

LAS VEGAS SANDS CORP

Form 10-K

February 29, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007**
- or**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to**

Commission file number 001-32373

LAS VEGAS SANDS CORP.
(Exact name of registrant as specified in its charter)

Nevada
*(State or other jurisdiction of
incorporation or organization)*

27-0099920
*(IRS Employer
Identification No.)*

**3355 Las Vegas Boulevard South
Las Vegas, Nevada**
(Address of principal executive offices)

89109
(Zip Code)

**Registrant's telephone number, including Area code:
(702) 414-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (\$0.001 par value)	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:
None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of June 29, 2007, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$8,001,585,670 based on the closing sale price on that date as reported on the New York Stock Exchange.

The Company had 355,352,992 shares of common stock outstanding as of February 21, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Description of document	Part of the Form 10-K
Portions of the definitive Proxy Statement to be used in connection with the registrant's 2008 Annual Meeting of Stockholders	Part III (Item 10 through Item 14)

Las Vegas Sands Corp.

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PART I

ITEM 1. BUSINESS

Overview

Las Vegas Sands Corp. and its subsidiaries (we or the Company) own and operate The Venetian Resort Hotel Casino (The Venetian), The Palazzo Resort Hotel Casino (The Palazzo), The Sands Expo and Convention Center (The Sands Expo Center) and The Congress Center in Las Vegas, Nevada, and the Sands Macao and The Venetian Macao Resort Hotel (The Venetian Macao) in Macao, China. We are also creating a master-planned development of integrated resort properties, anchored by The Venetian Macao, which we refer to as the Cotai StripTM in Macao. In addition, we are developing Marina Bay Sands, an integrated resort in Singapore, and Sands Bethworks, an integrated resort in Bethlehem, Pennsylvania. We are exploring the possibility of developing and operating integrated resorts in additional Asian and U.S. jurisdictions, and in Europe.

Our Company

Las Vegas Sands Corp. was incorporated as a Nevada corporation in August 2004. Our common stock is traded on the New York Stock Exchange (the NYSE) under the symbol LVS. Immediately prior to our initial public offering in December 2004, we acquired 100% of the capital stock of Las Vegas Sands, Inc., a Nevada corporation and the direct or indirect owner and operator of The Venetian, The Sands Expo Center and Sands Macao, by merging Las Vegas Sands, Inc. with and into our wholly-owned subsidiary, leaving Las Vegas Sands, Inc. as the surviving subsidiary. Las Vegas Sands, Inc. was incorporated in Nevada in April 1988. In July 2005, Las Vegas Sands, Inc. was converted into a limited liability company and changed its name to Las Vegas Sands, LLC.

Our principal executive office is located at 3355 Las Vegas Boulevard South, Las Vegas, Nevada 89109. Our telephone number at that address is (702) 414-1000. Our website address is www.lasvegassands.com. The information on our website is not part of this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and other Securities and Exchange Commission (SEC) filings, and any amendments to those reports that we file with or furnish to the SEC under the Securities Exchange Act of 1934 are made available free of charge on our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

This Annual Report on Form 10-K contains certain forward-looking statements. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Special Note Regarding Forward-Looking Statements.

Our principal operating and developmental activities occur in three geographic areas: Las Vegas, Macao and Singapore. Management reviews the results of operations for each of our key operating segments: The Venetian, which includes The Sands Expo Center and The Congress Center; The Palazzo; Sands Macao; The Venetian Macao; and Other Asia (comprised primarily of the ferry operations). The Company also reviews its construction and development activities for each of its primary projects: The Venetian; The Palazzo; Sands Macao; The Venetian Macao; a Four Seasons hotel and casino development (The Four Seasons Macao); Other Asia (comprised of various other operations that are ancillary to our properties in Macao); Marina Bay Sands in Singapore; Other Development Projects (comprised primarily of our other projects on the Cotai Strip); and Corporate and Other (comprised primarily of the airplanes and our Sands Bethworks and Las Vegas condominium projects). See Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note 15 Segment Information.

Operations

Las Vegas

Our Las Vegas operations consist of The Venetian, including The Sands Expo Center and The Congress Center, and The Palazzo. With the opening of The Palazzo, our Las Vegas properties represent the world's largest integrated

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resort with 7,093 suites and approximately 225,000 square feet of gaming, which includes approximately 260 table games and 3,100 slot machines.

