt issuance costs of $14,909 at March 31, 2016 and $15,712 at December 31, 2015	155,424		54,288	
5 3/8% First Mortgage Notes, due March 15, 2022, net of debt issuance costs of $7,526 at March 31, 2016 and $7,791 at December 31, 2015	892,474		892,209	
4 1/4% Senior Notes, due May 30, 2023, net of debt issuance costs of $3,094 at March 31, 2016 and $3,183 at December 31, 2015	496,906		496,817	
5 1/2% Senior Notes, due March 1, 2025, net of debt issuance costs of $23,034 at March 31, 2016 and $23,527 at December 31, 2015	1,776,966		1,776,473	
Redemption Price Promissory Note with former stockholder and related party, due February 18, 2022; interest at 2%, net of fair value adjustment of $47,039 at March 31, 2016 and $52,041 at December 31, 2015	1,889,405		1,884,402	
	9,408,555		9,149,665	
Current portion of long-term debt	—		—	
	$	9,408,555	$	9,149,665

Wynn Macau Credit Facilities

The Company's credit facilities include a $2.27 billion equivalent fully funded senior secured term loan facility and a $750 million equivalent senior secured revolving credit facility (the "Wynn Macau Senior Revolving Credit Facility").

As of March 31, 2016, the Company had $168.5 million of available borrowing capacity under the Wynn Macau Senior Revolving Credit Facility.

Wynn America Credit Facilities

The Company's credit facilities include an $875 million senior secured term loan facility ("Wynn America Senior Term Loan Facility") and a $375 million senior secured revolving credit facility (the "Wynn America Senior Revolving Credit Facility" and together with the Wynn America Senior Term Loan Facility, the "Wynn America Credit Facilities"). As of March 31, 2016, the Company had $1.07 billion of available borrowing capacity under the Wynn America Credit Facilities, net of $8.2 million in outstanding letters of credit. The available borrowing capacity consists of $704.7 million under the Wynn America Senior Term Loan Facility with an available borrowing period up to June 30, 2016 and the full amount of $375 million available under the Wynn America Senior Revolving Credit Facility.

First Mortgage Notes due 2020

On February 10, 2015, Wynn Las Vegas, LLC and Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts, Limited (together, the "Issuers") commenced a cash tender offer for any and all of the outstanding aggregate principal amounts of the 7 7/8% First Mortgage Notes due May 1, 2020 and the 7 3/4% First Mortgage Notes due August 15, 2020 (the "2020 Notes"). The premium portion of the aggregate total consideration was $98.9 million and was recorded as a loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Operations. In connection with the cash tender, the Company expensed $17.2 million of unamortized deferred financing costs and original issue discount related to the 2020 Notes and incurred other fees of $0.1 million that are included in loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Operations.

Debt Covenant Compliance

As of March 31, 2016, management believes the Company was in compliance with all debt covenants.

Fair Value of Long-Term Debt

The estimated fair value of the Company's long-term debt, excluding the Redemption Note, as of March 31, 2016 and December 31, 2015 was approximately $7.18 billion and $6.86 billion, respectively, compared to its carrying value of $7.52 billion and $7.27 billion, respectively. The estimated fair value of the Company's long-term debt, excluding the Redemption Note, is based on recent trades, if available, and indicative pricing from market information (Level 2 inputs). See Note 2 "Summary of Significant Accounting Policies" for discussion on the estimated fair value of the Redemption Note.

Note 9 - Interest Rate Swaps

The Company seeks to manage its market risk, including interest rate risk associated with variable rate borrowings, through balancing fixed-rate and variable-rate borrowings with the use of derivative financial instruments. The Company currently has three interest rate swap agreements which convert a portion of its variable-rate borrowings under the Wynn Macau Senior Term Loan Facility to a fixed rate. Under the agreements, the Company pays a fixed interest rate on notional amounts corresponding to borrowings in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR or HIBOR at the time of payment. The fair value of the interest rate swaps are recognized as assets or liabilities at each balance sheet date, with changes in fair value affecting net income as these agreements do not qualify for hedge accounting. Accordingly, changes in the fair value of the interest rate swaps are presented in the accompanying Consolidated Statements of Operations.

The Company utilized Level 2 inputs as described in Note 2 "Summary of Significant Accounting Policies" to determine fair value. The fair value approximates the amount the Company would 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 and fluctuation between periods. The fair value is adjusted, to reflect the impact of credit ratings of the counterparties or the Company, as applicable. These adjustments resulted in a reduction in the fair values as compared to their settlement values.

