EMTEC INC/NJ
Form 10-Q
July 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended May 31, 2009

Commission file number: 0-32789

EMTEC, INC.
(Exact name of registrant as specified in its charter)

Delaware	87-0273300
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

525 Lincoln Drive
5 Greentree Center, Suite 117
Marlton, New Jersey 08053
(Address of principal executive offices, including zip code)

(856) 552-4204
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ¨ 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). (Check one)

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

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

As of July 6, 2009, there were outstanding 15,195,090 shares of the registrant's common stock.

EMTEC, INC.
FORM 10-Q FOR THE QUARTER ENDED MAY 31, 2009

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

EMTEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	May 31, 2009 (Unaudited)	August 31, 2008
Assets		
Current Assets		
Cash	$ 2,986,776	$ 2,025,098
Receivables:		
Trade, less allowance for doubtful accounts	25,587,844	32,178,967
Others	1,689,765	2,285,542
Inventories, net	7,638,388	659,994
Prepaid expenses and other	1,848,579	1,006,686
Deferred tax asset - current	625,254	900,028
Total current assets	40,376,606	39,056,315
Property and equipment, net	1,354,240	1,108,327
Intangible assets, net	11,640,721	11,315,422
Goodwill	11,375,985	10,697,516
Deferred tax asset- long term	108,869	171,985
Other assets	146,738	124,475
Total assets	$ 65,003,159	$ 62,474,040
Liabilities and Stockholders' Equity		
Current Liabilities		
Line of credit	$ 10,781,650	$ 8,583,552
Accounts payable	26,693,628	24,824,365
Current portion of long term debt - related party	1,218,142	2,810,937
Income taxes payable	189,994	315,111
Accrued liabilities	4,804,628	5,418,625
Due to former stockholders	-	631,415
Customer deposits	-	500
Deferred revenue	2,286,488	1,323,177
Total current liabilities	45,974,530	43,907,682
Deferred tax liability	2,475,201	2,298,650
Accrued liabilities	147,235	342,708
Long term debt - related party	82,084	754,578

Total liabilities	48,679,050	47,303,618
Commitments and contingent liabilities		
Stockholders' Equity		
Common stock $0.01 par value; 25,000,000 shares authorized; 18,059,679 and 17,714,180 shares issued and 15,195,090 and 14,849,591, outstanding at May 31, 2009 and August 31, 2008, respectively	180,597	177,142
Additional paid-in capital	20,719,053	20,635,972
Retained earnings (accumulated deficit)	846,576	(46,645)
Cumulative translation adjustment	173,930	-
	21,920,156	20,766,469
Less: treasury stock, at cost, 2,864,589 shares	(5,596,047)	(5,596,047)
Total stockholders' equity	16,324,109	15,170,422
Total liabilities and stockholders' equity	$ 65,003,159	$ 62,474,040

The accompanying notes are integral parts of these consolidated financial statements.

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EMTEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended May 31, 2009	Three months ended May 31, 2008	Nine months ended May 31, 2009	Nine months ended May 31, 2008
Revenues				
Procurement services	$ 35,321,294	$ 34,155,671	$ 121,094,073	$ 145,846,671
Service and consulting	13,898,413	4,773,520	40,106,035	11,791,208
Total Revenues	49,219,707	38,929,191	161,200,108	157,637,879
Cost of Sales				
Cost of procurement services	31,204,269	29,387,865	107,967,221	129,042,886
Service and consulting	10,369,122	3,845,777	30,666,184	9,283,224
Total Cost of Sales	41,573,391	33,233,642	138,633,405	138,326,110
Gross Profit				
Procurement services	4,117,025	4,767,806	13,126,852	16,803,785
Service and consulting	3,529,291	927,743	9,439,851	2,507,984
Total Gross Profit	7,646,316	5,695,549	22,566,703	19,311,769
Operating expenses:				
Selling, general, and administrative expenses	6,197,867	5,348,986	18,133,830	16,025,377
Rent expense – related parties	147,246	91,439	452,238	270,089
Depreciation and amortization	632,323	336,086	1,733,969	944,100
Total operating expenses	6,977,436	5,776,511	20,320,037	17,239,566
Operating income (loss)	668,880	(80,962)	2,246,666	2,072,203
Other expense (income):				
Interest income – other	(4,675)	(11,144)	(15,862)	(77,807)
Interest expense	169,361	180,276	693,354	833,018
Other expense (income)	16,607	(256)	21,019	(274)
Income (loss) before income taxes	487,587	(249,838)	1,548,155	1,317,266
Provision (benefit) for income taxes	215,289	(98,055)	654,934	614,226
Net income (loss)	$ 272,298	$ (151,783)	$ 893,221	$ 703,040
Net income (loss) per common share				
Basic and Diluted	$ 0.02	$ (0.01)	$ 0.06	$ 0.05
Weighted Average Shares Outstanding				
Basic	14,629,231	14,519,049	14,629,231	14,519,049
Diluted	14,888,272	14,519,049	14,883,734	14,636,249

The accompanying notes are integral parts of these consolidated financial statements.

EMTEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended May 31, 2009	May 31, 2008
Cash Flows From Operating Activities		
Net income	$ 893,221	$ 703,040
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities		
Depreciation and amortization	626,435	475,491
Amortization related to intangible assets	1,107,534	468,609
Deferred income taxes (benefit)	(240,034)	461,576
Stock-based compensation	86,536	213,055
Indemnification of professional fees	(269,882)	-
Changes In Operating Assets and Liabilities		
Receivables	8,017,116	10,760,434
Inventories	(6,978,394)	2,610,401
Prepaid expenses and other assets	(173,809)	(155,753)
Accounts payable	1,291,452	(4,477,624)
Customer deposits	(500)	(136,089)
Income taxes payable	(93,087)	19,629
Accrued liabilities	(855,045)	(3,315,341)
Deferred revenue	(35,849)	(196,839)
Net Cash Provided By Operating Activities	3,375,694	7,430,587
Cash Flows From Investing Activities		
Purchases of property and equipment	(794,838)	(172,965)
Acquisition of businesses, net of cash acquired	(1,129,372)	(1,751,461)
Goodwill/ tax settlement	(164,602)	-
Net Cash Used In Investing Activities	(2,088,812)	(1,924,426)
Cash Flows From Financing Activities		
Net increase (decrease) in line of credit	2,198,098	(5,447,428)
Repayment of debt	(2,723,439)	(1,041,460)
Net Cash Used In Financing Activities	(525,341)	(6,488,888)
Effect of rate changes on cash	200,137	-
Net increase (decrease) in Cash	961,678	(982,727)
Beginning Cash	2,025,098	2,251,352
Ending Cash	$ 2,986,776	$ 1,268,625
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Income taxes	$ 697,162	$ 934,016
Interest	$ 780,429	$ 1,198,147

Supplemental Schedule of Non Cash Investing and Financing Activities				
Indemnification receivable due from former shareholders settled by the amounts due to former shareholders	$	631,415		-
Acquisition of Capital Stock of Luceo	$	-	$	820,000
Note payable issued, acquisition of Capital Stock of Koan-IT	$	396,950		-

The accompanying notes are integral parts of these consolidated financial statements.

EMTEC, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. Quarterly results are not necessarily indicative of results for the full year. For further information, refer to the annual financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2008.

2. General

Description of Business

Emtec, Inc., a Delaware corporation, (the “Company”) is an information technology (“IT”) company, providing consulting, services and products to commercial, federal, education, state and local government clients. The Company’s areas of specific practices include IT consulting, communications, data management, enterprise computing, managed services, business service management and staff augmentation solutions, training, storage and data center planning and development. The Company’s client base is comprised of departments of the United States and Canada’s federal, state and local governments, schools and commercial businesses throughout the United States and Canada. The most significant portion of the Company’s revenue is derived from activities as a reseller of IT products, such as workstations, servers, microcomputers, application software, networking and communications equipment.

On March 20, 2008, the Company acquired, through its subsidiary Emtec Global Services LLC (“Emtec Global Services”), all of the outstanding stock of Luceo, Inc. (“Luceo”) headquartered in Naperville, IL. Luceo offers a broad range of consulting/contracting services to clients throughout the United States including IT project management services, packaged software implementation, web technologies/client server application development and support.

On August 13, 2008, the Company acquired, through its subsidiary Emtec Global Services, all of the outstanding stock of eBusiness Application Solutions, Inc. (“eBAS”) and Aveeva, Inc. (“Aveeva”) headquartered in Fremont, CA and their Indian subsidiary Aviance Software India Private Limited (“Aviance”) headquartered in Bangalore, India. eBAS and Aveeva offers a broad range of software consulting services, including business analysis, quality assurance, testing and training as well as SAP, CRM, Oracle Apps, and Java based solutions throughout the United States.

On February 12, 2009, the Company acquired through its subsidiary, Emtec Infrastructure Services Corporation (“EIS-US”), all of the outstanding stock of KOAN-IT Corp. headquartered in Ottawa, Canada (“KOAN-IT”) and KOAN-IT (US) Corp. (“KOAN-IT (US)”). KOAN-IT is a consulting firm specializing in business service management methodologies for its clients in Canada and the United States. As of March 1, 2009 KOAN-IT Corp. and 7119747 Canada Inc., a subsidiary of EIS-US, were amalgamated to form Emtec Infrastructure Services Canada Corporation (“EIS-Canada”), which does business as KOAN-IT.

On May 12, 2009, the Company acquired through its subsidiary, KOAN-IT (US), certain assets of Enterprise Management Solutions, Inc. (“EMS”), a company under Chapter 11 bankruptcy protection in the Middle District of Florida. Prior to the acquisition, EMS was a consulting firm, headquartered in Clearwater, Florida, specializing in business service management methodologies for its clients throughout the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Emtec, Inc., a New Jersey Corporation (“Emtec NJ”), Emtec Viasub LLC (“Emtec LLC”), Emtec LLC’s wholly owned subsidiary Emtec Federal, Inc. (“Emtec Federal”), Emtec Global Services, Emtec Global Services’ wholly owned subsidiaries Luceo, eBAS, Aveeva and Aveeva’s subsidiary Aviance, EIS-US and EIS-US’s wholly owned subsidiaries KOAN-IT and KOAN-IT (US). Significant intercompany account balances and transactions have been eliminated in consolidation.

Segment Reporting

With the acquisitions of Luceo, eBAS, Aveeva, KOAN-IT and certain asset of EMS, the Company divides its operating activity into two operating segments for reporting purposes: Emtec Infrastructure Services Division (“EIS”) and Emtec Global Services Division (“EGS”). EIS is the Company’s historical business (“Systems Division”) which includes Emtec NJ, Emtec LLC, Emtec Federal and the business service management solutions offered by KOAN-IT and KOAN-IT(US). EGS is the Company’s enterprise applications services solutions and training business including Luceo, eBAS and Aveeva. Further, the Company determined that it has four reporting units under SFAS 142: Systems Division, KOAN-IT, Luceo and eBAS/Aveeva.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to current presentations.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period, including, but not limited to, receivable valuations, impairment of goodwill and other long-lived assets and income taxes. Management’s estimates are based on historical experience, facts and circumstances available at the time and various other assumptions that are believed to be reasonable under the circumstances. The Company reviews these matters and reflects changes in estimates as appropriate. Actual results could differ materially from those estimates.

Goodwill

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired companies. In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, “Goodwill and Other Intangible Assets,” goodwill is not amortized but tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company has set an annual impairment testing date of June 1. An impairment charge will be recognized only when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount.

The changes in the carrying amount of goodwill for the nine months ended May 31, 2009 are as follows:

Balance at August 31, 2008	$	10,697,516
Increase in goodwill arising from acquistion of KOAN-IT		548,435
Increase in goodwill arising from acquistion of assets of EMS		226,452
Foreign currency translation effect of Canadian goodwill		65,245
Reduction in goodwill arising from settlement of tax uncertainties associated with April 16, 2004 merger		(161,663)
Balance at May 31, 2009	$	11,375,985

Based on the income (discounted cash flows) and market-based (guideline company method) approaches, there was no goodwill impairment for the Systems Division, KOAN-IT, Luceo and eBAS/Aveeva at June 1, 2009. At May 31, 2009, Emtec's market capitalization was less than its total stockholders' equity, which is one factor the Company considered when determining whether goodwill should be tested for impairment between annual tests. The Company does not currently believe that the reduced market capitalization represents a goodwill impairment indicator as of May 31, 2009, however, if current market conditions persist and the Company's estimated value under the income and market-based approaches is effected, then it is possible that the Company may have to take a goodwill impairment charge against earnings in a future period.

Identifiable Intangible Assets

At May 31, 2009 and August 31, 2008, the components of identifiable intangible assets are as follows:

		May 31, 2009		August 31, 2008
Customer relationships	$	14,097,881	$	12,861,712
Noncompete agreements		398,095		370,000
Trademarks		168,569		-
		14,664,545		13,231,712
Accumulated amortization		(3,023,824)		(1,916,290)
	$	11,640,721	$	11,315,422

Customer relationships represent the value ascribed to customer relationships purchased in 2005, the acquisitions of Luceo and eBAS/Aveeva in fiscal 2008 and the acquisition of KOAN-IT in February 2009. The amounts ascribed to customer relationships are being amortized on a straight-line basis over 5-15 years.

Noncompete agreements represent the value ascribed to covenants not to compete in employment and acquisition agreements with certain members of Luceo, eBAS/Aveeva and KOAN-IT's management entered into at the time of the respective acquisitions. The amounts ascribed to noncompete agreements are being amortized on a straight-line basis over five years.

Trademarks represent the value ascribed to trade name and trademarks owned by KOAN-IT. The amounts ascribed to trademarks are being amortized on a straight-line basis over five years.

Amortization expense was $1,107,534 and $468,609 for the nine months ended May 31, 2009 and 2008, respectively. We currently expect future amortization for the next five years ending August 31, 2009 through 2013 will be approximately $1,590,000 per year.

Long-lived assets, including customer relationships and property and equipment, are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." Recoverability of long-lived assets is assessed by a comparison of the carrying amount to the estimated undiscounted future net cash flows expected to result from the use of the assets and their eventual disposition. If estimated undiscounted future net cash flows are less than the carrying amount, the asset is considered impaired and a loss would be recognized based on the amount by which the carrying value exceeds the fair value of the asset. No impairment of long-lived assets occurred during the nine months ended May 31, 2009.

Foreign Currency Translation and Other Comprehensive Income (Loss)

The financial statements of the Company's foreign subsidiaries are remeasured into U.S. dollars for consolidation and reporting purposes. The functional currency for the Company's foreign operations is the local currency. Current rates of exchange are used to remeasure assets and liabilities. Adjustments to translate those statements into U.S. dollars are recorded in accumulated other comprehensive income (loss).

The Company's comprehensive income is presented in the following table:

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net Income (loss)	$ 272,298	$ (151,783)	$ 893,221	$ 703,040
Cumulative translation adjustment	211,389	-	173,930	-
Total comprehensive income (loss)	$ 483,687	$ (151,783)	$ 1,067,151	$ 703,040

Earnings (loss) Per Share

Basic earnings (loss) per share amounts are computed by dividing net income (loss) available to common stockholders (the numerator) by the weighted average shares outstanding (the denominator), during the period. Shares issued during the period are weighted for the portion of the period that they were outstanding.