The Venetian has 4,027 suites situated in a 3,014-suite, 35-story three-winged tower rising above the casino and the 1,013-suite, 12-story Venezia tower situated above a parking garage. The casino at The Venetian has approximately 120,000 square feet of gaming space and includes approximately 130 table games and 1,700 slot machines. The Venetian features a variety of amenities for its guests, including a Paiza Club™; Canyon Ranch SpaClub, operated by Canyon Ranch; the Guggenheim Hermitage Museum, an art museum featuring masterpiece collections from the Guggenheim Museum in New York, the State Hermitage Museum in St. Petersburg, Russia and other museums; and a theater/entertainment complex featuring a wide variety of entertainment. The Venetian also includes an enclosed retail, dining and entertainment complex of approximately 440,000 square feet (The Grand Canal Shops), which was sold to General Growth Partners (GGP) in 2004.

The Palazzo, which partially opened on December 30, 2007, features modern European ambience and design reminiscent of Italian affluent living, is situated adjacent to and north of The Venetian, and is directly connected to The Venetian, The Sands Expo Center and The Congress Center. The casino at The Palazzo is approximately 105,000 square feet and has approximately 130 table games and 1,400 slot machines. The Palazzo has a 50-floor luxury hotel tower with 3,066 suites and includes a Canyon Ranch SpaClub; a Paiza Club; an entertainment center; and an enclosed shopping and dining complex of approximately 400,000 net leasable square feet (The Shoppes at The Palazzo), which we have contracted to sell to GGP. We anticipate the transaction to close on February 29, 2008, or shortly thereafter.

With approximately 1.2 million gross square feet of exhibit and meeting space, The Sands Expo Center is one of the largest overall trade show and convention facilities in the United States (as measured by net leasable square footage). We also own and operate The Congress Center, an approximately 1.1 million gross square foot meeting and conference facility that links The Sands Expo Center and the rest of The Venetian and The Palazzo. Together, we offer approximately 2.3 million gross square feet of state-of-the-art exhibition and meeting facilities that can be configured to provide small, mid-size or large meeting rooms and/or accommodate large-scale multi-media events or trade shows. Management believes that these combined facilities, together with the on-site amenities offered by The Venetian and The Palazzo, offer a flexible and expansive space for large-scale trade shows and conventions.

Management markets The Congress Center to complement the operations of The Sands Expo Center for business conferences and upscale business events typically held during the mid-week period, thereby generating room-night demand and driving average daily room rates during the weekday move-in/move-out phases of The Sands Expo Center's events. Events at The Sands Expo Center and The Congress Center typically take place during the week when Las Vegas hotels and casinos experience lower demand, unlike weekends and holidays during which occupancy and room rates are at their peak. Our goal is to draw from attendees and exhibitors at The Sands Expo Center and The Congress Center to maintain mid-week demand at our hotels from this higher-budget market segment, when room demand would otherwise be derived from the lower-budget tour-and-travel-group market segment. In 2007, approximately 1.3 million visitors attended meetings, trade shows and conventions at The Sands Expo Center and The Congress Center.

Macao

Our Macao operations consist of the Sands Macao, The Venetian Macao and other ancillary operations that support these properties.

We own and operate the Sands Macao, the first Las Vegas-style casino in Macao, pursuant to a 20-year gaming subconcession. The Sands Macao is situated near the Macao-Hong Kong Ferry Terminal on a waterfront parcel

centrally located between the Gonbei border gate and the central business district. This location provides the Sands Macao primary access to a large customer base, particularly the approximately 9.0 million visitors who arrived in Macao by ferry in 2007. The Sands Macao includes approximately 229,000 square feet of gaming space and currently has approximately 630 table games and 1,350 slot machines or similar electronic gaming devices. The Sands Macao also includes several restaurants, a spacious Paiza Club offering services and amenities to premium customers, luxurious VIP suites and spa facilities, private VIP gaming room facilities, a theater and other high-end

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services and amenities. We recently opened our new 238-suite hotel tower, which increased the total number of suites available to nearly 300.

On August 28, 2007, we opened The Venetian Macao, the anchor property on our Cotai Strip development, which is located approximately two miles from Macao's newly opened Taipa Temporary Ferry Terminal on Macao's Taipa Island. The casino at The Venetian Macao is approximately 550,000 square feet and has approximately 820 table games and 2,650 slot machines or similar electronic gaming devices, and a designed capacity of approximately 1,150 table games and 7,000 slot machines or similar electronic gaming devices. The Venetian Macao, with a theme similar to that of The Venetian, also features a 39-floor luxury hotel tower with over 2,900 suites; approximately 1.0 million square feet of retail and dining offerings; a convention center and meeting room complex of approximately 1.2 million square feet; and a 15,000-seat arena that has hosted a wide range of entertainment and sporting events. An 1,800-seat theater is currently scheduled to open in July 2008 and will feature an original production from Cirque du Soleil.