As of March 31, 2016, interest rate swaps of $1.2 million were included in other long-term liabilities in the accompanying Consolidated Balance Sheet. As of December 31, 2015, interest rate swaps of $0.7 million were included in other assets and $0.1 million were included in other long-term liabilities in the accompanying Consolidated Balance Sheet. These interest rate swaps mature in July 2017.

Note 10 - Related Party Transactions

The Company periodically provides services to Stephen A. Wynn, Chairman of the Board of Directors and Chief Executive Officer ("Mr. Wynn"), and certain other officers and directors of the Company, including the personal use of employees, construction work and other personal services, for which the officers and directors reimburse the Company. Mr. Wynn also reimburses the Company for personal usage of aircraft (subject to a $250,000 credit per calendar year) pursuant to a time sharing agreement. Mr. Wynn and other officers and directors have deposits with the Company to prepay any such items, which are replenished on an ongoing basis as needed. Mr. Wynn and the other officers and directors had a net deposit balance with the Company of $0.5 million and $1.0 million as of March 31, 2016 and December 31, 2015, respectively.

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Note 11 - Property Charges and Other

Property charges and other for the three months ended March 31, 2016 and 2015 of $1.5 million and $2.5 million, respectively, consisted primarily of miscellaneous renovations and abandonments at the Company's resorts.

Note 12 - Noncontrolling Interest

On March 31, 2015, WML paid a dividend of HK$1.05 per share for a total of $702.6 million. The Company's share of this dividend was $507.1 million with a reduction of $195.5 million to noncontrolling interest in the accompanying Condensed Consolidated Balance Sheets.

Note 13 - Stock-Based Compensation

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

	Three Months Ended March 31,	
	2016	2015
Casino	$2,272	$2,406
Rooms	74	120
Food and beverage	324	374
Entertainment, retail and other	18	30
General and administrative	7,823	7,730
Pre-opening costs	117	36
Total stock-based compensation expense	10,628	10,696
Total stock-based compensation capitalized	24	66
Total stock-based compensation costs	$10,652	$10,762

Note 14 - Commitments and Contingencies

Cotai Development and Land Concession Contract

The Company is currently constructing Wynn Palace, an integrated resort containing a 1,700-room hotel, a performance lake, and a wide range of amenities, including meeting, retail, food and beverage, and casino spaces, in the Cotai area of Macau.

In September 2011, Wynn Resorts (Macau) S.A. ("Wynn Macau SA"), an indirect subsidiary of WML, and Palo Real Estate Company Limited ("Palo"), a subsidiary of Wynn Macau SA, formally accepted the terms and conditions of a land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau. On May 2, 2012, the land concession contract was gazetted by the government of Macau evidencing the final step in the granting of the land concession. The initial term of the land concession contract is 25 years from May 2, 2012, and it may be renewed with government approval for successive periods. The total land premium payable, including interest as required by the land concession contract, is $193.4 million. An initial payment of $62.5 million was paid in December 2011, with eight additional semi-annual payments of approximately $16.4 million each (which includes interest at 5%) due beginning November 2012. As of March 31, 2016 and December 31, 2015, the remaining $16.0 million obligation was recorded as a current liability. The Company also is required to make annual lease payments of $0.8 million during the resort construction period and annual payments of approximately $1.1 million once the development is completed.

On July 29, 2013, Wynn Macau SA and Palo, executed a guaranteed maximum price construction ("GMP") contract with Leighton Contractors (Asia) Limited, acting as the general contractor. Under the GMP contract, the general contractor is responsible for both the construction and design of the Wynn Palace project. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK$20.6 billion (approximately $2.7 billion). The performance of the general contractor is backed by a full completion guarantee given by CIMIC Group Limited (formerly Leighton Holdings Limited), the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price. We have assessed certain liquidated damages for the general contractor’s failure to complete certain interim milestones in accordance with the time prescribed in the GMP contract. The general contractor has requested the reversal of liquidated damages, additional compensation and extensions of time. We view our assessment of liquidated damages as fully supported by the terms of the GMP contract and we view the general contractor's requests as unfounded and intend to adhere to the terms of the GMP contract as agreed with the general contractor. The Company expects to open the property in the third quarter of 2016.

As of March 31, 2016, the Company has incurred approximately $3.7 billion of the approximately $4.2 billion total project budget costs. The total project budget includes all construction costs, capitalized interest, pre-opening expenses, land costs and financing fees.