The computation of diluted earnings per share is similar to the computation of basic earnings (loss) per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive options, restricted stock awards and warrants had been exercised as of the end of the period. Potentially dilutive shares consist of stock options, restricted stock awards and warrants totaling 259,041 and 177,640, and 254,503 and 117,200 for the three and nine months ended May 31, 2009 and 2008, respectively. Diluted shares for the three months ended May 31, 2008 were not included in the calculation of diluted net loss per share because the effect of the inclusion would be anti-dilutive. In addition, outstanding warrants to purchase 1,688,354 and 1,649,955 common shares as of and for the periods ended May 31, 2009 and 2008, respectively, were also not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the Company's common shares over those periods.

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Income Taxes and Due to Former Stockholders

On September 1, 2007, the Company adopted FASB Interpretation No. 48 (“FIN 48”). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Subsequent to the initial adoption of FIN 48, our policy is to recognize interest and penalty expense associated with uncertain tax positions as a component of income tax expense in the consolidated statements of operations.

In October 2008, the Company settled the August 2003 and April 2004 tax audits of Emtec-Federal formerly known as Westwood Computer Corporation (“Westwood”), with the Appeals Office of the IRS. The settlement agreement resulted in an additional federal income tax payment of $145,070, which included interest of $40,908. The Company has filed 2003 and 2004 amended New Jersey income tax returns to pay additional New Jersey tax liability that results from the IRS settlement. The accounting to record the settlements of these pre-merger tax liabilities under FIN 48 resulted in adjustments to goodwill and to deferred tax assets. Since the Westwood merger agreement included indemnification coverage by Westwood’s former stockholders, the Company recorded a receivable, “due from the Westwood former stockholders,” of $631,415. The $631,415 included pre-merger tax liabilities totaling $361,533 plus associated professional fees to defend the Company’s tax positions totaling $269,882. The $361,533 portion of the Company’s indemnity claim was recorded as a reduction to goodwill acquired in the April 2004 Westwood merger. The remaining $269,882 portion was recorded as a reduction to selling, general & administrative expenses for the three months ended November 30, 2008.

The “Due from Westwood former stockholders” receivable was satisfied during October 2008, based on offsetting amounts “due to Westwood former stockholders” totaling $631,415. The amounts “due to Westwood former stockholders” represented funds we held as unclaimed merger consideration.

Reconciliation of liabilities for Unrecognized Tax Benefits for the nine months ended May 31, 2009:

Balance at September 1, 2008	$	692,532
Unrecognized tax positions of prior periods:		
Increase		-
Decrease		-
Unrecognized tax positions of current year:		
Increase		12,548
Decrease		
Decrease in Unrecognized tax benefits due to settlements		(547,119)
Decrease in Unrecognized tax benefits due to lapse of statute of limitations		-
Balance at May 31, 2009	$	157,961
Total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	$	56,959
Accrued interest and penalties for unrecognized tax benefits as of May 31, 2009 balance sheet	$	71,354
Interest and penalties classified as income tax expense (benefit)- for the nine months ended May 31, 2009	$	(31,440)

3. Acquisitions

Enterprise Management Solutions, Inc.

On May 12, 2009, KOAN-IT (US) acquired certain assets of EMS, a company under Chapter 11 bankruptcy protection in the Middle District of Florida. The purchase price consisted of $150,000 cash at closing. Additionally, the Company capitalized professional fees of $82,412 that were associated with the acquisition of the assets of EMS. The acquisition was also funded through borrowings under the Credit Facility with the Lender.

The Company accounted for the acquisition under the purchase method, whereby, amounts were assigned to assets acquired based on their fair values on the date of the acquisition. Management determined the fair value of EMS' assets on May 12, 2009 were $5,960 (property and equipment), which resulted in an excess purchase price over fair value of assets acquired of $226,452 that was recognized as goodwill.

Unaudited pro forma condensed results of operations are not included because the effect of the acquisition is not material.

KOAN-IT Corp.

On February 12, 2009, EIS Canada, EIS-US, KOAN-IT and the shareholders of KOAN-IT (the "Shareholders") entered into a Share Purchase Agreement pursuant to which (i) EIS-Canada acquired all of the outstanding stock of KOAN-IT from the Shareholders and (ii) EIS- US acquired all of the outstanding stock of KOAN-IT (US), from KOAN-IT for an aggregate consideration of up to approximately $3.3 million. The purchase price consisted of (i) cash at closing in an aggregate amount equal to $1,223,049 (consisting of $1,202,665 for the outstanding stock of KOAN-IT and $20,384 for the outstanding stock of KOAN-IT (US)), (ii) unsecured subordinated 6% promissory notes issued to each of the Shareholders in an aggregate principal amount of $407,683 payable in full on the 12 month anniversary of the closing and (iii) the potential right to receive additional cash consideration each year for the next three years on the anniversary of the closing, in the aggregate totaling $1,630,731, if certain performance goals are met. The acquisition was funded through borrowings under the Credit Facility with the Lender.

The Company accounted for the acquisition under the purchase method, whereby, amounts were assigned to assets acquired and liabilities assumed based on their fair values, on the date of the acquisition. Management determined the fair value of KOAN-IT and KOAN-IT (US)'s net assets on February 12, 2009 were $1,082,297, which resulted in an excess purchase price over fair value of net assets acquired of $548,435, which was recognized as goodwill.

The allocation of purchase price by significant component is as follows:

Cash	$	571,613
Accounts receivable, net		984,817
Prepaid expenses & other current assets		582,566
Plant and equipment		69,677
Customer relationships		1,100,000
Trademarks		150,000
Noncompete asset		25,000
Accounts payable		(463,033)
Income taxes payable		27,355
Deferred tax liabilities		(414,607)
Deferred revenue		(848,488)
Accrued expenses		(702,604)
Fair value of net assets acquired		1,082,297
Purchase price		1,630,731
Excess purchase price	$	548,435

The allocation is preliminary and such amounts are subject to adjustments as additional analysis is performed or obtained from third party sources. The Company allocated $1.1 million to client relationships at the acquisition date that is being amortized over a period of six years. The Company also allocated $150,000 and $25,000 to trademarks and a noncompete asset, respectively, that are being amortized over a period of five years. The allocation of purchase price at closing did not include amounts to be paid in the future as described above.

The Company capitalized professional fees of $245,524 that were associated with the acquisition of KOAN-IT and KOAN-IT (US).

Unaudited pro forma condensed results of operations are not included in this report because the effect of the acquisition is not material.

eBusiness Applications Solutions, Inc. and Aveeva, Inc.

On August 13, 2008, EGS, a wholly-owned subsidiary of Emtec, eBAS, Aveeva and Ms. Chopra entered into a Purchase Agreement, pursuant to which EGS agreed to acquire all of the outstanding stock of eBAS and Aveeva from Ms. Chopra. The purchase price consists of (i) cash at closing in an aggregate amount equal to $7,313,500 and (ii) the potential right to pay contingent consideration of $1 million each year for the next three years on the anniversary of the closing if certain performance goals are met.

Unaudited pro forma results of operations as if the acquisition of eBAS/Aveeva had occurred as of September 1, 2007 is presented below.

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Revenue	$ 49,219,707	$ 47,822,396	$ 161,200,108	$ 183,802,224
Income from continuing operations	272,298	126,876	893,221	1,367,790
Net income	272,298	126,876	893,221	1,367,790
Basic and diluted earning per share from continuing operations	$ 0.02	$ 0.01	$ 0.06	$ 0.09
Basic and diluted earning per share	$ 0.02	$ 0.01	$ 0.06	$ 0.09

The unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments. All adjustments were tax effected. They do not purport to be indicative of the results of operations that actually would have resulted had the combination occurred on September 1, 2007 or of future results of operations of the consolidated entities.

Luceo, Inc.

On March 20, 2008, EGS, Luceo and Sivapatham Natarajan (“Mr. Natarajan”) entered into a Stock Purchase Agreement pursuant to which EGS acquired all of the outstanding stock of Luceo from Mr. Natarajan for the purchase price that consisted of (i) cash at closing in an aggregate amount equal to $1,795,000; (ii) a subordinated promissory note in a principal amount of $820,000 which was payable in two equal installments of $410,000 each on the 12 month and 18 month anniversaries of the closing and (iii) contingent payments of additional cash consideration each year for three years on the anniversary of the closing if certain performance goals are met. During the year ended August 31, 2008, the purchase price was reduced by $68,489 in connection with the working capital adjustment. The first payment on the promissory note was paid on the due date. There were no contingent payments of additional cash consideration earned for the first year anniversary.

Unaudited pro forma condensed results of operations are not included in this report because the effect of the acquisition is not material.

4. Stock-Based Compensation and Warrants

Stock Options

An amendment to the Company's 2006 Stock-Based Incentive Compensation Plan (the "2006 Plan") was approved by the stockholders on February 2, 2009. The 2006 Plan authorizes the granting of stock options to directors and eligible employees. The amendment increased the aggregate number of shares of Common Stock available under the 2006 Plan from 1,400,000 shares to 2,543,207 shares eligible for issuance at prices not less than 100% of the fair value of the Company's common stock on the date of grant (110% in the case of stockholders owning more than 10% of the Company's common stock). Options under the 2006 Plan have terms from 7 to 10 years and certain options vest immediately and others through a term up to 4 years.

The Company measures the fair value of options on the grant date using the Black-Scholes option valuation model. The Company estimated the expected volatility using the Company's historical stock price data over the expected term of the stock options. The Company also used historical exercise patterns and forfeiture behaviors to estimate the options, expected term and our forfeiture rate. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve in effect on the grant date. Both expected volatility and the risk-free interest rate are based on a period that approximates the expected term.

A summary of stock options for the nine months ended May 31, 2009 is as follows:

For the Nine Months Ended May 31, 2009	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value *
Options Outstanding -September 1, 2008	386,500	$ 1.22		
Options Granted	25,000	$ 0.39		
Options Exercised	-			
Options Forfeited or Expired	(71,000)	$ 0.89		
Options Outstanding - May 31, 2009	340,500	$ 1.17	5.75 years	$ 6,000
Options Exercisable - May 31, 2009	252,935	$ 1.14	6.15 years	$ 6,000

* Represents the total pre-tax intrinsic value based on the Company's average closing stock prices for the nine months ended May 31, 2009.

There were 5,000 and 20,000 stock options issued during the three months ended May 31, 2009 and November 30, 2008, respectively. The following assumptions were used to value stock options issued during each of the three months ended May 31, 2009 and November 30, 2008:

	Three Months Ended May 31, 2009	Three Months Ended November 30, 2008
Weighted-Average Fair Value	$ 0.54	$ 0.28
Assumptions		
Expected Volatility	125.96%	106.49%
Expected Term	5 years	5 years
Expected Forfeiture Rate	0%	0%
Dividend Yield	0%	0%
Risk-Free Interest Rate	2.04%	1.89%

Nonvested Stock (Restricted Stock)

The following table summarizes the Company’s restricted stock activity during the nine months ended May 31, 2009:

For the Nine Months Ended May 31, 2009	Shares	Weighted Average Grant Date Fair Value	Fair Value
Nonvested - September 1, 2008	330,542	$ 1.24	
Granted	439,902	$ 0.45	
Vested	(110,182)	$ 1.24	$ 46,218(a)
Forfeited	(144,403)	-	
Nonvested -May 31, 2009	515,859	$ 0.74	$ 355,943(b)

(a) The fair value of vested restricted stock shares represents the total pre-tax fair value, based on the closing stock price on the day of vesting, which would have been received by holders of restricted stock shares had all such holders sold their underlying shares on that date.

(b) The aggregate fair value of the nonvested restricted stock shares expected to vest represents the total pre-tax fair value, based on the Company’s closing stock price as of May 31, 2009 which would have been received by holders of restricted stock shares had all such holders sold their underlying shares on that date.

The fair value of these shares was determined based upon the quoted closing price of the Company’s stock on the Over-the-Counter Bulletin Board on the grant date. The Company recognizes compensation expense associated with the issuance of such shares using the closing price of the Company’s common stock on the date of grant over the vesting period on a straight-line basis.

Stock Options and Nonvested Stock

Stock-based compensation costs related to the 2006 Plan totaled $2,764 and $66,980 during the three months ended May 31, 2009 and 2008, respectively. Stock-based compensation costs related to the 2006 Plan totaled $86,536 and $213,055 during the nine months ended May 31, 2009 and 2008, respectively. As of May 31, 2009, the Company had $223,930 of unrecognized compensation cost related to these instruments. The cost is expected to be recognized over a remaining period of 3 years.

Warrants

On August 5, 2005, the Company issued certain stockholders stock warrants that evidence the obligation of the Company to issue a variable number of shares, in the aggregate, equal to 10% of then total issued and outstanding shares of the Company’s common stock, measured on a post-exercise basis, at any date during the 5-year term of the warrants, which ends August 5, 2010. The aggregate exercise price of these warrants is fixed at $3,695,752. The exercise price per warrant will vary based upon the number of shares issuable under the warrants. The number of shares issuable under the warrants totaled 1,688,354 and 1,649,955 shares, with an exercise price of $2.19 and $2.24 per share, as of May 31, 2009 and 2008, respectively. The outstanding warrants were anti-dilutive for the three and nine months ended May 31, 2009 and 2008 because the exercise price was greater than the average market price of the Company’s common shares.

5. Line of Credit

The Company, Emtec NJ, Emtec LLC, Emtec Federal, Emtec Global, Luceo, eBAS, and Aveeva (collectively, the "Borrower"), have a Loan and Security Agreement with De Lage Landen Financial Services, Inc. (the "Lender") pursuant to which the Lender provides the Borrower with a revolving credit loan and floor plan loan (the "Credit Facility"). The Credit Facility provides for aggregate borrowings of the lesser of $32.0 million or 85% of Borrower's eligible accounts receivable, plus 100% of unsold inventory financed by the Lender. The floor plan loan portion of the Credit Facility is for the purchase of inventory from approved vendors and for other business purposes. The Credit Facility subjects the Borrower to mandatory repayments upon the occurrence of certain events as set forth in the Credit Facility.

On December 5, 2008, the Borrower entered into a First Amendment and Joinder to Loan and Security Agreement and Schedule to Loan and Security Agreement (the "First Amendment") with the Lender, pursuant to which the Lender extended the term of the loans issued to the Borrower under the Loan and Security Agreement from December 7, 2008 until December 7, 2010 and made certain other amendments to the Loan and Security Agreement, including the following:

§ The First Amendment changed the base rate of interest to the three month (90 day) LIBOR rate from the previous base rate of the "Prime Rate."

§ The First Amendment changed the interest rate for revolving credit loans to the base rate plus 3.25% from the previous interest rate for revolving credit loans of the base rate minus 0.5%, and changed the interest rate for floorplan loans, if applicable, to 6.25% in excess of the base rate from the previous interest rate for floorplan loans of 2.5% in excess of the base rate.

§ The First Amendment amended the Schedule to provide that the Borrowers must pay the Lender a floorplan annual volume commitment fee if the aggregate amount of all floorplan loans does not equal or exceed $60,000,000 in a 12 month period from December 1st through November 30th. The floorplan commitment fee is equal to the amount that the floorplan usage during such 12 month period is less than $60,000,000 multiplied by 1%. If the Borrower terminates the Credit Facility during a 12 month period, the Borrower shall be required to pay the Lender a pro rated portion of the annual volume commitment fee.