Management believes that the convention center and meeting room complex combined with the on-site amenities offered at The Venetian Macao offers a flexible and expansive space for large-scale trade shows and conventions. We market The Venetian Macao similar to our Las Vegas properties, with events at the convention and meeting room complex typically taking place during the week when hotels and casinos in Macao normally experience lower demand, unlike weekends and holidays during which occupancy and room rates are at their peak. Our goal is to draw from attendees and exhibitors at our convention and meeting room complex to maintain mid-week demand at our hotel from this higher-budget market segment.

United States Development Projects

Las Vegas Condominiums

We are in the early stages of constructing a high-rise residential condominium tower with approximately 1.0 million saleable square feet that will be situated between The Palazzo and The Venetian. The condominium tower is currently expected to open in late 2009 and will be built at an estimated cost of approximately \$600.0 million.

Sands Bethworks

On December 20, 2006, the Pennsylvania Gaming Control Board announced that our indirect majority-owned subsidiary, Sands Bethworks Gaming LLC (Sands Bethworks Gaming), had been awarded a Pennsylvania gaming license. Sands Bethworks Gaming is a project venture in which we effectively own 86% of the economic interest. In July 2007, we paid a \$50.0 million licensing fee to the Commonwealth of Pennsylvania, and in August 2007 were issued our gaming license by the Pennsylvania Gaming Control Board. We are in the process of developing a gaming, hotel, shopping and dining complex called Sands Bethworks, located on the site of the Historic Bethlehem Steel Works in Bethlehem, Pennsylvania, which is about 70 miles from midtown Manhattan, New York. The 124-acre development is expected to feature a 300-room hotel, 200,000 square feet of retail space, up to 5,000 slot machines, a 50,000-square-foot multipurpose event center and a variety of dining options. We will own the property through our joint venture with Bethworks Now, LLC, which has yet to contribute the land in the joint venture. We expect the contribution to take place in 2008; however, no assurances can be given as to the timing of the contribution. If the land is not contributed as required under our agreement with Bethworks Now, LLC, we could lose all or a substantial part of our \$116.9 million investment in Sands Bethworks as of December 31, 2007. Sands Bethworks is currently expected to open in summer 2009 and will be built at an estimated cost of approximately \$600.0 million.

Macao Development Projects

We have submitted development plans to the Macao government for six integrated resort developments, in addition to The Venetian Macao, on an area of approximately 200 acres located on the Cotai Strip (which we refer to as parcels 2, 3, 5, 6, 7 and 8). The developments are expected to include hotels, exhibition and conference facilities, casinos, showrooms, shopping malls, spas, restaurants, entertainment facilities and other attractions and amenities, as well as public common areas. We have commenced construction or pre-construction for these six parcels on the

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Cotai Strip, and we plan to own and operate all of the casinos in these developments under our Macao gaming subconcession. More specifically, we intend to develop our other Cotai Strip properties as follows:

Parcel 2 is intended to be The Four Seasons Macao, which will be adjacent to The Venetian Macao and is expected to be a boutique hotel under the Four Seasons brand with approximately 400 luxury hotel rooms (including 19 Paiza mansions), distinctive dining experiences, a full service spa and other amenities, approximately 70,000 square feet of gaming space, approximately 220,000 square feet of upscale retail offerings and approximately 1.0 million square feet of Four Seasons-serviced and -branded luxury apartment hotel units. We will own the entire development. We have entered into an exclusive non-binding letter of intent and are currently negotiating definitive agreements under which Four Seasons Hotels Inc. will manage the hotel and serviced luxury apartment hotel under its Four Seasons brand. The Four Seasons Macao is expected to open in summer 2008, with the Paiza mansions coming on line in spring 2009 and the serviced luxury apartment hotel being completed in summer 2009.

Parcel 5 is intended to include a three-hotel complex with approximately 2,300 luxury and mid-scale hotel rooms, a casino, a retail shopping mall and approximately 320 serviced luxury apartment hotel units. We will own the entire development and have entered into management agreements with Shangri-La Hotels and Resorts to manage two hotels under its Shangri-La and Traders brands and Starwood Hotels & Resorts Worldwide to manage a hotel and serviced luxury apartment hotel under its St. Regis brand.