Litigation

In addition to the actions noted below, the Company and its affiliates are involved in litigation arising in the normal course of business. In the opinion of management, such litigation is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

Determination of Unsuitability and Redemption of Aruze and Affiliates

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

Based on the Freeh Report, the Board of Directors of Wynn Resorts determined that the Okada Parties are "unsuitable persons" under Article VII of the Company's articles of incorporation. The Board of Directors was unanimous (other than Mr. Okada) in its determination. After authorizing the redemption of Aruze's shares, as discussed below, the Board of Directors took certain actions to protect the Company and its operations from any influence of an unsuitable person, including placing limitations on the provision of certain operating information to unsuitable persons and formation of an Executive Committee of the Board to manage the business and affairs of the Company during the period between each annual meeting. The Charter of the Executive Committee provides that "Unsuitable Persons" are not permitted to serve on the Committee. All members of the Board, other than Mr. Okada, were appointed to the Executive Committee on February 18, 2012. The Board of Directors also requested that Mr. Okada resign as a director of Wynn Resorts (under Nevada corporation law, a board of directors does not have the power to remove a director) and recommended that Mr. Okada be removed as a member of the Board of Directors of WML. On February 18, 2012, Mr. Okada was removed from the Board of Directors of Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts. On February 24, 2012, Mr. Okada was removed from the Board of Directors of WML and on February 22, 2013, he was removed from the Board of Directors of Wynn Resorts by a stockholder vote in which 99.6% of the over 86 million shares voted were cast in favor of removal. Mr. Okada resigned from the Board of Directors of Wynn Resorts on February 21, 2013. Although the Company has retained the structure of the Executive Committee, the Board has resumed its past role in managing the business and affairs of the Company.

Based on the Board of Directors' finding of "unsuitability," on February 18, 2012, Wynn Resorts redeemed and canceled Aruze's 24,549,222 shares of Wynn Resorts' common stock. Following a finding of "unsuitability," Article

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

The Company provided the Freeh Report to appropriate regulators and law enforcement agencies and has been cooperating with related investigations that such regulators and agencies have undertaken. The conduct of the Okada Parties and any resulting regulatory investigations could have adverse consequences to the Company and its subsidiaries. A finding by regulatory authorities that Mr. Okada violated anti-corruption statutes and/or other laws or regulations applicable to persons affiliated with a gaming licensee on Company property and/or otherwise involved the Company in criminal or civil violations could result in actions by regulatory authorities against the Company and its subsidiaries.

Redemption Action and Counterclaim

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

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

On June 19, 2012, Elaine Wynn asserted a cross claim against Mr. Wynn and Aruze seeking a declaration that (1) any and all of Elaine Wynn's duties under the Stockholders Agreement shall be discharged; (2) the Stockholders Agreement is subject to rescission and is rescinded; (3) the Stockholders Agreement is an unreasonable restraint on alienation in violation of public policy; and/or (4) the restrictions on sale of shares shall be construed as inapplicable to Elaine Wynn. On March 28, 2016, Elaine Wynn filed an amended cross claim which added Wynn Resorts and Wynn Resorts' General Counsel (together with Mr. Wynn, the "Wynn Cross Defendants") as cross defendants. The amended cross claim substantially repeats its earlier allegations and further alleges that Mr. Wynn engaged in acts of misconduct that, with the Wynn Cross Defendants, resulted in Mr. Wynn allegedly breaching the Stockholders Agreement and violating alleged duties under the Stockholders Agreement by preventing Elaine Wynn from being nominated and elected to serve as one of the Company's directors. In addition to continuing to seek the declarations asserted under the original cross claim, the amended cross claim seeks an order compelling Mr. Wynn to comply with the Stockholders Agreement by assuring the nomination and election of Elaine Wynn to the Board of Directors and seeks unspecified monetary damages from Mr. Wynn and the Wynn Cross Defendants. The Wynn Cross Defendants filed motions to dismiss and a motion to sever in April 2016 and will vigorously defend against the claims asserted against them. On May 5, 2016, the court granted Wynn Resorts' and Wynn Resorts' General Counsel's motions to dismiss and denied Mr. Wynn's motion to dismiss. Mr. Wynn is continuing to oppose Elaine Wynn's cross claim. The motion to sever is scheduled to be heard by the court on May 26, 2016.