In addition by executing the First Amendment, Emtec Global, Luceo, eBAS and Aveeva each joined the Credit Facility as a Borrower and granted DLL a security interest in all of their respective interests in certain of their respective assets, including inventory, equipment, fixtures, accounts, chattel paper, instruments, deposit accounts, documents, general intangibles, letter of credits rights, and all judgments, claims and insurance policies. Emtec Global pledged 100% of the outstanding shares of its domestic subsidiaries, eBAS and Luceo, and Emtec Global and Aveeva pledged 65% in the aggregate of the outstanding shares of Aviance Software (India) Pvt. Ltd., an Indian company.

The Company had balances of $10.78 million and $8.58 million outstanding under the revolving portion of the Credit Facility, and balances of $3.47 million and $2.05 million (included in the Company's accounts payable) outstanding plus $366,700 and $444,700 in open approvals under the floor plan portion of the Credit Facility at May 31, 2009 and August 31, 2008, respectively. Net availability was $7.27 million and $14.44 million under the revolving portion of the Credit Facility, and additionally $10.11 million and $6.49 million was available under the floor plan portion of the Credit Facility as of May 31, 2009 and August 31, 2008, respectively.

As of May 31, 2009, the Company determined that it was in compliance with its financial covenants with the Lender.

6. Concentration of Credit Risk and Significant Clients

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of accounts receivable.

The Company's revenues, by client type, are comprised of the following:

	For the Three Months Ended			
	May 31, 2009	% of Total	May 31, 2008	% of Total
Departments of the U.S. Government	$ 11,720,964	23.8%	$ 13,136,567	33.7%
Canada Government Agencies	619,774	1.3%	-	0.0%
State and Local Governments	1,216,672	2.5%	2,153,215	5.5%
Commercial Companies	15,555,543	31.6%	15,624,874	40.1%
Education and other	20,106,754	40.8%	8,014,535	20.6%
Total Revenues	$ 49,219,707	100.0%	$ 38,929,191	100.0%

	For the Nine Months Ended			
	May 31, 2009	% of Total	May 31, 2008	% of Total
Departments of the U.S. Government	$ 63,160,411	39.2%	$ 87,990,000	55.8%
Canada Government Agencies	619,774	0.4%	-	0.0%
State and Local Governments	6,161,945	3.8%	8,133,825	5.2%
Commercial Companies	50,294,320	31.2%	40,094,684	25.4%
Education and other	40,963,658	25.4%	21,419,370	13.6%
Total Revenues	$ 161,200,108	100.0%	$ 157,637,879	100.0%

Major Customers

Sales to school districts in Georgia and Florida accounted for approximately $13.8 million or 28.1%, and $6.27 million or 12.7% of the Company's total revenues for three months ended May 31, 2009, respectively. The same customers accounted for approximately $6.00 million or 15.4%, and $1.51 million or 3.9% of the Company's total revenues for the three months ended May 31, 2008, respectively.

Sales to a school district in Georgia accounted for approximately $27.0 million or 16.8% of the Company's total revenues for nine months ended May 31, 2009. The same customer accounted for approximately $12.82 million or 8.1% the Company's total revenues for the nine months ended May 31, 2008.

The Company reviews a client's credit history before extending credit. The Company does not require collateral or other security to support credit sales. The Company provides for an allowance for doubtful accounts based on the credit risk of specific clients, historical experience and other identified risks. Trade receivables are carried at original invoice less an estimate made for doubtful receivables, based on review by management of all outstanding amounts on a periodic basis. Trade receivables are considered delinquent when payment is not received within standard terms of sale, and are charged-off against the allowance for doubtful accounts when management determines that recovery is unlikely and ceases its collection efforts.

The trade account receivables consist of the following:

	May 31, 2009	August 31, 2008
Trade receivables	$ 25,805,723	$ 32,570,104
Allowance for doubtful accounts	(217,879)	(391,137)
Trade receivables, net	$ 25,587,844	$ 32,178,967

7. Inventories

Inventories are stated at the lower of average cost or market. Inventories consist of finished goods purchased for resale, including computer hardware, computer software, computer peripherals and related supplies.

	May 31, 2009	August 31, 2008
Hardware, software, accessories and parts	$ 7,866,840	$ 901,532
Less: inventory reserve	(228,452)	(241,538)
Net inventories	$ 7,638,388	$ 659,994

At May 31, 2009, net inventories increased, this is primarily attributable to timing of various computer roll-out projects for school districts in Georgia and Florida, as well as computer roll-out projects for various commercial and federal agencies, for which we have purchase orders from these entities.

8. Accrued Liabilities

Current accrued liabilities consisted of the following:

	May 31, 2009	August 31, 2008
Accrued payroll	$ 1,564,484	$ 2,384,922
Accrued commissions	449,214	730,848
Accrued state sales taxes	78,649	97,514
Accrued third-party service fees	61,970	108,070
Other accrued expenses	2,650,311	2,097,271
	$ 4,804,628	$ 5,418,625

9. Long-Term Debt

The Company's long-term debt consists of the following:

	May 31, 2009	August 31, 2008
8% junior subordinated notes payable to Darr Westwood LLC	$ -	$ 1,102,794
Subordinate note payable to Darr Westwood LLC	-	231,659
Subordinate note payable to Four Kings Management	-	390,000
5% subordinated note payable to Mr. Keith Grabel	-	200,067
5% subordinated note payable to Ms. Mary Margaret Grabel	-	193,089
5% subordinated note payable to DARR Global Holdings, Inc.	432,076	627,906
8% subordinated note payable to Siva Natarajan	410,000	820,000
6% subordinated note payable to Former Sharholders of KOAN-IT	458,150	-
Total debt	1,300,226	3,565,515
Less current portion	(1,218,142)	(2,810,937)
Long-term debt, net of current portion	$ 82,084	$ 754,578

10. Related Party Transactions

One of the Company's facilities is leased under a non-cancelable operating lease agreement with an entity that is owned by a director and an officer of the Company and their related family members. During the three months ended May 31, 2009 and 2008, the Company recorded expense under this lease totaling $47,250 and $45,000, respectively. During the nine months ended May 31, 2009 and 2008, the Company recorded expense under this lease totaling $137,250 and $135,000, respectively. The facilities consist of office and warehouse space totaling 42,480 square feet located in Springfield, New Jersey.

The Company is occupying approximately 26,000 square feet of office and warehouse space in a 70,000 square-foot building in Suwannee, GA. This space is leased from GS&T Properties, LLC, in which certain officers of the Company are passive investors with an approximately 20% equity interest. The lease term is for 5 years, with monthly base rent of $15,832. During the three months ended May 31, 2009 and 2008, the Company recorded expense under this lease totaling $47,496 and $46,439, respectively. During the nine months ended May 31, 2009 and 2008, the Company recorded expense under this lease totaling $142,488 and $135,089, respectively.

In conjunction with the acquisition of eBAS/Aveeva, the Company entered into a lease for approximately 20,000 square feet of office space in Fremont, California. This space is leased from the spouse of an officer of eBAS/Aveeva. The lease term is through August 31, 2011 with a monthly rent of $20,000. In March 2009, the Company subleased portion of the building for a monthly rent of $2,500 on a month-to-month basis. Rent expense was $52,500 and $172,500 for each of the three and nine months ended May 31, 2009, respectively.

Management believes the lease payments are at or below market rate for similar facilities for the leases noted above.

11. Segment Information

The Company has adopted Statement of Financial Accounting Standard No. 131, "Disclosure about Segments of an Enterprise and Related Information." The Company's business activities are divided into two business segments, EIS and EGS. EIS is the Company's historical business which includes Emtec NJ, Emtec LLC, Emtec Federal and the business service management solutions offered by KOAN-IT and KOAN-IT (US). EGS offers a broad range of consulting/contracting services to clients including IT project management services, packaged software implementation, web technologies/client server application development. EGS is comprised primarily of the business operations acquired through the acquisitions of Luceo on March 20, 2008, eBAS and Aveeva on August 13, 2008.

Summarized financial information relating to the Company's operating segments is as follows:

	May 31, 2009 (Unaudited)	August 31, 2008
Identifiable Assets:		
EIS	$ 50,461,675	$ 46,212,267
EGS	14,541,484	16,261,773
Total Assets	$ 65,003,159	$ 62,474,040

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
	(Unaudited)		(Unaudited)	
Revenues				
EIS	$ 40,534,574	$ 36,582,591	$ 133,137,651	$ 155,291,279
EGS	8,685,133	2,346,600	28,062,457	2,346,600
Total Revenue	$ 49,219,707	$ 38,929,191	$ 161,200,108	$ 157,637,879
Gross Profit				
EIS	$ 6,199,535	$ 5,204,948	$ 17,398,562	$ 18,821,168
EGS	1,446,781	490,601	5,168,141	490,601
Gross Profit	$ 7,646,316	$ 5,695,549	$ 22,566,703	$ 19,311,769
Operating Income				
EIS	$ 581,357	$ (226,689)	$ 1,149,218	$ 1,926,476
EGS	87,523	145,727	1,097,448	145,727
Operating Income	$ 668,880	$ (80,962)	$ 2,246,666	$ 2,072,203
Interest and Other Expense (Income)				
EIS	$ 99,558	$ 155,577	$ 390,068	$ 741,637
EGS	81,735	13,300	308,443	13,300
Interest and Other Expense (Income)	$ 181,293	$ 168,877	$ 698,511	$ 754,937
Provision for Income Taxes				
EIS	$ 199,640	$ (160,611)	$ 306,827	$ 551,670
EGS	15,649	62,556	348,107	62,556
Provision for Income Taxes	$ 215,289	$ (98,055)	$ 654,934	$ 614,226
Net Income				

EIS	$ 282,159	$ (221,654)	$ 452,323	$ 633,169
EGS	(9,861)	69,871	440,898	69,871
Net Income	$ 272,298	$ (151,783)	$ 893,221	$ 703,040

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the unaudited financial statements, including the notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q.

Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report on Form 10-Q and in other reports or documents that we file from time to time with the Securities and Exchange Commission (the "SEC"). In addition to historical information, this Quarterly Report on Form 10-Q contains our beliefs regarding future events and our future financial performance. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or those words and other comparable words. You should be aware that those statements are only our predictions. Actual events or results may differ materially. We undertake no obligation to publicly release any revisions to forward-looking statements after the date of this report. In evaluating those statements, you should specifically consider various factors, including the risk factors discussed in our Annual Report on Form 10-K for the year ended August 31, 2008 and other reports or documents that we file from time to time with the SEC. All forward-looking statements attributable to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement.

Assumptions relating to budgeting, marketing, and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditure or other budgets, which may in turn affect our business, financial position, results of operations and cash flows.

Overview of Emtec

We are an IT company providing consulting, services and products to commercial, educational institution, U.S. federal, state and local government clients. Our services and products address the technology needs of our clients including communications, data management, enterprise computing, managed services, storage and data center planning and development. Our solutions are crafted to enable our clients to become more efficient and effective, thereby making them more profitable and giving them a competitive advantage. To date, the most significant portion of our revenues has been derived from our activities as a reseller of IT products, such as workstations, servers, microcomputers, application software and networking and communications equipment. However, we are actively endeavoring to increase the portion of our revenues that are derived from IT services.

We have historically not been adversely affected by inflation; technological advances and competition within the IT industry have generally caused the prices of the products we sell to decline, and product life-cycles tend to be short. These factors require that our growth in unit sales exceed any declines in prices in order for us to increase our net sales.

Factors that may affect gross profits in the future include changes in product margins, volume incentive rebates and other incentives offered by various manufacturers, changes in technical employee utilization rates, the mix of products and services sold, the mix of client type and the decision to aggressively price certain products and services.

Factors that may in the future have a negative impact on our selling, general and administrative expenses for both divisions include costs associated with marketing and selling activities, potential merger and acquisition related costs, technological improvement costs, compliance costs associated with SEC rules and increases in our insurance costs.

For the nine months ended May 31, 2009 and May 31, 2008, our EIS division's revenues decreased to $133.14 million from $155.29 million. If we are unable to increase our revenues in future periods, whether due to the effects of the economic downturn on our commercial business or otherwise, then we may be forced to consolidate our operations to further reduce operating expenses sufficiently to achieve profitable operations. We have implemented several cost containment measures beginning in December 2008 that have and will reduce our selling, general and administrative expenses in future quarters, but there can be no assurance that we will be able to generate sufficient new business or that our cost containment measures currently in place will provide us the ability to maintain profitability in the future.

Our financial results can be impacted by the level of business activity of our clients, in particular our commercial clients. The current economic downturn may continue to cause reductions in technology and discretionary spending by our clients. Furthermore, business activity from our government and education clients may also decrease as their spending will be impacted by declining tax revenues associated with this economic downturn.

On March 20, 2008, we acquired through our subsidiary Emtec Global Services all of the outstanding stock of Luceo, headquartered in Naperville, Illinois. Luceo offers a broad range of consulting/contracting services to clients throughout the United States, which specializes in providing IT project management services, packaged software implementation, web technologies/client server application development and support.

On August 13, 2008, we acquired through our subsidiary Emtec Global Services all of the outstanding stock of eBAS and Aveeva headquartered in Fremont, California and Aveeva's Indian subsidiary Aviance, headquartered in Bangalore, India. eBAS and Aveeva offer a broad range of software consulting services including business analysis, quality assurance, testing, and training as well as SAP, CRM, Oracle Apps, and Java based solutions.

On February 12, 2009, the Company acquired through its subsidiary, EIS-US, all of the outstanding stock of KOAN-IT, headquartered in Ottawa, Canada and KOAN-IT (US). KOAN-IT is a consulting firm specializing in business service management methodologies for its clients throughout Canada and the United States. As of March 1, 2009 KOAN-IT Corp. and Emtec Canada were amalgamated to form EIS-Canada, which does business as KOAN-IT.

On May 12, 2009, we acquired through our subsidiary, KOAN-IT (US), certain assets of EMS, a company under Chapter 11 bankruptcy protection in the Middle District of Florida. Prior to the Chapter 11 acquisition, EMS was a consulting firm, headquartered in Clearwater, Florida, specializing in business service management methodologies for its clients throughout the United States.

With the acquisitions of Luceo, eBAS, Aveeva, KOAN-IT and the assets of EMS, the Company divides its operating activity into two operating segments for reporting purposes: EIS and EGS. EIS is the Company's historical business which includes Emtec NJ, Emtec LLC, Emtec Federal and business service management solutions offered by KOAN-IT and KOAN-IT(US) and EGS is the Company's enterprise applications services solutions and training business including Luceo, eBAS and Aveeva.

Results of Operations

Comparison of Three Months Ended May 31, 2009 and 2008

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our Results of Operations for each of the three months ended May 31, 2009 and 2008.