Parcel 6 is intended to include a two-hotel complex with approximately 4,100 luxury and mid-scale hotel rooms, a casino and a retail shopping mall physically connected to the mall in the Shangri-La/Traders hotel podium. We will own the entire development and have entered into a management agreement with Starwood Hotels & Resorts Worldwide to manage the hotels under its Sheraton brand.

Parcels 7 and 8 are intended to include multi-hotel complexes with a total of approximately 6,150 luxury and mid-scale hotel rooms, a casino, retail shopping malls and approximately 450 serviced luxury apartment hotel units that are physically connected to the hotel complexes. We will own the entire development and have entered into non-binding agreements with Hilton Hotels to manage Hilton and Conrad brand hotels and serviced luxury apartment hotels on parcel 7 and Fairmont Raffles Holdings to manage Fairmont and Raffles brand hotels and serviced luxury apartment hotels on parcel 8. We are currently negotiating definitive agreements with Hilton Hotels and Fairmont Raffles Holdings.

For parcel 3, we have signed a non-binding memorandum of agreement with an independent developer. We are currently negotiating the definitive agreement pursuant to which we will partner with the developer to build a multi-hotel complex, which may include a Cosmopolitan hotel. In addition, we have signed a non-binding letter of intent with Intercontinental Hotels Group to manage hotels under the Intercontinental and Holiday Inn International brands, and approximately 205 serviced luxury apartment hotel units under the Intercontinental brand, on this site. We are currently negotiating definitive agreements with Intercontinental Hotels Group. In total, the multi-hotel complex is intended to include approximately 3,940 hotel rooms, a casino, a retail shopping mall and serviced luxury apartment hotels.

The Four Seasons Macao is currently planned to feature approximately 130 table games and 225 slot machines. The casinos on parcels 3, 5, 6, 7 and 8 are currently planned to include a total of approximately 2,025 table games and 9,250 slot machines. Upon completion, our developments on the Cotai Strip (including The Venetian Macao) are currently planned to feature approximately 19,750 suites/rooms and 1.6 million square feet of gaming space with a capacity of approximately 3,300 table games and 16,470 slot machines.

Currently, we expect the total cost to build our developments on the Cotai Strip to be approximately \$12.0 billion, which includes the cost of constructing The Venetian Macao. As of December 31, 2007, we have capitalized \$2.91 billion in costs on the Cotai Strip. We will need to arrange additional debt and/or equity financing to finance the balance of those costs and there is no assurance that we will be able to obtain all the additional financing required.

We have received a concession from the Macao government to build on parcels 1, 2 and 3 on the Cotai Strip, including the site on which we own and operate The Venetian Macao (parcel 1) and the site on which we are building The Four Seasons Macao (parcel 2). We do not own these land sites in Macao. However, the land

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concession, which has a term of 25 years and is renewable at our option, grants us exclusive use of the land. As specified in the land concession, we are required to pay premiums, which are payable over four years or are due upon the completion of the corresponding resort, as well as annual rent for the term of the land concession.

We do not yet have all the necessary Macao government approvals that we will need in order to develop all of our planned Cotai Strip developments. We have commenced construction or pre-construction for the projects on parcels 5, 6, 7 and 8 on the Cotai Strip for which we have not yet been granted land concessions. We are in the process of negotiating with the Macao government to obtain the land concession for parcels 5 and 6, and will subsequently negotiate the land concessions for parcels 7 and 8. If we do not obtain land concessions, we could forfeit all or a substantial part of our \$623.0 million in capitalized construction costs related to these developments as of December 31, 2007.

Hengqin Island Development Project

We have entered into a non-binding letter of intent with the Zhuhai Municipal People's Government of the People's Republic of China to work together to create a master plan for, and develop, a leisure and convention destination resort on Hengqin Island, which is located within mainland China, approximately one mile from the Cotai Strip. In January 2007, we were informed that the Zhuhai Government established a Project Coordination Committee to act as a government liaison empowered to work directly with us to advance the development of the project. We have interfaced with this committee and are working actively with the committee as we continue to advance our plans. The project remains subject to a number of conditions, including further governmental approvals.

Singapore Development Project

In August 2006, our 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 the Marina Bay Sands in Singapore. The Marina Bay Sands is expected to include three 50+ story hotel towers (totaling approximately 2,700 rooms), a casino, an enclosed retail, dining and entertainment complex of approximately 850,000 net leasable square feet, a convention center and meeting room complex of approximately 1.2 million square feet, theaters and a landmark iconic structure at the bay-front promenade that contains an art/science museum. Although construction has started on the Marina Bay Sands, we are continuing to work with the Singapore government to finalize various design aspects of the integrated resort and are in the process of finalizing our cost estimates for the project. We expect the cost to design, develop and construct the Marina Bay Sands will be in excess of \$4.0 billion, inclusive of payments made in 2006 for land premium, taxes and other fees. The Marina Bay Sands is expected to open in late 2009.