The indenture for Wynn Las Vegas, LLC's 4 1/4% Senior Notes due 2023 (the "2023 Indenture") provides that if Mr. Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the voting power of the outstanding common stock of the Company than is beneficially owned by any other person, a change of control will have occurred. The indenture for Wynn Las Vegas, LLC's 5 1/2% Senior Notes due 2025 (the "2025 Indenture") provides that if any event constitutes a "change of control" under the 2023 Indenture, it will constitute a change of control under the 2025 Indenture. If the Stockholders Agreement is determined not to be enforceable pursuant to Elaine Wynn’s cross claim, Mr. Wynn would not beneficially own or control Elaine Wynn's shares, which could increase the likelihood that a change in control may occur under the Wynn Las Vegas debt documents. Under the 2023 Indenture and the 2025 Indenture, if (1) a change of control occurs and (2) at any time within 60 days after that occurrence, the 4 1/4% Senior Notes due 2023 or the 5 1/2% Senior Notes due 2025, as applicable, are rated below investment grade by both rating agencies that rate such notes, the Company is required to make an offer to each applicable holder to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption).

The Company's Complaint and the Okada Parties' Counterclaim have been, and continue to be, challenged through motion practice. At a hearing held on November 13, 2012, the Nevada state court granted the Wynn Parties' motion to dismiss the Counterclaim with respect to the Okada Parties' claim under the Nevada Racketeer Influenced and Corrupt Organizations Act with respect to certain Company executives but otherwise denied the motion. At a hearing held on January 15, 2013, the court denied the Okada Parties' motion to dismiss the Company's Complaint. On April 22, 2013, the Company filed a second amended complaint. On August 30, 2013, the Okada Parties filed their third amended Counterclaim. On September 18, 2013, the Company filed a Partial Motion to Dismiss related to a claim in the third amended Counterclaim alleging civil extortion by Mr. Wynn and the Company's General Counsel. On October 29, 2013, the court granted the motion and dismissed the claim. On November 26, 2013, the Okada Parties filed their fourth amended Counterclaim, and the Company filed an answer to that pleading on December 16, 2013. On September 16, 2014, Aruze filed a motion for partial summary judgment related to its counterclaim alleging the Company's directors violated the terms of the Articles by failing to pay Aruze fair value for the redeemed shares. At a hearing held on October 21, 2014, the court denied Aruze's motion. On October 10, 2014, the Okada Parties filed a motion for partial judgment on the pleadings principally to seek dismissal of certain breach of fiduciary claims against Mr. Okada included in the Company's Complaint. On November 13, 2014, the court denied the motion and issued an order setting the trial and trial-related dates. On April 14, 2016, the court entered a new stipulation between the parties for a discovery schedule closing on November 1, 2016. The trial is scheduled to begin on February 6, 2017.

On each of February 14, 2013 and February 13, 2014, the Company issued a check to Aruze in the amount of $38.7 million, representing the interest payments due on the Redemption Note at those times. However, those checks were not cashed. In February 2014, the Okada Parties advised of their intent to deposit any checks for interest and principal, past and future, due under the terms of the Redemption Note to the clerk of the court for deposit into the clerk's trust account. On March 17, 2014, the parties stipulated that the checks be returned to the Company for reissue in the same amounts, payable to the clerk of the court for deposit into the clerk's trust account. Pursuant to the stipulation, on March 20, 2014, the Company delivered to the clerk of the court the reissued checks that were deposited into the clerk's trust account and filed a notice with the court with respect to the same. On each of February 13, 2015 and February 12, 2016, the Company issued a check for the interest payment due at those times to the clerk of the court for deposit into the clerk's trust account.

On April 8, 2013, the United States Attorney's Office and the U.S. Department of Justice filed a Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action. The parties had been engaged in discovery at the time of the filing. The motion stated that the federal government has been conducting a criminal investigation of the Okada Parties involving the "same underlying allegations of misconduct-that is, potential violations of the Foreign Corrupt Practice Act and related fraudulent conduct-that form the basis of" the Company's complaint, as amended, in the Redemption Action. The motion sought to stay all discovery in the Redemption Action related to the Okada Parties' allegedly unlawful activities in connection with their casino project in the Philippines until the conclusion of the criminal investigation and any resulting criminal prosecution, with an interim status update to the court in six months. At a hearing on May 2, 2013, the court granted the motion and ordered that all discovery in the Redemption Action be stayed for a period of six months (the "Stay"). On May 30, 2013, Elaine Wynn filed a motion for partial relief from the Stay, to allow her to conduct limited discovery related to her cross and counterclaims. The Wynn Pa