EMTEC, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended May 31, 2009	2008	Change	%
Revenues				
Procurement services	$ 35,321,294	$ 34,155,671	$ 1,165,623	3.4%
Service and consulting	13,898,413	4,773,520	9,124,893	191.2%
Total Revenues	49,219,707	38,929,191	10,290,516	26.4%
Cost of Sales				
Cost of procurement services	31,204,269	29,387,865	1,816,404	6.2%
Service and consulting	10,369,122	3,845,777	6,523,345	169.6%
Total Cost of Sales	41,573,391	33,233,642	8,339,749	25.1%
Gross Profit				
Procurement services	4,117,025	4,767,806	(650,781)	(13.6)%
Procurement services %	11.7%	14.0%		
Service and consulting	3,529,291	927,743	2,601,548	280.4%
Service and consulting %	25.4%	19.4%		
Total Gross Profit	7,646,316	5,695,549	1,950,767	34.3%
Total Gross Profit %	15.5%	14.6%		
Operating expenses:				
Selling, general, and administrative expenses	6,197,867	5,348,986	848,881	15.9%
Rent expense – related party	147,246	91,439	55,807	61.0%
Depreciation and amortization	632,323	336,086	296,237	88.1%
Total operating expenses	6,977,436	5,776,511	1,200,925	20.8%
Pecent of revenues	14.2%	14.8%		
Operating Income (loss)	668,880	(80,962)	749,842	926.2%
Percent of revenues	1.4%	-0.2%		
Other expense (income):				

Interest income – other	(4,675)	(11,144)	6,469	(58.0)%
Interest expense	169,361	180,276	(10,915)	(6.1)%
Other	16,607	(256)	16,863	N/A
Income (loss) before income taxes	487,587	(249,838)	737,425	295.2%
Provision for income taxes	215,289	(98,055)	313,344	319.6%
Net income (loss)	$ 272,298	$ (151,783)	$ 424,081	279.4%
Percent of revenues	0.6%	(0.4)%		

Total Revenues

Our total revenues, by segments, are comprised of the following:

	Three months ended May 31, 2009	Three months ended May 31, 2008
	(Unaudited)	
Revenues		
EIS	$ 40,534,574	$ 36,582,591
EGS	8,685,133	2,346,600
Total Revenue	$ 49,219,707	$ 38,929,191

EIS

Our EIS division's revenues, by client types and revenue type, are comprised of the following:

	For the Three Months Ended			
	May 31, 2009	% of Total	May 31, 2008	% of Total
Client Type				
Departments of the U.S. Government	$ 11,720,965	28.9%	$ 13,136,567	35.9%
Canada Government Agencies	619,774	1.5%	-	0.0%
State and Local Governments	1,216,672	3.0%	2,153,215	5.9%
Commercial Companies	6,870,409	16.9%	13,278,274	36.3%
Education and other	20,106,754	49.6%	8,014,535	21.9%
Total Revenues	$ 40,534,574	100.0%	$ 36,582,591	100.0%

EIS division's total revenues increased $3.95 million, or 10.8%, to $40.53 million for the three months ended May 31, 2009, compared to $36.58 million for the three months ended May 31, 2008. EIS division's total revenue includes revenues from our Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's total revenues (including revenues derived from assets acquired from EMS) for the three months ended May 31, 2009 was $1.82 million. Without these acquisitions Systems Division's revenue increased $2.13 million, or 5.8%, to $38.71 million for the three months ended May 31, 2009, compared to $36.58 million for the three months ended May 31, 2008. Procurement services revenue increased $454,261 or 1.3%, to $34.61 million for the three months ended May 31, 2009, compared to $34.15 million for the three months ended May 31, 2008. This increase in procurement services revenue is mainly attributable to various computer roll-out projects for school districts in Florida and Georgia during the three months ended May 31, 2009 of approximately $12.0 million, which was off-set by an overall decrease in our client's IT spending, particularly in various departments of the U.S. government, agency and commercial business and various governmental agencies in the State of New Jersey. We believe that this decrease in revenues can be attributed to the current economic downturn. Services and consulting revenue for the Systems Division increased $1.67 million, or 69.0%, to $4.10 million for the three months ended May 31, 2009, compared to $2.43 million for the three months ended May 31, 2008. This increase is mainly attributable to various installation and configuration related services associated with computer roll-out projects for school districts in Florida, Georgia and various governmental agencies in the State of New Jersey during the three months ended May 31, 2009.

During the three months ended May 31, 2009 and 2008, U.S. governmental department and agency related revenues represented approximately 28.9% and 35.9% of total EIS division's revenues, respectively. These clients include the Department of Defense, Department of Justice, Department of Homeland Security, Department of Health and Human Services, Department of Agriculture and Department of Commerce.

We expect that federal government business revenues will continue to represent a large portion of our total revenues as we continue to strive to penetrate wider and deeper into various civilian and military agencies. The federal government business typically experiences increased activity during the months of August through November.

The state and local government business remains uncertain due to the tight budgetary pressures within governmental agencies in the State of New Jersey.

Revenues from commercial clients decreased by approximately $6.41 million during the three months ended May 31, 2009 compared with the three months ended May 31, 2008. This decrease is mainly due to the current economic downturn that caused reductions in technology and discretionary spending by our commercial clients.

During the three months ended May 31, 2009, revenues from our education business increased by approximately $12.09 million compared with the three months ended May 31, 2008. This increase is attributable to increase in various computer roll-out projects for school districts in Florida and Georgia during the three months ended May 31, 2009.

EGS

EGS division's total revenues increased $6.34 million, or 270.1%, to $8.69 million for the three months ended May 31, 2009, compared to $2.35 million for the three months ended May 31, 2008. This increase is primarily attributable to acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's revenue for the three months ended May 31, 2009 was $2.48 million compared to $2.35 million for the period from March 20, 2008 through May 31, 2008.

Gross Profit

Our total gross profit, by segments, is comprised of the following:

	Three months ended May 31, 2009	Three months ended May 31, 2008
	(Unaudited)	
Gross Profit		
EIS	$ 6,199,535	$ 5,204,948
EGS	1,446,781	490,601
Gross Profit	$ 7,646,316	$ 5,695,549

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EIS

Aggregate gross profit for our EIS division increased $994,586, or 19.1%, to $6.20 million for the three months ended May 31, 2009 as compared to $5.20 million for the three months ended May 31, 2008. EIS division's gross profit includes gross profit from Systems Division and recently acquired KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's gross profit (including gross profit derived from the assets acquired from EMS) for the three months ended May 31, 2009 was $335,742. Without these acquisitions Systems Division's gross profit increased $658,844, or 12.7%, to $5.86 million for the three months ended May 31, 2009, compared to $5.20 million for the three months ended May 31, 2008. This increase is attributable to various installation and configuration related services associated with computer roll-out projects for school districts in Florida, Georgia and various governmental agencies in the State of New Jersey during the three months ended May 31, 2009.

Measured as a percentage of revenues, our gross profit margin for EIS division increased to 15.3% of our EIS division's revenues for the three months ended May 31, 2009, from 14.2% for the three months ended May 31, 2008. This increase is primarily a result of increase in our service and consulting gross profit margin attributable to higher utilization of our engineering resources and increase in our services and consulting revenue associated with computer roll-out projects for school districts in Florida, Georgia and various governmental agencies in the State of New Jersey during the three months ended May 31, 2009.

EGS

EGS division's gross profit increased $956,180, or 194.9%, to $1.45 million for the three months ended May 31, 2009, compared to $490,601 for the three months ended May 31, 2008. This increase is primarily attributable to acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's gross profit for the three months ended May 31, 2009 was $374,613 compared to $490,601 for the period from March 20, 2008 through May 31, 2008. This decrease in gross profit is mainly due to lower utilization of our engineering resources and lower effective billing rates. We believe that this decrease in gross profit can be attributed to the current economic downturn.

Measured as percentages of revenues, our gross profit margin for EGS division decreased to 16.7% of our EGS division's revenues for the three months ended May 31, 2009 from 20.9% for the three months ended May 31, 2008. We believe this decrease is mainly due to lower utilization of our engineering resources and lower effective billing rates.

Selling, General and Administrative Expenses

EIS

Selling, general and administrative expenses for our EIS division increased by $75,808, or 1.5% to $5.11 million for the three months ended May 31, 2009, compared to $5.04 million for the three months ended May 31, 2008. EIS division's selling, general and administrative expenses includes selling, general and administrative expenses from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's selling, general and administrative expenses (inclusding selling, general and administrative expenses related to the assets acquired from EMS) for the three months ended May 31, 2009 was $400,983. Without these acquisitions Systems Division's selling, general and administrative expenses decreased by $325,175, or 6.5% to $4.71 million for the three months ended May 31, 2009, compared to $5.04 million for the three months ended May 31, 2008. This decrease in selling, general and administrative expenses for the three months ended May 31, 2009 is primarily attributable to the reduction of various expense categories including compensation, travel, lodging, telephone, office expenses, credit card bank fees, recruiting, professional fees and merger and acquisition related costs. In January 2009, we implemented wage reductions to all employees whose earnings are expected to be greater than $75,000 annually, froze salary increases and implemented many other cost containment measures.

EGS

EGS division's selling, general and administrative expenses increased $773,073, or 248.2%, to $1.08 million for the three months ended May 31, 2009, compared to $311,529 for the three months ended May 31, 2008. This increase is primarily attributable to acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's selling, general and administrative expenses for the three months ended May 31, 2009 were $290,521 compared to $311,529 for the period from March 20, 2008 through May 31, 2008. This decrease is primarily attributable to the reduction of immigration related application fees and legal fees associated with net new hires due to the slow-down in the economy. Additionally, we recorded approximately $112,000 in retention bonuses paid to business development personnel during the three months ended May 31, 2009.

Rent Expense-Related Party

EIS

We occupy approximately 42,000 square feet of office and warehouse space in Springfield, New Jersey. This space is leased from a limited liability company owned by certain directors and officers of the Company and their related family members. The original lease term was through April 2009 with monthly base rent of $15,000. We renewed the lease for an additional five years term through April 2014, with monthly base rent of $17,500. During the three months ended May 31, 2009 and 2008, we recorded $47,250 and $45,000 in expense under this lease, respectively.

We occupy approximately 26,000 square feet of office and warehouse space in a 70,000 square foot building in Suwannee, GA. This space is leased from a limited liability company in which certain officers of our company are passive investors with an approximately 20% equity interest. The lease term is for 5 years with monthly base rent of $15,832. During the three months ended May 31, 2009 and 2008, we recorded expense under this lease totaling $47,496 and $46,439, respectively.

EGS

We occupy approximately 20,000 square feet of office space in Fremont, CA. This space is leased from the spouse of the President of eBAS/Aveeva. The lease term is for 3 years with monthly base rent of $20,000. In March 2009, we subleased portion of the building for a monthly rent of $2,500 on month-to-month basis to reduce costs. During the three months ended May 31, 2009, we recorded $52,500 in expense under this lease.
Management believes the leases noted above are being leased at a rate consistent with the market rate.

Depreciation and Amortization

EIS

Depreciation and amortization expense for our EIS division increased by 35.5%, or $107,426, to $410,167 for the three months ended May 31, 2009, compared to $302,740 for the three months ended May 31, 2008. EIS division's depreciation and amortization expense includes depreciation and amortization expense from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's depreciation and amortization expense (including depreciation and amortization expense relating to the assets acquired from EMS) for the three months ended May 31, 2009 was $61,285. Without these acquisitions, Systems Division's depreciation and amortization expense increased by $46,141, or 15.2% to $348,881 for the three months ended May 31, 2009, compared to $302,740 for the three months ended May 31, 2008. This increase in depreciation expense is mainly due to depreciation expense associated with our purchase of phone system, computer equipment, a document management system and other modifications made to our accounting systems made during the three months ended May 31, 2009.

As of May 31, 2009, intangible assets of the EIS division consisted of the estimated value ascribed to customer relationships of $9,897,881 less accumulated amortization of $2,306,218; the estimated value ascribed to non-compete of $28,095 less accumulated amortization of $1,682; and the estimated value ascribed to trademarks of $168,569 less accumulated amortization of $10,091. As of August 31, 2008 intangible assets of the EIS consisted of the estimated value ascribed to customer relationships of $8,661,712 less accumulated amortization of $1,809,288. The assets ascribed to customer relationships are being amortized on a straight-line basis over 6 to 15 years and noncompete covenants and trademarks are being amortized on a straight-line basis over 5 years. Amortization expense for the EIS division was $208,044, and $145,088 for the three months ended May 31, 2009 and 2008, respectively.

EGS

EGS division's depreciation and amortization expense increased $188,811, or 566.2%, to $222,157 for the three months ended May 31, 2009, compared to $33,346 for the three months ended May 31, 2008. This increase is primarily attributable to acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's depreciation and amortization expenses for the three months ended May 31, 2009 was $54,541 compared to $33,346 for the period from March 20, 2008 through May 31, 2008. This increase in depreciation expense is mainly due to depreciation expense associated with our purchase of computer equipment made during the current fiscal year.

As of May 31, 2009, intangible assets of the EGS division consisted of the estimated value ascribed to customer relationships of $4,200,000 less accumulated amortization of $638,523 and the estimated value ascribed to non-compete of $370,000 less accumulated amortization of $67,311. As of August 31, 2008 intangible assets of the EGS division consisted of the estimated value ascribed to customer relationships of $4,200,000 less accumulated amortization of $95,192 and the estimated value ascribed to non-compete of $370,000 less accumulated amortization of $11,811. The assets ascribed to customer relationships are being amortized on a straight-line basis over 5 to 9 years and noncompete covenants and trademarks are being amortized on a straight-line basis over 5 years. Amortization expense for the EGS division was $199,609 for the three months ended May 31, 2009 and $33,346 for the period from March 20, 2008 through May 31, 2008. Amortization expense for the EGS division was $598,831 for the nine months ended May 31, 2009 and $33,346 for the period from March 20, 2008 through May 31, 2008. This increase in amortization expense is mainly due to amortization expense related to intangible assets acquired in connection with the acquisitions of eBAS and Aveeva.

Operating income (loss)

EIS

Operating income for our EIS division for the three months ended May 31, 2009 increased by $808,045, to $581,357, compared to an operating loss of ($226,689) for the three months ended May 31, 2008. EIS division's operating income (loss) includes operating income (loss) from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's operating income (loss) (including operating income(loss) attributable to the assets acquired from EMS) for the three months ended May 31, 2009 was ($126,526). Without these acquisitions Systems Division's operating income (loss) increased $934,571 to $707,882 for the three months ended May 31, 2009, compared to ($226,689) for the three months ended May 31, 2008. This increase in operating income is mainly attributable to increased revenues and gross profit as discussed in the Total Revenue and Gross Profit sections above.

EGS

Operating income for our EGS division for the three months ended May 31, 2009 decreased by 39.9%, or $58,203, to $87,523, compared to operating income of $145,727 for the three months ended May 31, 2008. Without the acquisitions of eBAS and Aveeva, Luceo's operating income for the three months ended May 31, 2009 was $29,551 compared to $145,727 for the period from March 20, 2008 through May 31, 2008. The reduction in operating income was due to approximately $132,500 in retention bonuses we paid to business development and technical personnel during the three months ended May 31, 2009.

Interest expense

EIS

Interest expense for the EIS division decreased by 48.5%, or $81,051, to $85,924 for the three months ended May 31, 2009, compared to $166,975 for the three months ended May 31, 2008. The decrease is primarily attributable to lower balances on various notes payable compared with prior period.