United Kingdom Development Projects

The United Kingdom government announced that the approval for the country's first regional super casino had been rescinded. Should the government approve an alternative super casino site, we intend to evaluate the efficacy of participating in the tender process for that site. In addition, we have an existing agreement to develop and lease a gaming and entertainment facility with the Glasgow Rangers football club in the United Kingdom. Our ability to eventually develop and lease a gaming and entertainment facility under the agreement is subject to a number of conditions, including the passage of appropriate legislation and our ability to obtain a gaming license.

Other Development Projects

We are currently exploring the possibility of developing and operating additional properties, including integrated resorts, in additional Asian and U.S. jurisdictions, and in Europe. In December 2007, we submitted applications to the

Kansas Lottery Commission for a gaming license and if we are successful, we plan to develop a casino resort in the Kansas City, Kansas, metropolitan area.

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The Las Vegas Market

Competition for Our Las Vegas Operations

The hotel/casino industry is highly competitive. Hotels on the Las Vegas Strip compete with other hotels on and off the Las Vegas Strip, including hotels in downtown Las Vegas. Competitors of The Venetian and The Palazzo include resorts on the Las Vegas Strip, such as the Bellagio, Mandalay Bay, Wynn Las Vegas and Caesars Palace, and properties off the Las Vegas Strip. Several large projects also are expected to open in the next several years. Some of these facilities are or will be operated by companies that may have significant name recognition and financial and marketing resources, and may target the same demographic groups as we do. We also compete with legalized gaming from casinos located on Native American tribal lands. The proliferation of gaming in California and other areas located in the same region as The Venetian and The Palazzo could have an adverse effect on our financial condition, results of operations or cash flows.

Our Las Vegas hotel/casino operations also compete, to some extent, with other hotel/casino facilities in Nevada and in Atlantic City, hotel/casino and other resort facilities elsewhere in the country and the world, Internet gaming websites and state lotteries. In addition, certain states have legalized, and others may legalize, casino gaming in specific areas. The continued proliferation of gaming venues could significantly and adversely affect our business. In particular, the legalization of casino gaming in or near major metropolitan areas from which we traditionally attract customers could have a material adverse effect on our business. The current global trend toward liberalization of gaming restrictions and the resulting proliferation of gaming venues could result in a decrease in the number of visitors to our Las Vegas facilities, which could adversely effect our financial condition, results of operations or cash flows.

Las Vegas generally competes with trade show and convention facilities located in and around major U.S. cities. Within Las Vegas, The Sands Expo Center and The Congress Center compete with the Las Vegas Convention Center (the LVCC), which is located off the Las Vegas Strip and currently has approximately 3.2 million gross square feet of convention and exhibit facilities. A major expansion project for the LVCC is expected to be completed in 2010. In addition to the LVCC, Mandalay Bay, MGM Grand Hotel and Casino, Mirage and Wynn Las Vegas have convention and conference facilities that are The Congress Center's primary Las Vegas competition. Several large projects, which are expected to open in the next several years, may include additional convention and conference facilities.

To the extent that any of the competitors of The Venetian and The Palazzo can offer a hotel/casino experience that is integrated with substantial trade show and convention, conference and meeting facilities, our competitive advantage in attracting trade show and convention, conference and meeting attendees could be adversely affected. In addition, other American cities are in the process of developing, or have announced plans to develop, convention center and other meeting, trade and exhibition facilities that may compete with ours.

The Macao Market

Introduction

Macao is regarded as the largest and fastest-growing gaming market in the world and benefits from being the only market in China to offer legalized casino gaming.

Macao as a Gaming and Resort Destination

In May 2004, Sands Macao became the first Las Vegas-style casino to open in Macao and with our opening of The Venetian Macao in August 2007, we believe that our high-quality gaming product has enabled us to capture a

meaningful share of the overall market, including the VIP player market segment, in Macao.

Gaming revenues in Macao in 2007 reached a record \$10.3 billion, a 46.6% increase over 2006. Visits to Macao were up 22.7% in 2007, when compared to 2006. According to Macao government statistics, during 2007 (through November), 21.4% of visitors traveling to Macao stayed overnight in hotels and guestrooms and, for those who stayed overnight in hotels and guestrooms, the average length of stay was between 1 and 2 nights. We expect this length of stay to increase with increased visitation, the expansion of gaming and non-gaming amenities

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including retail, entertainment, meeting and convention facility offerings, and the addition of upscale hotel resort accommodations in Macao.

Table games are the dominant form of gaming in Asia with baccarat being the most popular game, followed by other traditional U.S. and Asian games. Slot machines are offered in Macao, but the structure of the gaming market in Macao has historically favored table gaming. However, with the increase in the mass gaming market in Macao, slot machines of international standards are becoming an important feature of the market. We expect the slot machine business to grow in Macao and we intend to continue to introduce more modern and popular products that appeal to the Asian marketplace.

We believe that as new facilities and standards of service are introduced, Macao will become an even more desirable tourist destination. The improved experience of visitors to Macao should lead to longer stays, an increased number of return trips from existing feeder markets and the opening of several new feeder markets. In addition, we believe that a wealthier Chinese middle class will lead to increased travel to Macao and generate increased demand for gaming, entertainment and resort offerings. We also believe that the combination of less onerous travel restrictions, the greater ability of Chinese citizens to bring renminbi (the Chinese currency) to Macao, increasing regional wealth and the opening of world-class facilities will transform Macao to a multi-day travel destination similar to Las Vegas.

Proximity to Major Asian Cities

Approximately 1.0 billion people are estimated to live within a three-hour flight from Macao and approximately 3.0 billion people are estimated to live within a five-hour flight from Macao. According to Macao government statistics, 85.4% of the tourists who visited Macao in 2007 came from Hong Kong or mainland China and the dominant feeder markets to Macao have been, and continue to be, Hong Kong and China. Although the total number of visitors from Hong Kong continues to grow, that market has shrunk as a percentage of the total visitor distribution from 44.2% in 2002 to 30.3% in 2007, while visitors from mainland China made up 55.1% of total visitors to Macao in 2007. Until recently, mainland Chinese were permitted to visit Macao only as part of a tour group. Now that these travel restrictions have eased for mainland Chinese from most urban centers and economically developed regions, individual travel to Macao is expected to increase, generating increased demand for casino offerings.

Gaming customers from Hong Kong, southeast China, Taiwan and other locations in Asia can reach Macao in a relatively short period of time, using a variety of methods of transportation, and visitors from more distant locations in Asia can take advantage of short travel times by air to Macao, Zhuhai, Shenzhen, Guangzhou or to Hong Kong (followed by a road, ferry or helicopter trip to Macao). In addition, numerous carriers fly directly into Macao International Airport from many major cities in Asia. The relatively easy access from major population centers promotes Macao as a popular gaming destination in Asia.

Macao draws a significant number of gaming customers from both visitors to and residents of Hong Kong. One of the major methods of transportation to Macao from Hong Kong is the jetfoil ferry service, including our ferry service, The Cotai Strip CotaiJet™, which we opened in late 2007. Macao is also accessible from Hong Kong by helicopter. In addition, the proposed bridge linking Hong Kong, Macao and Zhuhai is expected to reduce the travel time between central Hong Kong and Macao. The bridge is expected to be completed sometime between 2012 and 2015.

The Macao pataca and the Hong Kong dollar are linked to each other and, in many cases, are used interchangeably in Macao. However, currency exchange controls and restrictions on the export of currency by certain countries may negatively impact the success of our operations. For example, there are currently existing currency exchange controls and restrictions on the export of the renminbi. In addition, restrictions on the export of the renminbi may impede the flow of gaming customers from China to Macao, inhibit the growth of gaming in Macao and negatively impact our gaming operations.

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Competition in Macao

Gaming in Macao is administered through government-sanctioned concessions awarded to three different concessionaires and three subconcessionaires, of which we are one. The Macao government is precluded by contract from granting any additional gaming concessions until 2009. In addition, the current laws only permit three gaming concessions, although future subconcessions are permitted. However, the laws could change and permit the Macao government to grant additional gaming concessions before 2009. If the Macao government were to allow additional competitors to operate in Macao through the grant of additional concessions or subconcessions, we would face additional competition, which could have a material adverse effect on our financial condition, results of operations or cash flows.