EGS

Our EGS division's interest expense for the three months ended May 31, 2009 was $83,437. This interest expense is related to acquisition debt from the line of credit and the 8% subordinated note payable to Mr. Natarajan as part of the consideration for the acquisition of Luceo.

Provision (benefit) for income taxes

EIS

We recorded an income tax expense of $199,640 for the three months ended May 31, 2009 as compared to an income tax benefit of $160,611 for the three months ended May 31, 2008. The effective tax benefit rate was 41.4% for the three months ended May 31, 2009 versus 42.0% for the three months ended May 31, 2008.

EGS

We recorded an income tax expense of $15,649 for the three months ended May 31, 2009 as compared to an income tax expense of $62,556 for the three months ended May 31, 2008. The effective tax rate was 270.4% for the three months ended May 31, 2009 versus 47.2% for the three months ended May 31, 2008. The increase in effective tax is due to permanent differences between our financial statements and income tax returns.

Comparison of Nine Months Ended May 31, 2009 and 2008

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our Results of Operations for each of the nine months ended May 31, 2009 and 2008.

EMTEC, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended May 31,			
	2009	2008	Change	%
Revenues				
Procurement services	$ 121,094,073	$ 145,846,671	$ (24,752,598)	(17.0)%
Service and consulting	40,106,035	11,791,208	28,314,827	240.1%
Total Revenues	161,200,108	157,637,879	3,562,229	2.3%
Cost of Sales				
Cost of procurement services	107,967,221	129,042,886	(21,075,665)	(16.3)%
Service and consulting	30,666,184	9,283,224	21,382,960	230.3%
Total Cost of Sales	138,633,405	138,326,110	307,295	0.2%
Gross Profit				
Procurement services	13,126,852	16,803,785	(3,676,933)	(21.9)%
Procurement services %	10.8%	11.5%		
Service and consulting	9,439,851	2,507,984	6,931,867	276.4%
Service and consulting %	23.5%	21.3%		
Total Gross Profit	22,566,703	19,311,769	3,254,934	16.9%
Total Gross Profit %	14.0%	12.3%		
Operating expenses:				
Selling, general, and administrative expenses	18,133,830	16,025,377	2,108,453	13.2%
Rent expense – related party	452,238	270,089	182,149	67.4%
Depreciation and amortization	1,733,969	944,100	789,869	83.7%
Total operating expenses	20,320,037	17,239,566	3,080,471	17.9%
Pecent of revenues	12.6%	10.9%		
Operating income	2,246,666	2,072,203	174,463	8.4%
Percent of revenues	1.4%	1.3%		
Other expense (income):				
Interest income – other	(15,862)	(77,807)	61,945	(79.6)%
Interest expense	693,354	833,018	(139,664)	(16.8)%
Other	21,019	(274)	21,293	N/A
Income before income taxes	1,548,155	1,317,266	230,889	17.5%
Provision for income taxes	654,934	614,226	40,708	6.6%
Net income	$ 893,221	$ 703,040	$ 190,181	27.1%
Percent of revenues	0.6%	0.4%		

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Total Revenues

Our total revenues, by segments, are comprised of the following:

	Nine months ended May 31, 2009	Nine months ended May 31, 2008
	(Unaudited)	
Revenues		
EIS		
EGS	$ 133,137,651	$ 155,291,279
Total Revenue	28,062,457	2,346,600
	$ 161,200,108	$ 157,637,879

EIS

Our EIS division's revenues, by client types and revenue type, are comprised of the following:

	For the Nine Months Ended May 31, 2009	% of Total	May 31, 2008	% of Total
Client Type				
Departments of the U.S. Government	$ 63,160,412	47.4%	$ 87,990,000	56.7%
Canada Government Agencies	619,774	0.5%	-	0.0%
State and Local Governments	6,161,945	4.6%	8,133,825	5.2%
Commercial Companies	22,231,863	16.7%	37,748,084	24.3%
Education and other	40,963,656	30.8%	21,419,370	13.8%
Total Revenues	$ 133,137,651	100.0%	$ 155,291,279	100.0%

EIS division's total revenues decreased $22.15 million, or 14.3%, to $133.14 million for the nine months ended May 31, 2009, compared to $155.29 million for the nine months ended May 31, 2008. EIS division's total revenue includes revenues from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's total revenues (including revenues derived from the assets acquired from EMS) for the nine months ended May 31, 2009 was $1.98 million. Without these acquisitions Systems Division's revenue decreased $24.14 million, or 15.5%, to $131.15 million for the nine months ended May 31, 2009, compared to $155.29 million for the nine months ended May 31, 2008. Procurement services revenue decreased $25.46 million, or 17.5%, to $120.38 million for the nine months ended May 31, 2009, compared to $145.85 million for the nine months ended May 31, 2008. This decrease is mainly due to an overall decrease in our client's IT spending, particularly in various departments of the U.S. government and agencies and commercial business and various governmental agencies in the State of New Jersey, which was off-set by increase in our education business attributable to various computer roll-out projects for school districts in Florida and Georgia. We believe that this decrease in revenues can be attributed to the current economic downturn and the deferral of some larger computer roll-out projects to future quarters. Services and consulting revenue for the Systems Division increased $1.33 million, or 14.0%, to $10.77 million for the nine months ended May 31, 2009, compared to $9.44 million for the nine months ended May 31, 2008. This increase is mainly attributable to various installation and configuration related services associated with computer roll-out projects for school districts in Florida, Georgia and various governmental agencies in the State of New Jersey during the nine months ended May 31, 2009.

During the nine months ended May 31, 2009 and 2008, U.S. governmental department and agency related revenues represented approximately 47.4% and 56.7% of total EIS division's revenues, respectively. These clients include the Department of Defense, Department of Justice, Department of Homeland Security, Department of Health and Human Services, Department of Agriculture and Department of Commerce. Revenues from various civilian and military U.S. governmental departments and agencies decreased by approximately $24.83 million during the nine months ended May 31, 2009 compared with the nine months ended May 31, 2008. This is mainly due to a large computer hardware sale to the Department of the Air Force of approximately $15.36 million and Federal Bureau of Prisons of approximately $10.98 million in the nine months ended May 31, 2008. The same clients only accounted for approximately $2.76 million and $3.97 million in revenue for the three months ended May 31, 2009, respectively.

Revenues from commercial clients decreased by approximately $15.52 million during the nine months ended May 31, 2009 compared with the nine months ended May 31, 2008. This decrease is mainly due to the current economic downturn that caused reductions in technology and discretionary spending by our commercial clients.

During the nine months ended May 31, 2009, revenues from our education business increased by approximately $19.54 million compared with the nine months ended May 31, 2008. This increase is attributable to increase in various computer roll-out projects for school districts in Florida and Georgia during the nine months ended May 31, 2009.

EGS

EGS division's total revenues increased $25.72 million, or 1095.9%, to $28.06 million for the nine months ended May 31, 2009, compared to $2.35 million for the nine months ended May 31, 2008. This increase is primarily attributable to acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's revenue for the nine months ended May 31, 2009 was $7.36 million compared to $2.35 million for the period from March 20, 2008 through May 31, 2008. The increase is primarily due to comparing a full nine months of operations to a shorter stub period in 2008.

Gross Profit

Our total gross profit, by segments, is comprised of the following:

	Nine months ended May 31, 2009 (Unaudited)	Nine months ended May 31, 2008 (Unaudited)
Gross Profit		
EIS	$ 17,398,562	$ 18,821,168
EGS	5,168,141	490,601
Gross Profit	$ 22,566,703	$ 19,311,769

EIS

Aggregate gross profit for our EIS division decreased $1.42 million, or 7.6%, to $17.40 million for the nine months ended May 31, 2009 as compared to $18.82 million for the nine months ended May 31, 2008. EIS division's gross profit includes gross profit from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's gross profit (including profit derived from the assets acquired from EMS) for the nine months ended May 31, 2009 was $362,666. This decrease is mainly due to a decrease in procurement services revenue as discussed in the total revenue section.

Measured as a percentage of revenues, our gross profit margin for EIS division increased to 13.1% of our EIS division's revenues for the nine months ended May 31, 2009 from 12.1% for the nine months ended May 31, 2008. This increase is primarily a result of an increase in our service and consulting gross profit margin attributable to higher utilization of our engineering resources and increase in our services and consulting revenue associated with computer roll-out projects for school districts in Florida, Georgia and various governmental agencies in the State of New Jersey during the nine months ended May 31, 2009.

EGS

EGS division's gross profit increased $4.68 million, or 953.4%, to $5.17 million for the nine months ended May 31, 2009, compared to $490,601 for the nine months ended May 31, 2008. This increase is primarily attributable to the acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's gross profit for the nine months ended May 31, 2009 was $1.09 million compared to $490,601 for the period from March 20, 2008 through May 31, 2008. The increase is primarily due to comparing a full nine months of operations to a shorter stub period in 2008.

Measured as percentages of revenues, our gross profit margin for EGS division decreased to 18.4% of our EGS division's revenues for the nine months ended May 31, 2009 from 20.9% for the nine months ended May 31, 2008. We believe this decrease is mainly due to lower utilization of our engineering resources.

Selling, General and Administrative Expenses

EIS

Selling, general and administrative expenses for our EIS division decreased by $828,869, or 5.3% to $14.88 million for the nine months ended May 31, 2009, compared to $15.71 million for the nine months ended May 31, 2008. EIS division's selling, general and administrative expenses includes selling, general and administrative expenses from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's selling, general and administrative expenses (including selling, general and administrative expenses related to the assets acquired from EMS) for the nine months ended May 31, 2009 was $453,884. Without these acquisitions Systems Division's selling, general and administrative expenses decreased by $1.28 million, or 8.2% to $14.43 million for the nine months ended May 31, 2009, compared to $15.71 million for the nine months ended May 31, 2008. A portion of the $1.28 million decrease represented the recovery of $269,882 in professional fees. The Company previously expensed these professional fees associated with defending the Company's tax positions during the IRS' 2003 and 2004 tax audits and appeals process. During the quarter ended November 30, 2008, the Company recognized the recovery of these previously paid professional fees based on an indemnification right associated with the April 2004 Westwood merger.

Without the reduction of $269,882 in selling, general and administrative expenses associated with the indemnification claim, Systems Division's selling, general and administrative expenses would have decreased by $1.01 million, or 6.4% for the nine months ended May 31, 2009. This decrease in selling, general and administrative expenses for the nine months ended May 31, 2009 is mainly due to a decrease in sales commission of approximately $495,000 and bonus expense by approximately $298,000, which is directly related to the decrease in our gross profit as discussed in the gross profit section. The remaining approximately $219,000 decrease in selling, general and administrative expenses for the nine months ended May 31, 2009 is primarily attributable to decrease in various expense categories such as travel, lodging, telephone, office expenses, credit card bank fees, recruiting, professional fees and merger and acquisition related costs. In January 2009, we implemented wage reductions to all employees whose earnings are expected to be greater than $75,000 annually, froze salary increases and implemented many other cost containment measures. During the nine months ended May 31, 2009, we eliminated approximately 24 positions from various selling and administrative departments in the Systems Division and incurred approximately $208,000 in severance costs that are included in selling, general and administrative expenses for the nine months ended May 31, 2009.

EGS

EGS division's selling, general and administrative expenses increased $2.94 million, or 942.9%, to $3.25 million for the nine months ended May 31, 2009, compared to $311,529 for the nine months ended May 31, 2008. This increase is primarily attributable to the acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's selling, general and administrative expenses for the nine months ended May 31, 2009 was $808,512 compared to $311,529 for the period from March 20, 2008 through May 31, 2008. The increase is primarily due to comparing a full nine months of operations to a shorter stub period in 2008.

Rent Expense-Related Party

EIS

We occupy approximately 42,000 square feet of office and warehouse space in Springfield, New Jersey. This space is leased from a limited liability company owned by certain directors and officers of the Company and their related family members. The original lease term was through April 2009 with monthly base rent of $15,000. We renewed the lease for an additional five years term through April 2014, with monthly base rent of $17,500. During the nine months ended May 31, 2009 and 2008, we recorded $137,250 and $135,000 in expense under this lease, respectively.

We occupy approximately 26,000 square feet of office and warehouse space in a 70,000 square foot building in Suwannee, GA. This space is leased from a limited liability company in which certain officers of our company are passive investors with an approximately 20% equity interest. The lease term is for 5 years with monthly base rent of $15,832. During the nine months ended May 31, 2009 and 2008, we recorded expense under this lease totaling $142,488 and $135,089, respectively.

EGS

We occupy approximately 20,000 square feet of office space in Fremont, CA. This space is leased from the spouse of the President of eBAS/Aveeva. The lease term is for 3 years with monthly base rent of $20,000. In March 2009, we subleased portion of the building for a monthly rent of $2,500 on month-to-month basis to reduce costs. During the nine months ended May 31, 2009, we recorded $172,500 in expense under this lease.

Management believes the leases noted above are being leased at a rate consistent with the market rate.

Depreciation and Amortization

EIS

Depreciation and amortization expense for our EIS division increased by 19.1%, or $173,873, to $1.08 million for the nine months ended May 31, 2009, compared to $910,752 for the nine months ended May 31, 2008. EIS division's depreciation and amortization expense includes depreciation and amortization expense from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's depreciation and amortization expense (including depreciation and amortization expense related to the assets acquired from EMS) for the nine months ended May 31, 2009 was $73,009. Without these acquisitions, Systems Division's depreciation and amortization expense increased by $100,864, or 11.1% to $1.01 million for the nine months ended May 31, 2009, compared to $910,752 for the nine months ended May 31, 2008. This increase in depreciation expense is mainly due to depreciation expense associated with our purchase of phone system, computer equipment, a document management system and other modifications made to our accounting systems made during the period ended May 31, 2009.

As of May 31, 2009, intangible assets of the EIS division consisted of the estimated value ascribed to customer relationships of $9,897,881 less accumulated amortization of $2,306,218; the estimated value ascribed to non-compete of $28,095 less accumulated amortization of $1,682; and the estimated value ascribed to trademarks of $168,569 less accumulated amortization of $10,091. As of August 31, 2008 intangible assets of the EIS consisted of the estimated value ascribed to customer relationships of $8,661,712 less accumulated amortization of $1,809,288. The assets ascribed to customer relationships are being amortized on a straight-line basis over 6 to 15 years and noncompete covenants and trademarks are being amortized on a straight-line basis over 5 years. Amortization expense for the EIS division was $508,704, and $435,263 for the nine months ended May 31, 2009 and 2008, respectively.

EGS

EGS division's depreciation and amortization expense increased $615,997, or 1847.3%, to $649,343 for the nine months ended May 31, 2009, compared to $33,346 for the nine months ended May 31, 2008. This increase is primarily attributable to the acquisitions of eBAS and Aveeva on August 13, 2008. Without these acquisitions of eBAS and Aveeva, Luceo's depreciation and amortization expenses for the nine months ended May 31, 2009 was $141,906 compared to $33,346 for the period from March 20, 2008 through May 31, 2008. This increase in depreciation expense is mainly due to depreciation expense associated with our purchase of computer equipment made during the current fiscal year and increased amortization expense is due to nine month period in the current reporting period compared to the period from March 20, 2008 through May 31, 2008.

As of May 31, 2009, intangible assets of the EGS division consisted of the estimated value ascribed to customer relationships of $4,200,000 less accumulated amortization of $638,523 and the estimated value ascribed to non-compete of $370,000 less accumulated amortization of $67,311. As of August 31, 2008 intangible assets of the EGS division consisted of the estimated value ascribed to customer relationships of $4,200,000 less accumulated amortization of $95,192 and the estimated value ascribed to non-compete of $370,000 less accumulated amortization of $11,811. The assets ascribed to customer relationships are being amortized on a straight-line basis over 5 to 9 years and noncompete covenants and trademarks are being amortized on a straight-line basis over 5 years. Amortization expense for the EGS division was $199,609 for the nine months ended May 31, 2009, and $33,346 for the period from March 20, 2008 through May 31, 2008. Amortization expense for the EGS division was $598,831 for the nine months ended May 31, 2009, and $33,346 for the period from March 20, 2008 through May 31, 2008.

Operating income

EIS

Operating income for our EIS division for the nine months ended May 31, 2009 decreased by 40.3%, or $777,260, to $1.15 million, compared to operating income of $1.93 million for the nine months ended May 31, 2008. EIS division's operating income (loss) includes operating income (loss) from Systems Division and KOAN-IT which was acquired on February 12, 2009 and the assets of EMS which were acquired on May 12, 2009. KOAN-IT's operating income (loss) (including operating income (loss) attributable to the assets acquired from EMS) for the nine months ended May 31, 2009 was ($164,227). Without these acquisitions Systems Division's operating income decreased $613,033, or 31.8%, to $1.31 million for the nine months ended May 31, 2009, compared to $1.93 million for the nine months ended May 31, 2008. This decrease in operating income is mainly due to decreased revenues and gross profit as discussed in the Total Revenue and Gross Profit sections above.

EGS

Operating income for our EGS division for the nine months ended May 31, 2009 increased by 653.1%, or $951,721, to $1.10 million, compared to operating income of $145,727 for the nine months ended May 31, 2008. Without the acquisitions of eBAS and Aveeva, Luceo's operating income for the nine months ended May 31, 2009 was ALIGN="right">82,011 $798,641 $1,363,504 $(825,837) $1,418,319

Cash flows from investing activities:

Change in restricted cash and cash equivalents

(454) (454)

Capital expenditures

(12,332) (47,438) (675,742) (735,512)

Proceeds from disposal of property
and equipment

24 1,454 1,478

Notes receivable to non-restricted subsidiaries

(7,315) 7,315

Dividends received from
non-restricted subsidiaries

712,500 (712,500)

Repayments of receivable from
non-restricted subsidiaries

450 (450)

Capital contributions to subsidiaries

(33) (665,000) 665,033

Net cash used in investing activities					
	(12,365)	(6,779)	(674,742)	(40,602)	(734,488)

Cash flows from financing activities:

Proceeds from exercise of stock options

22,137 3,419 25,556

Proceeds from the exercise of warrants

526,398 526,398

Dividends paid

(410,586) (357,056) (767,642)

Distributions to noncontrolling interests

(1,261) (3,834) (5,095)

Dividends paid to Las Vegas Sands Corp.

(123,836) (75,012) 198,848

Dividends paid to Restricted Subsidiaries

(1,339,489) 1,339,489

Capital contributions received

665,033 (665,033)

Borrowings from Restricted Subsidiaries

7,315 (7,315)

Repayments on borrowings from
Restricted Subsidiaries

(450) 450

Proceeds from 2012 Singapore credit facility

3,625,516 3,625,516

Repayments on Singapore credit facility

(3,635,676) (3,635,676)

Repayments on senior secured credit facility

(413,341) (413,341)

Redemption of senior notes	(189,712)		(189,712)
Repayments on ferry financing		(140,337)	(140,337)
Repayments on airplane financings	(1,844)		(1,844)
Repayments on HVAC equipment lease and other long-term debt	(839)	(1,041)	(1,880)
Payments of deferred financing costs		(100,142)	(100,142)
Net cash used in financing activities			

(53,607)	(539,277)	(1,351,754)	866,439	(1,078,199)

Effect of exchange rate on cash

13,650	13,650

Increase (decrease) in cash and cash equivalents	16,039	252,585	(649,342)	(380,718)
Cash and cash equivalents at beginning of period	12,849	689,642	3,200,227	3,902,718

Cash and cash equivalents at end of period

$28,888	$942,227	$2,550,885	$	$3,522,000

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES

ITEM 2 ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The following discussion should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and the notes thereto, and other financial information included in this Form 10-Q. Certain statements in this Management s Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements. See Special Note Regarding Forward-Looking Statements.

Operations

We view each of our casino properties as an operating segment. Our operating segments in the Macao Special Administrative Region (Macao) of the People s Republic of China consist of The Venetian Macao Resort Hotel (The Venetian Macao); Sands Cotai Central; the Four Seasons Hotel Macao, Cotai Strip and the Plaza Casino (collectively, the Four Seasons Macao); the Sands Macao; and other ancillary operations in that region (Other Asia). Our operating segment in Singapore is the Marina Bay Sands. Our operating segments in the United States consist of The Venetian Resort Hotel Casino (The Venetian Las Vegas), The Palazzo Resort Hotel Casino (The Palazzo) and the Sands Casino Resort Bethlehem (the Sands Bethlehem). The Venetian Las Vegas and The Palazzo operating segments are managed as a single integrated resort and have been aggregated into one reportable segment (the Las Vegas Operating Properties), considering their similar economic characteristics, types of customers, types of services and products, the regulatory business environment of the operations within each segment and our organizational and management reporting structure.

Macao

We own 70.2% of Sands China Ltd. (SCL), which includes the operations of The Venetian Macao, Sands Cotai Central, Four Seasons Macao, Sands Macao and other ancillary operations that support these properties. We operate the gaming areas within these properties pursuant to a 20-year gaming subconcession.

We own and operate The Venetian Macao, which anchors the Cotai Strip, our master-planned development of integrated resort properties on an area of approximately 140 acres in Macao (consisting of parcels referred to as 1, 2, 3 and 5 and 6). The Venetian Macao (located on parcel 1) includes a 39-floor luxury hotel with over 2,900 suites; approximately 374,000 square feet of gaming space; a 15,000-seat arena; an 1,800-seat theater; retail and dining space of approximately 1.0 million square feet; and a convention center and meeting room complex of approximately 1.2 million square feet. Approximately 86.3% and 83.4% of the gross revenue at The Venetian Macao for the six months ended June 30, 2013 and 2012, respectively, was derived from gaming activities, with the remainder derived from room, mall, food and beverage and other non-gaming sources.

In April and September 2012 and January 2013, we opened phases I, IIA and IIB, respectively, of our Sands Cotai Central integrated resort (located on parcels 5 and 6), which is situated across the street from The Venetian Macao and Four Seasons Macao. Phase I consists of a hotel tower on parcel 5, which includes approximately 600 five-star rooms and suites under the Conrad brand and approximately 1,200 four-star rooms and suites under the Holiday Inn brand; more than 350,000 square feet of meeting space; several food and beverage establishments; along with the 230,000-square-foot casino and VIP gaming areas. Phase IIA, includes the first hotel tower on parcel 6, which features approximately 1,800 rooms and suites managed by Starwood Asia Pacific Hotels and Resorts Pte Ltd. and Sheraton Overseas Management Co. (collectively Starwood) under the Sheraton brand, along with the second casino and additional retail, entertainment, dining and meeting facilities. Phase IIB consists of the second hotel tower on parcel 6 and features approximately 2,100 rooms and suites managed by Starwood under the Sheraton brand. With the completion of phases I and II of the project, the integrated resort features approximately 300,000 square feet of gaming space, approximately 800,000 square feet of retail, dining and entertainment space, over 550,000 square feet of meeting facilities and a multipurpose theater (to open in 2014). Phase III of the project is expected to include a fourth hotel and mixed-use tower, located on parcel 5, to be managed by Starwood under the St. Regis brand and the total cost to complete is expected to be approximately $450 million. We intend to commence construction of phase III of the project as demand and market conditions warrant it. As of June 30, 2013, we have capitalized costs of $4.07 billion for the entire project, including the land premium (net of amortization) and $159.6 million in outstanding construction payables. Approximately 86.5% and 89.4% of the gross revenue at Sands Cotai Central for the six months ended June 30, 2013 and the 81-day period ended June 30, 2012, respectively, was derived from gaming activities, with the remainder derived primarily from room and food and beverage operations.

We own the Four Seasons Macao (located on parcel 2), which is adjacent and connected to The Venetian Macao. The Four Seasons Macao is an integrated resort that includes 360 rooms and suites managed and operated by Four Seasons Hotels Inc., and features 19 Paiza mansions; approximately 108,000 square feet of gaming space; retail space of approximately 260,000 square feet, which is connected to the mall at The Venetian Macao; several food and beverage offerings; and conference, banquet and other facilities operated by us. This integrated resort will also feature the Four Seasons Apartment Hotel Macao, Cotai Strip (the Four Seasons Apartments), an apart-hotel tower that consists of approximately 1.0 million square feet of Four Seasons-serviced and -branded luxury apart-hotel units and common areas. We have completed the structural work of the tower and are advancing our plans to monetize units within the Four Seasons Apartments. Approximately 86.5% and 89.0% of the gross revenue at the Four Seasons Macao for the six months ended June 30, 2013 and 2012, respectively, was derived from gaming activities, with the remainder derived primarily from mall, room and food and beverage operations.

We own and operate the Sands Macao, the first Las Vegas-style casino in Macao. The Sands Macao includes approximately 249,000 square feet of gaming space; a 289-suite hotel tower; several restaurants; VIP facilities; a theater and other high-end services and amenities. Approximately 94.2% and 94.6% of the gross revenue at the Sands Macao for the six months ended June 30, 2013 and 2012, respectively, was derived from gaming activities, with the remainder derived primarily from food and beverage operations.

Singapore

We own and operate the Marina Bay Sands in Singapore, which features three 55-story hotel towers (totaling approximately 2,600 rooms and suites), the Sands SkyPark (which sits atop the hotel towers and features an infinity swimming pool and several dining options), approximately 160,000 square feet of gaming space, an enclosed retail, dining and entertainment complex of approximately 800,000 net leasable square feet, a convention center and meeting room complex of approximately 1.2 million square feet, theaters and a landmark iconic structure at the bay-front promenade that contains an art/science museum. In April 2013, we paid 57.0 million Singapore dollars (SGD, approximately $45.1 million at exchange rates in effect on June 30, 2013) to the Casino Regulatory Authority in Singapore as part of the process to renew our gaming license, which now expires in April 2016. Approximately 75.9% and 77.0% of the gross revenue at the Marina Bay Sands for the six months ended June 30, 2013 and 2012, respectively, was derived from gaming activities, with the remainder derived from room, food and beverage, mall and other non-gaming sources.

United States

Las Vegas

Our Las Vegas Operating Properties, situated on or near the Las Vegas Strip, consist of The Venetian Las Vegas, a Renaissance Venice-themed resort; The Palazzo, a resort featuring modern European ambience and design; and an expo and convention center of approximately 1.2 million square feet (the Sands Expo Center). Our Las Vegas Operating Properties represent an integrated resort with approximately 7,100 suites and approximately 225,000 square feet of gaming space. Our Las Vegas Operating Properties also feature a meeting and conference facility of approximately 1.1 million square feet; Canyon Ranch SpaClub facilities; a Paiza Club, offering services and amenities to premium customers, including luxurious VIP suites, spa facilities and private VIP gaming room facilities; entertainment facilities and enclosed retail, dining and entertainment complexes located within The Venetian Las Vegas (The Grand Canal Shoppes) and The Palazzo (The Shoppes at The Palazzo), both of which were sold to GGP Limited Partnership (GGP). See Item 1 Financial Statements Notes to Condensed Consolidated Financial Statements Note 2 Property and Equipment, Net regarding the sale of The Shoppes at The Palazzo.

Approximately 67.0% and 66.4% of gross revenue at our Las Vegas Operating Properties for the six months ended June 30, 2013 and 2012, respectively, was derived from room, food and beverage and other non-gaming sources, with the remainder derived from gaming activities. The percentage of non-gaming revenue reflects the integrated resort s emphasis on the group convention and trade show business.

Pennsylvania

We own and operate the Sands Bethlehem, a gaming, hotel, retail and dining complex located on the site of the historic Bethlehem Steel Works in Bethlehem, Pennsylvania. Sands Bethlehem currently features approximately 145,000 square feet of gaming space; a 300-room hotel tower; a 150,000-square-foot retail facility; an arts and cultural center; and a 50,000-square-foot multipurpose event center, which opened in May 2012. We own 86% of the economic interest in the gaming, hotel and entertainment portion of the property through our ownership interest in Sands Bethworks Gaming LLC and more than 35% of the economic interest in the retail portion of the property through our ownership interest in Sands Bethworks Retail LLC. Approximately 88.7% and 89.0% of the gross revenue at Sands Bethlehem for the six months ended June 30, 2013 and 2012, respectively, was derived from gaming activities, with the remainder derived primarily from food and beverage operations.

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Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to us and on various other assumptions that management believes to be reasonable under the circumstances. Actual results could vary from those estimates and we may change our estimates and assumptions in future evaluations. Changes in these estimates and assumptions may have a material effect on our financial condition and results of operations. We believe that these critical accounting policies affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. For a discussion of our significant accounting policies and estimates, please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations presented in our 2012 Annual Report on Form 10-K filed on March 1, 2013.

There were no newly identified significant accounting estimates during the six months ended June 30, 2013, nor were there any material changes to the critical accounting policies and estimates discussed in our 2012 Annual Report.

Recent Accounting Pronouncements

See related disclosure at Item 1 Financial Statements Notes to Condensed Consolidated Financial Statements Note 1 Organization and Business of Company Recent Accounting Pronouncements.

Summary Financial Results

The following table summarizes our results of operations:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Percent Change	2013	2012	Percent Change
	(Dollars in thousands)					
Net revenues	$ 3,242,941	$ 2,581,906	25.6%	$ 6,545,660	$ 5,344,648	22.5%
Operating expenses	2,462,300	2,184,178	12.7%	4,938,316	4,239,366	16.5%
Operating income	780,641	397,728	96.3%	1,607,344	1,105,282	45.4%
Income before income taxes	719,394	325,466	121.0%	1,478,950	967,746	52.8%
Net income	671,673	286,381	134.5%	1,375,647	865,490	58.9%
Net income attributable to Las Vegas Sands Corp.	529,753	240,587	120.2%	1,101,714	739,529	49.0%

	Percent of Net Revenues			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating expenses	75.9%	84.6%	75.4%	79.3%
Operating income	24.1%	15.4%	24.6%	20.7%
Income before income taxes	22.2%	12.6%	22.6%	18.1%
Net income	20.7%	11.1%	21.0%	16.2%
Net income attributable to Las Vegas Sands Corp.	16.3%	9.3%	16.8%	13.8%

Operating Results

Key Operating Revenue Measurements

Operating revenues at The Venetian Macao, Sands Cotai Central, Four Seasons Macao, Marina Bay Sands and our Las Vegas Operating Properties are dependent upon the volume of customers who stay at the hotel, which affects the price that can be charged for hotel rooms and our gaming volume. Operating revenues at Sands Macao and Sands Bethlehem are principally driven by casino customers who visit the properties on a daily basis.