SJM, controlled by Stanley Ho, holds one of the three concessions and currently operates 19 facilities throughout Macao. Historically, SJM was the only gaming operator in Macao, with over 40 years of operating experience in Macao. Many of its 19 casinos are relatively small facilities that are offered as amenities in hotels; however, a number are large operations enjoying significant recognition by gaming customers in the marketplace. SJM was obligated to invest at least approximately 4.7 billion patacas (approximately \$584.6 million at exchange rates in effect on December 31, 2007) by March 31, 2009, under its concession agreement with the government of Macao. SJM's projects include the Grand Lisboa; the Fisherman's Wharf entertainment complex, which opened in December 2005; and other projects. In addition, MGM MIRAGE has entered into a joint venture agreement with Stanley Ho's daughter, Pansy Ho Chiu-king, to develop, build and operate two major hotel/casino resorts in Macao. In April 2005, MGM Grand Paradise Limited obtained a subconcession allowing it to conduct gaming operations in Macao. The MGM Grand Macau opened in December 2007 and features approximately 600 rooms, 375 table games, 900 slot machines, restaurants and entertainment amenities.

Galaxy Casino Company Limited (Galaxy) holds a concession and has the ability to operate casino properties independent of us. Galaxy was obligated to invest at least 4.4 billion patacas (approximately \$547.3 million at exchange rates in effect on December 31, 2007) by June 2012 under its concession agreement with the government of Macao. Galaxy currently operates five casinos in Macao, including StarWorld Hotel, which opened in October 2006 and has over 500 hotel rooms and a 140,000 square foot gaming floor with approximately 260 table games and 500 slot machines.

Wynn Resorts (Macao), S.A. (Wynn Macau), a subsidiary of Wynn Resorts Limited, holds the third concession. Wynn Macau opened in September 2006 and expanded the property in late 2007. Wynn Macau now includes an approximately 600-room hotel, a casino and other non-gaming amenities. In 2006, Wynn Macau sold its subconcession right under its gaming concession to an affiliate of Publishing and Broadcasting Limited (PBL). The subconcession right permitted the PBL affiliate to receive a gaming subconcession from the Macao government. In May 2007, a PBL affiliate opened the Crown Macau, which includes an approximately 216-room hotel, a casino and other non-gaming amenities.

Our Macao operations will also face competition from casinos located in other areas of Asia, such as the major gaming and resort destination Genting Highlands Resort, located outside of Kuala Lumpur, Malaysia and casinos in South Korea and the Philippines, as well as pachinko and pachislot parlors in Japan. We will also encounter competition from other major gaming centers worldwide.

Advertising and Marketing

We advertise in many types of media, including television, radio, newspapers, magazines and billboards, to promote general market awareness of our properties as unique vacation, business and convention destinations due to our first-class hotels, casinos, retail stores, restaurants and other amenities. We actively engage in direct marketing as

allowed in various geographic regions, which is targeted at specific market segments, including the premium slot and table games markets.

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Regulation and Licensing

State of Nevada

The ownership and operation of casino gaming facilities in the State of Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the Nevada Act) and various local regulations. Our gaming operations are also subject to the licensing and regulatory control of the Nevada Gaming Commission (the Nevada Commission), the Nevada Gaming Control Board (the Nevada Board) and the Clark County Liquor and Gaming Licensing Board (the CCLGLB) and together with the Nevada Commission and the Nevada Board, the Nevada Gaming Authorities).

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record-keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- the prevention of cheating and fraudulent practices; and
- the establishment of a source of state and local revenues through taxation and licensing fees.

Any change in such laws, regulations and procedures could have an adverse effect on our Las Vegas operations.

Las Vegas Sands, LLC is licensed by the Nevada Gaming Authorities to operate both The Venetian and The Palazzo as a single resort hotel as set forth in the Nevada Act. The gaming license requires the periodic payment of fees and taxes and is not transferable. Las Vegas Sands, LLC is also registered as an intermediary company of Venetian Casino Resort, LLC. Venetian Casino Resort, LLC is licensed as a manufacturer and distributor of gaming devices. Las Vegas Sands, LLC and Venetian Casino Resort, LLC are collectively referred to as the licensed subsidiaries. Las Vegas Sands Corp. is registered with the Nevada Commission as a publicly-traded corporation (the registered corporation). As such, we must periodically submit detailed financial and operating reports to the Nevada Gaming Authorities and furnish any other information that the Nevada Gaming Authorities may require. No person may become a stockholder of, or receive any percentage of the profits from, the licensed subsidiaries without first obtaining licenses and approvals from the Nevada Gaming Authorities. Additionally, the CCLGLB has taken the position that it has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee. We, and the licensed subsidiaries, possess all state and local government registrations, approvals, permits and licenses required in order for us to engage in gaming activities at The Venetian and The Palazzo.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to or material involvement with us or the licensed subsidiaries to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the licensed subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed by the Nevada Gaming Authorities. Our officers, directors and key employees who are actively and directly involved in the gaming activities of the licensed subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities.