The following are the key measurements we use to evaluate operating revenues:

Casino revenue measurements for Macao and Singapore: Macao and Singapore table games are segregated into two groups, consistent with the Macao and Singapore markets convention: Rolling Chip play (all VIP players) and Non-Rolling Chip play (mostly non-VIP players). The volume measurement for Rolling Chip play is non-negotiable gaming chips wagered and lost. The volume measurement for Non-Rolling Chip play is table games drop (drop), which is the sum of markers issued (credit instruments) less markers paid at the table, plus cash deposited in the table drop box. Rolling Chip and Non-Rolling Chip volume measurements are not comparable as the amounts wagered and lost are substantially higher than the amounts dropped. Slot handle (handle), also a volume measurement, is the gross amount wagered for the period cited.

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We view Rolling Chip win as a percentage of Rolling Chip volume, Non-Rolling Chip win as a percentage of drop and slot hold as a percentage of slot handle. Win or hold percentage represents the percentage of Rolling Chip volume, Non-Rolling Chip drop or slot handle that is won by the casino and recorded as casino revenue. Based upon our mix of table games, our Rolling Chip win percentage (calculated before discounts and commissions) is expected to be 2.7% to 3.0% and our Non-Rolling Chip table games have produced a trailing 12-month win percentage (calculated before discounts) of 30.2%, 21.4%, 35.3%, 21.1% and 23.7% at The Venetian Macao, Sands Cotai Central, Four Seasons Macao, Sands Macao and Marina Bay Sands, respectively. Our slot machines have produced a trailing 12-month hold percentage (calculated before slot club cash incentives) of 5.4%, 3.6%, 5.2%, 4.1% and 5.2% at The Venetian Macao, Sands Cotai Central, Four Seasons Macao, Sands Macao and Marina Bay Sands, respectively. Actual win may vary from our expected win percentage and the trailing 12-month win and hold percentages. Generally, slot machine play is conducted on a cash basis. In Macao and Singapore, 29.6% and 28.5%, respectively, of our table games play was conducted on a credit basis for the six months ended June 30, 2013.

Casino revenue measurements for the U.S.: The volume measurements in the U.S. are table games drop and slot handle, as previously described. We view table games win as a percentage of drop and slot hold as a percentage of handle. Based upon our mix of table games, our table games are expected to produce a win percentage (calculated before discounts) of 20% to 22% at our Las Vegas Operating Properties and 14% to 16% at Sands Bethlehem. Our slot machines have produced a trailing 12-month hold percentage (calculated before slot club cash incentives) of 8.8% and 7.1% at our Las Vegas Operating Properties and at Sands Bethlehem, respectively. Actual win may vary from our expected win percentage and the trailing 12-month hold percentage. As in Macao and Singapore, slot machine play is generally conducted on a cash basis. Approximately 72.2% of our table games play in Las Vegas, for six months ended June 30, 2013, was conducted on a credit basis, while our table games play in Pennsylvania is primarily conducted on a cash basis.

Hotel revenue measurements: Performance indicators used are occupancy rate, which is the average percentage of available hotel rooms occupied during a period, and average daily room rate, which is the average price of occupied rooms per day. The calculations of the hotel occupancy and average daily room rates include the impact of rooms provided on a complimentary basis. Complimentary room rates are determined based on an analysis of retail (or cash) room rates by customer segment and type of room product to ensure the complimentary room rates are consistent with retail rates. Revenue per available room represents a summary of hotel average daily room rates and occupancy. Because not all available rooms are occupied, average daily room rates are normally higher than revenue per available room. Reserved rooms where the guests do not show up for their stay and lose their deposit may be re-sold to walk-in guests. These rooms are considered to be occupied twice for statistical purposes due to obtaining the original deposit and the walk-in guest revenue. In cases where a significant number of rooms are resold, occupancy rates may be in excess of 100% and revenue per available room may be higher than the average daily room rate.

Mall revenue measurements: Occupancy, base rent per square foot and tenant sales per square foot are used as performance indicators. Occupancy represents gross leasable occupied area (GLOA) divided by gross leasable area (GLA) at the end of the reporting period. GLOA is the sum of: (1) tenant occupied space under lease and (2) tenants no longer occupying space, but paying rent. GLA does not include space that is currently under development or not on the market for lease. Base rent per square foot is the weighted average base, or minimum, rent charge in effect at the end of the reporting period for all tenants that would qualify to be included in occupancy. Tenant sales per square foot is the sum of reported comparable sales for the trailing 12 months divided by the comparable square footage for the same period. Only tenants that have been open for a minimum of 12 months are included in the tenant sales per square foot calculation.

Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012

Operating Revenues

Our net revenues consisted of the following:

	Three Months Ended June 30,		
	2013	2012	Percent Change
	(Dollars in thousands)		
Casino	$ 2,674,129	$ 2,067,424	29.3%
Rooms	324,629	275,311	17.9%
Food and beverage	174,772	159,744	9.4%
Mall	107,993	93,740	15.2%
Convention, retail and other	123,050	116,834	5.3%

	3,404,573	2,713,053	25.5%
Less promotional allowances	(161,632)	(131,147)	(23.2)%
Total net revenues	$ 3,242,941	$ 2,581,906	25.6%

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Consolidated net revenues were $3.24 billion for the three months ended June 30, 2013, an increase of $661.0 million compared to $2.58 billion for the three months ended June 30, 2012. The increase in net revenues was driven by an increase of $318.4 million at Sands Cotai Central, with its progressive opening that commenced in April 2012, and increases of $245.3 million and $44.7 million at The Venetian Macao and Marina Bay Sands, primarily due to increased casino revenues.

Casino revenues increased $606.7 million compared to the three months ended June 30, 2012. The increase is attributable to an increase of $281.1 million at Sands Cotai Central, due to its progressive opening, a $239.0 million increase at The Venetian Macao, driven by increases in Non-Rolling Chip drop and Rolling Chip win percentage, as well as a $40.1 million increase at Marina Bay Sands, driven by an increase in Rolling Chip volume. The following table summarizes the results of our casino activity:

	Three Months Ended June 30,		
	2013	2012	Change
	(Dollars in thousands)		
Macao Operations:			
The Venetian Macao			
Total casino revenues	$ 800,551	$ 561,591	42.6%
Non-Rolling Chip drop	$ 1,593,825	$ 1,020,925	56.1%
Non-Rolling Chip win percentage	28.2%	30.6%	(2.4)pts
Rolling Chip volume	$ 11,837,962	$ 11,161,558	6.1%
Rolling Chip win percentage	3.41%	2.68%	0.73 pts
Slot handle	$ 1,149,675	$ 1,148,802	0.1%
Slot hold percentage	5.6%	5.2%	0.4 pts
Sands Cotai Central			
Total casino revenues	$ 530,526	$ 249,466	112.7%
Non-Rolling Chip drop	$ 1,228,197	$ 389,446	215.4%
Non-Rolling Chip win percentage	22.1%	21.5%	0.6 pts
Rolling Chip volume	$ 14,335,395	$ 6,820,630	110.2%
Rolling Chip win percentage	2.35%	3.12%	(0.77)pts
Slot handle	$ 1,249,631	$ 665,384	87.8%
Slot hold percentage	3.8%	4.0%	(0.2)pts
Four Seasons Macao			
Total casino revenues	$ 242,137	$ 239,783	1.0%
Non-Rolling Chip drop	$ 186,051	$ 90,953	104.6%
Non-Rolling Chip win percentage	22.5%	43.9%	(21.4)pts
Rolling Chip volume	$ 9,944,261	$ 9,207,309	8.0%
Rolling Chip win percentage	2.93%	3.05%	(0.12)pts
Slot handle	$ 181,998	$ 199,069	(8.6)%
Slot hold percentage	6.2%	5.4%	0.8 pts
Sands Macao			
Total casino revenues	$ 287,499	$ 264,771	8.6%
Non-Rolling Chip drop	$ 822,867	$ 717,091	14.8%
Non-Rolling Chip win percentage	20.3%	19.7%	0.6 pts
Rolling Chip volume	$ 5,818,168	$ 6,164,802	(5.6)%
Rolling Chip win percentage	2.62%	2.58%	0.04 pts
Slot handle	$ 637,214	$ 611,728	4.2%
Slot hold percentage	4.1%	4.1%	pts
Singapore Operations:			
Marina Bay Sands			
Total casino revenues	$ 590,326	$ 550,231	7.3%
Non-Rolling Chip drop	$ 1,163,667	$ 1,205,491	(3.5)%
Non-Rolling Chip win percentage	23.4%	22.2%	1.2 pts
Rolling Chip volume	$ 14,371,639	$ 11,505,743	24.9%
Rolling Chip win percentage	2.53%	2.42%	0.11 pts
Slot handle	$ 2,744,474	$ 2,741,055	0.1%
Slot hold percentage	5.0%	5.2%	(0.2)pts
U.S. Operations:			

Las Vegas Operating Properties			
Total casino revenues	$ 105,066	$ 94,598	11.1%
Table games drop	$ 551,326	$ 434,612	26.9%
Table games win percentage	15.9%	16.5%	(0.6)pts
Slot handle	$ 475,430	$ 445,083	6.8%
Slot hold percentage	8.7%	8.9%	(0.2)pts
Sands Bethlehem			
Total casino revenues	$ 118,024	$ 106,984	10.3%
Table games drop	$ 258,853	$ 218,423	18.5%
Table games win percentage	16.2%	14.3%	1.9 pts
Slot handle	$ 1,055,101	$ 1,012,576	4.2%
Slot hold percentage	7.0%	7.2%	(0.2)pts

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In our experience, average win percentages remain steady when measured over extended periods of time, but can vary considerably within shorter time periods as a result of the statistical variances that are associated with games of chance in which large amounts are wagered.

Room revenues increased $49.3 million compared to the three months ended June 30, 2012. The increase is attributable to an increase of $32.6 million at Sands Cotai Central, due to its progressive opening, a $7.8 million increase at our Las Vegas Operating Properties, driven by an increase in occupancy, and a $6.4 million increase at Marina Bay Sands, driven by an increase in average daily room rates. The suites at Sands Macao are primarily provided to casino patrons on a complimentary basis. The following table summarizes the results of our room activity:

	Three Months Ended June 30,		
	2013	2012	Change
	(Room revenues in thousands)		
Macao Operations:			
The Venetian Macao			
Total room revenues	$ 51,068	$ 49,905	2.3%
Occupancy rate	87.4%	86.7%	0.7 pts
Average daily room rate	$ 227	$ 228	(0.4)%
Revenue per available room	$ 199	$ 198	0.5%
Sands Cotai Central			
Total room revenues	$ 47,959	$ 15,337	212.7%
Occupancy rate	67.5%	75.1%	(7.6)pts
Average daily room rate	$ 143	$ 141	1.4%
Revenue per available room	$ 97	$ 106	(8.5)%
Four Seasons Macao			
Total room revenues	$ 9,716	$ 8,915	9.0%
Occupancy rate	80.7%	73.3%	7.4 pts
Average daily room rate	$ 352	$ 357	(1.4)%
Revenue per available room	$ 284	$ 261	8.8%
Sands Macao			
Total room revenues	$ 5,939	$ 5,828	1.9%
Occupancy rate	95.0%	93.2%	1.8 pts
Average daily room rate	$ 242	$ 242	%
Revenue per available room	$ 230	$ 225	2.2%
Singapore Operations:			
Marina Bay Sands			
Total room revenues	$ 86,536	$ 80,124	8.0%
Occupancy rate	99.4%	99.1%	0.3 pts
Average daily room rate	$ 379	$ 351	8.0%
Revenue per available room	$ 377	$ 348	8.3%
U.S. Operations:			
Las Vegas Operating Properties			
Total room revenues	$ 120,567	$ 112,787	6.9%
Occupancy rate	91.6%	86.2%	5.4 pts
Average daily room rate	$ 205	$ 205	%
Revenue per available room	$ 188	$ 176	6.8%
Sands Bethlehem			
Total room revenues	$ 2,844	$ 2,415	17.8%
Occupancy rate	72.5%	62.2%	10.3 pts
Average daily room rate	$ 143	$ 142	0.7%
Revenue per available room	$ 104	$ 88	18.2%

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Food and beverage revenues increased $15.0 million compared to the three months ended June 30, 2012. The increase was primarily attributable to a $12.7 million increase at Sands Cotai Central, due to its progressive opening.

Mall revenues increased $14.3 million compared to the three months ended June 30, 2012. The increase was primarily due to a $15.6 million increase at our Macao operating properties, driven by an increase in base rents as well as the progressive opening of Sands Cotai Central. For further information related to the financial performance of our malls, see Additional Information Regarding our Retail Mall Operations. The following table summarizes the results of our mall activity:

	Three Months Ended June 30, 2013	2012	Change
	(Mall revenues in thousands)		
Macao Operations:			
The Grand Canal Shoppes at The Venetian Macao			
Total mall revenues	$ 37,413	$ 31,313	19.5%
Mall gross leasable area (in square feet)	759,077	806,897	(5.9)%
Occupancy	95.6%	91.6%	4.0 pts
Base rent per square foot	$ 150	$ 136	10.3%
Tenant sales per square foot	$ 1,357	$ 1,165	16.5%
The Shoppes at Sands Cotai Central[1]			
Total mall revenues	$ 8,694	$ 3,252	167.3%
Mall gross leasable area (in square feet)	210,143	50,635	315.0%
Occupancy	100.0%	100.0%	pts
Base rent per square foot	$ 121	$ 204	(40.7)%
The Shoppes at Four Seasons[2]			
Total mall revenues	$ 25,436	$ 21,347	19.2%
Mall gross leasable area (in square feet)	241,416	189,088	27.7%
Occupancy	89.9%	92.2%	(2.3)pts
Base rent per square foot	$ 155	$ 149	4.0%
Tenant sales per square foot	$ 4,661	$ 4,095	13.8%
Singapore Operations:			
The Shoppes at Marina Bay Sands[3]			
Total mall revenues	$ 35,753	$ 37,376	(4.3)%
Mall gross leasable area (in square feet)	640,648	629,734	1.7%
Occupancy	86.7%	97.2%	(10.5)pts
Base rent per square foot	$ 219	$ 199	10.1%
Tenant sales per square foot	$ 1,552	$ 1,313	18.2%
U.S. Operations:			
The Outlets at Sands Bethlehem[4]			
Total mall revenues	$ 697	$ 452	54.2%
Mall gross leasable area (in square feet)	134,907	129,216	4.4%
Occupancy	75.9%	65.3%	10.6 pts
Base rent per square foot	$ 22	$	%

(1) Phases I and II of The Shoppes at Sands Cotai Central opened in April and September 2012, respectively.

(2) In November 2012, The Shoppes at Four Seasons expanded the duty-free luxury shops, resulting in approximately 52,000 square feet of additional gross leasable space.

(3) The decrease in occupancy at The Shoppes at Marina Bay Sands is due to an ongoing repositioning of the mall that will bring in several new key luxury tenants. Approximately 56,000 square feet of gross leasable area is currently undergoing new fit-out and is not considered occupied as of June 30, 2013.