The Nevada Gaming Authorities may deny an application for licensing or a finding of suitability for any cause they deem reasonable. A finding of suitability is comparable to licensing; both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability, or the gaming licensee by whom the applicant is employed or for whom the applicant serves, must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities, and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

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If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or to have an inappropriate relationship with us or the licensed subsidiaries, we would have to sever all relationships with such person. In addition, the Nevada Commission may require us or the licensed subsidiaries to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

We, and the licensed subsidiaries, are required to submit periodic detailed financial and operating reports to the Nevada Commission. Substantially all of our and our licensed subsidiaries' material loans, leases, sales of securities and similar financing transactions must be reported to or approved by the Nevada Commission.

If it were determined that we or a licensed subsidiary violated the Nevada Act, the registration and gaming licenses we then hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, we and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate the casinos, and, under certain circumstances, earnings generated during the supervisor's appointment (except for the reasonable rental value of the casinos) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming registration or license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have its suitability as a beneficial holder of our voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of our voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an institutional investor as defined in the Nevada Act, which acquires more than 10% but not more than 15% of our voting securities, may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities only for investment purposes.

An institutional investor will be deemed to hold voting securities only for investment purposes if it acquires and holds the voting securities in the ordinary course of business as an institutional investment and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, by-laws, management, policies or our operations or any of our gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding our voting securities only for investment purposes. Activities that are deemed consistent with holding voting securities only for investment purposes include:

- voting on all matters voted on by stockholders;

- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in management, policies or operations; and

- such other activities as the Nevada Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. If the beneficial holder of

nonvoting securities who must be licensed or found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner.

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Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a registered corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or a licensed subsidiary, we, or any of the licensed subsidiaries:

allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;

pay remuneration in any form to that person for services rendered or otherwise; or

fail to pursue all lawful efforts to require such unsuitable person to relinquish his or her voting securities for cash at fair market value.

Our charter documents include provisions intended to help us comply with these requirements.

The Nevada Commission may, in its discretion, require the holder of any debt security of a registered corporation to file an application, be investigated and be found suitable to own the debt security of such registered corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the registered corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it:

pays to the unsuitable person any dividend, interest, or any distribution whatsoever;

recognizes any voting right by such unsuitable person in connection with such securities;

pays the unsuitable person remuneration in any form; or

makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

We are required to maintain a current stock ledger in Nevada that may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities and we are also required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require our stock certificates to bear a legend indicating that such securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on us.

We cannot make a public offering of any securities without the prior approval of the Nevada Commission if the securities or the proceeds from the offering are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On November 16, 2006, the Nevada Commission granted us prior approval to make public offerings for a period of two years, subject to certain conditions (the shelf approval). The shelf approval includes prior approval by the Nevada Commission permitting us to place restrictions on the transfer of the membership interests and to enter into agreements not to encumber the membership interests of Las Vegas Sands, LLC. However, the shelf approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The shelf approval does not constitute a finding, recommendation, or approval by the Nevada Commission or the Nevada Board as to the

investment merits of any securities offered under the shelf approval. Any representation to the contrary is unlawful.

Changes in our control through a merger, consolidation, stock or asset acquisition, management or consulting agreement, or any act or conduct by any person whereby he or she obtains control, shall not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a registered corporation must satisfy the Nevada Board and the Nevada Commission concerning a variety of stringent standards prior to assuming control of such registered corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process of the transaction.

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The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and registered corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Nevada Commission before we can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated.

The Nevada Act also requires prior approval of a plan of recapitalization proposed by the board of directors in response to a tender offer made directly to the registered corporation's stockholders for the purposes of acquiring control of the registered corporation.

License fees and taxes, computed in various ways depending upon the type of gaming or activity involved, are payable to the State of Nevada and to Clark County, Nevada. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon:

- a percentage of the gross revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

The tax on gross revenues received is generally 6.75%. In addition, an excise tax is paid by us on charges for admission to any facility where certain forms of live entertainment are provided. Venetian Casino Resort, LLC, is also required to pay certain fees and taxes to the State of Nevada as a licensed manufacturer and distributor.

Any person who is licensed, required to be licensed, registered, required to be registered, or under common control with such persons (collectively, "licensees"), and who proposes to become involved in a gaming operation outside of Nevada, is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of any investigation by the Nevada Board into their participation in such foreign gaming operation. The revolving fund is subject to increase or decrease at the discretion of the Nevada Commission. Thereafter, licensees are also required to comply with certain reporting requirements imp