(4) A progressive opening of The Outlets at Sands Bethlehem began in November 2011. Base rent per square foot for the three months ended June 30, 2012, and tenant sales per square foot for the three months ended June 30, 2013 and 2012, are excluded from the table as certain co-tenancy requirements were not met during 2012 as the mall was only partially occupied.

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Operating Expenses

The breakdown of operating expenses is as follows:

	Three Months Ended June 30,		
	2013	2012	Percent Change
	(Dollars in thousands)		
Casino	$ 1,519,721	$ 1,187,458	28.0%
Rooms	65,685	60,513	8.5%
Food and beverage	89,294	81,973	8.9%
Mall	18,147	17,798	2.0%
Convention, retail and other	80,094	78,403	2.2%
Provision for doubtful accounts	62,058	58,374	6.3%
General and administrative	307,869	259,038	18.9%
Corporate	46,481	58,592	(20.7)%
Pre-opening	1,031	43,472	(97.6)%
Development	6,002	6,797	(11.7)%
Depreciation and amortization	251,048	220,440	13.9%
Amortization of leasehold interests in land	10,108	10,057	0.5%
Impairment loss		100,781	(100.0)%
Loss on disposal of assets	4,762	482	888.0%
Total operating expenses	$ 2,462,300	$ 2,184,178	12.7%

Operating expenses were $2.46 billion for the three months ended June 30, 2013, an increase of $278.1 million compared to $2.18 billion for the three months ended June 30, 2012. The increase in operating expenses was primarily attributable to the progressive opening of Sands Cotai Central that commenced in April 2012.

Casino expenses increased $332.3 million compared to the three months ended June 30, 2012. Of the increase, $239.9 million was attributable to the 39.0% gross win tax on increased casino revenues across all of our Macao properties, as well as a $40.4 million increase in additional casino expenses at Sands Cotai Central.

Rooms and food and beverage expenses increased $5.2 million and $7.3 million, respectively, compared to the three months ended June 30, 2012. The increases were driven by the associated increases in the related revenues described above.

The provision for doubtful accounts was $62.1 million for the three months ended June 30, 2013, compared to $58.4 million for the three months ended June 30, 2012. The amount of this provision can vary over short periods of time because of factors specific to the customers who owe us money from gaming activities at any given time. We believe that the amount of our provision for doubtful accounts in the future will depend upon the state of the economy, our credit standards, our risk assessments and the judgment of our employees responsible for granting credit.

General and administrative expenses increased $48.8 million compared to the three months ended June 30, 2012. The increase was primarily attributable to a $30.0 million increase at Sands Cotai Central, as well as a $9.9 million increase at The Venetian Macao, driven by an increase in advertising expense.

Corporate expenses decreased $12.1 million compared to the three months ended June 30, 2012, driven by a decrease in legal fees.

Pre-opening expenses were $1.0 million for the three months ended June 30, 2013, compared to $43.5 million for the three months ended June 30, 2012. Pre-opening expense represents personnel and other costs incurred prior to the opening of new ventures, which are expensed as incurred. Pre-opening expenses for the three months ended June 30, 2012, were primarily related to activities at Sands Cotai Central. Development expenses include the costs associated with the Company s evaluation and pursuit of new business opportunities, which are also expensed as incurred.

Depreciation and amortization expense increased $30.6 million compared to the three months ended June 30, 2012. The increase was primarily attributable to a $37.9 million increase at Sands Cotai Central, partially offset by decreases at our Las Vegas Operating Properties and our other Macao operating properties due to certain assets being fully depreciated.

The impairment loss of $100.8 million for the three months ended June 30, 2012, was primarily due to the write-off of capitalized construction costs related to our former Cotai Strip development (referred to as parcels 7 and 8) in Macao.

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Adjusted Property EBITDA

Adjusted property EBITDA is used by management as the primary measure of the operating performance of our segments. Adjusted property EBITDA is net income before royalty fees, stock-based compensation expense, corporate expense, pre-opening expense, development expense, depreciation and amortization, amortization of leasehold interests in land, impairment loss, loss on disposal of assets, interest, other income (expense), loss on modification or early retirement of debt and income taxes. The following table summarizes information related to our segments (see Item 1 Financial Statements Notes to Condensed Consolidated Financial Statements Note 10 Segment Information for discussion of our operating segments and a reconciliation of adjusted property EBITDA to net income):

	Three Months Ended June 30,		
	2013	2012	Percent Change
	(Dollars in thousands)		
Macao:			
The Venetian Macao	$ 360,864	$ 229,241	57.4%
Sands Cotai Central	146,147	51,838	181.9%
Four Seasons Macao	61,809	76,587	(19.3)%
Sands Macao	88,338	71,304	23.9%
Other Asia	(2,135)	(5,955)	64.1%
	655,023	423,015	54.8%
Marina Bay Sands	355,349	330,405	7.5%
United States:			
Las Vegas Operating Properties	62,969	64,350	(2.1)%
Sands Bethlehem	33,579	26,917	24.8%
	96,548	91,267	5.8%
Total adjusted property EBITDA	$ 1,106,920	$ 844,687	31.0%

Adjusted property EBITDA at our Macao operations increased $232.0 million compared to the three months ended June 30, 2012. The increase was primarily attributable to an increase of $131.6 million at The Venetian Macao, driven by an increase in casino activity, as well as an increase of $94.3 million at Sands Cotai Central, due to its progressive opening that commenced in April 2012.

Adjusted property EBITDA at Marina Bay Sands increased $24.9 million compared to the three months ended June 30, 2012. The increase was primarily attributable to a $44.7 million increase in net revenues, driven by an increase in casino revenues, partially offset by increases in the associated operating expenses.

Adjusted property EBITDA at our Las Vegas Operating Properties remained relatively unchanged compared to the three months ended June 30, 2012. Net revenues increased $15.0 million (excluding intersegment royalty revenue), but was offset by increases in the associated operating expenses.

Adjusted property EBITDA at Sands Bethlehem increased $6.7 million compared to the three months ended June 30, 2012. The increase was primarily attributable to an increase in net revenues of $11.7 million, driven by an increase in casino revenues, partially offset by increases in the associated operating expenses.

Interest Expense

The following table summarizes information related to interest expense on long-term debt:

Three Months Ended

	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Interest cost (which includes the amortization of deferred financing costs)	$ 65,163	$ 73,025
Add imputed interest on deferred proceeds from sale of The Shoppes at The Palazzo	3,791	3,779
Less capitalized interest	(578)	(12,271)
Interest expense, net	$ 68,376	$ 64,533
Cash paid for interest	$ 42,944	$ 57,797
Weighted average total debt balance	$ 9,799,933	$ 9,765,204
Weighted average interest rate	2.7%	3.0%

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Interest cost decreased $7.9 million compared to the three months ended June 30, 2012, resulting primarily from a decrease in our weighted average interest rate. Capitalized interest decreased $11.7 million compared to the three months ended June 30, 2012, primarily due to the completion of phases I, IIA and IIB of Sands Cotai Central in April and September 2012 and January 2013, respectively.

Other Factors Effecting Earnings

Other income was $3.9 million for the three months ended June 30, 2013, compared to $1.8 million for the three months ended June 30, 2012. The amounts in both periods were primarily attributable to foreign exchange gains.

The loss on modification or early retirement of debt of $16.4 million for the three months ended June 30, 2012, was primarily due to a $13.1 million loss related to the refinancing of our Singapore credit facility in June 2012.

Our effective income tax rate was 6.6% for the three months ended June 30, 2013, compared to 12.0% for the three months ended June 30, 2012. The effective income tax rate for the three months ended June 30, 2013 and 2012, reflects a 17% statutory tax rate on our Singapore operations and a zero percent tax rate on our Macao gaming operations due to our income tax exemption in Macao, which, if not extended, will expire in December 2013. During July 2012, we requested an additional 5-year income tax exemption. We have recorded a valuation allowance related to deferred tax assets generated by operations in the U.S. and certain foreign jurisdictions; however, to the extent that the financial results of these operations improve and it becomes more-likely-than-not that these deferred tax assets or portion thereof are realizable, we will reduce the valuation allowances in the period such determination is made.

The net income attributable to our noncontrolling interests was $141.9 million for the three months ended June 30, 2013, compared to $45.8 million for the three months ended June 30, 2012. These amounts are primarily related to the noncontrolling interest of SCL.

Six Months Ended June 30, 2013 Compared to the Six Months Ended June 30, 2012

Operating Revenues

Our net revenues consisted of the following:

	Six Months Ended June 30,		
	2013	2012	Percent Change
	(Dollars in thousands)		
Casino	$ 5,410,183	$ 4,333,917	24.8%
Rooms	649,645	543,038	19.6%
Food and beverage	360,101	313,199	15.0%
Mall	193,454	165,158	17.1%
Convention, retail and other	249,111	246,551	1.0%
	6,862,494	5,601,863	22.5%
Less promotional allowances	(316,834)	(257,215)	(23.2)%
Total net revenues	$ 6,545,660	$ 5,344,648	22.5%

Consolidated net revenues were $6.55 billion for the six months ended June 30, 2013, an increase of $1.20 billion compared to $5.34 billion for the six months ended June 30, 2012. The increase in net revenues was driven by an increase of $905.6 million at Sands Cotai Central, with its progressive opening that commenced in April 2012, as well as an increase of $344.7 million at The Venetian Macao, primarily due to increased casino activity.

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Casino revenues increased $1.08 billion compared to the six months ended June 30, 2012. The increase is attributable to an increase of $814.8 million at Sands Cotai Central, due to its progressive opening, as well as a $343.6 million increase at The Venetian Macao, driven by increases in Non-Rolling Chip drop and Rolling Chip win percentage. These increases were partially offset by a $74.1 million decrease at Four Seasons Macao, driven by decreases in Rolling Chip volume and win percentage. The following table summarizes the results of our casino activity:

	Six Months Ended June 30, 2013	2012	Change
	(Dollars in thousands)		
Macao Operations:			
The Venetian Macao			
Total casino revenues	$ 1,579,090	$ 1,235,464	27.8%
Non-Rolling Chip drop	$ 2,927,717	$ 2,126,481	37.7%
Non-Rolling Chip win percentage	30.0%	30.6%	(0.6)pts
Rolling Chip volume	$ 23,508,883	$ 24,963,132	(5.8)%
Rolling Chip win percentage	3.49%	2.82%	0.67 pts
Slot handle	$ 2,341,207	$ 2,389,642	(2.0)%
Slot hold percentage	5.5%	5.4%	0.1 pts
Sands Cotai Central			
Total casino revenues	$ 1,064,312	$ 249,466	326.6%
Non-Rolling Chip drop	$ 2,263,537	$ 389,446	481.2%
Non-Rolling Chip win percentage	21.8%	21.5%	0.3 pts
Rolling Chip volume	$ 27,957,800	$ 6,820,630	309.9%
Rolling Chip win percentage	2.71%	3.12%	(0.41)pts
Slot handle	$ 2,478,094	$ 665,384	272.4%
Slot hold percentage	3.9%	4.0%	(0.1)pts
Four Seasons Macao			
Total casino revenues	$ 448,588	$ 522,697	(14.2)%
Non-Rolling Chip drop	$ 296,580	$ 196,887	50.6%
Non-Rolling Chip win percentage	32.3%	42.7%	(10.4)pts
Rolling Chip volume	$ 19,424,410	$ 21,910,479	(11.3)%
Rolling Chip win percentage	2.58%	2.92%	(0.34)pts
Slot handle	$ 366,407	$ 397,316	(7.8)%
Slot hold percentage	5.6%	5.7%	(0.1)pts
Sands Macao			
Total casino revenues	$ 589,866	$ 605,849	(2.6)%
Non-Rolling Chip drop	$ 1,586,091	$ 1,424,935	11.3%
Non-Rolling Chip win percentage	20.7%	20.5%	0.2 pts
Rolling Chip volume	$ 12,197,159	$ 12,598,279	(3.2)%
Rolling Chip win percentage	2.69%	3.17%	(0.48)pts
Slot handle	$ 1,343,677	$ 1,274,972	5.4%
Slot hold percentage	3.9%	4.3%	(0.4)pts
Singapore Operations:			
Marina Bay Sands			
Total casino revenues	$ 1,230,526	$ 1,251,513	(1.7)%
Non-Rolling Chip drop	$ 2,358,296	$ 2,372,503	(0.6)%
Non-Rolling Chip win percentage	23.3%	22.2%	1.1 pts
Rolling Chip volume	$ 32,578,931	$ 24,310,289	34.0%
Rolling Chip win percentage	2.52%	3.03%	(0.51)pts
Slot handle	$ 5,529,794	$ 5,481,704	0.9%
Slot hold percentage	5.0%	5.3%	(0.3)pts
U.S. Operations:			
Las Vegas Operating Properties			
Total casino revenues	$ 264,964	$ 253,293	4.6%
Table games drop	$ 1,057,722	$ 1,043,631	1.4%
Table games win percentage	21.5%	20.9%	0.6 pts
Slot handle	$ 970,536	$ 928,909	4.5%

Slot hold percentage	8.8%	8.7%	0.1 pts
Sands Bethlehem			
Total casino revenues	$ 232,837	$ 215,635	8.0%
Table games drop	$ 503,547	$ 419,928	19.9%
Table games win percentage	15.9%	14.6%	1.3 pts
Slot handle	$ 2,089,032	$ 2,046,227	2.1%
Slot hold percentage	7.1%	7.3%	(0.2)pts

In our experience, average win percentages remain steady when measured over extended periods of time, but can vary considerably within shorter time periods as a result of the statistical variances that are associated with games of chance in which large amounts are wagered.

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Room revenues increased $106.6 million compared to the six months ended June 30, 2012. The increase is attributable to an increase of $78.9 million at Sands Cotai Central, due to its progressive opening, a $15.4 million increase at our Las Vegas Operating Properties, driven by an increase in occupancy, and a $13.9 million increase at Marina Bay Sands, driven by an increase in average daily room rates. The suites at Sands Macao are primarily provided to casino patrons on a complimentary basis. The following table summarizes the results of our room activity:

	Six Months Ended June 30, 2013	2012	Change
	(Room revenues in thousands)		
Macao Operations:			
The Venetian Macao			
Total room revenues	$ 105,501	$ 108,873	(3.1)%
Occupancy rate	89.5%	90.1%	(0.6)pts
Average daily room rate	$ 229	$ 236	(3.0)%
Revenue per available room	$ 205	$ 213	(3.8)%
Sands Cotai Central			
Total room revenues	$ 94,201	$ 15,337	514.2%
Occupancy rate	69.0%	75.1%	(6.1)pts
Average daily room rate	$ 148	$ 141	5.0%
Revenue per available room	$ 102	$ 106	(3.8)%
Four Seasons Macao			
Total room revenues	$ 19,881	$ 19,011	4.6%
Occupancy rate	81.0%	77.8%	3.2 pts
Average daily room rate	$ 361	$ 358	0.8%
Revenue per available room	$ 292	$ 279	4.7%
Sands Macao			
Total room revenues	$ 11,974	$ 11,983	(0.1)%
Occupancy rate	94.9%	93.5%	1.4 pts
Average daily room rate	$ 244	$ 247	(1.2)%
Revenue per available room	$ 232	$ 231	0.4%
Singapore Operations:			
Marina Bay Sands			
Total room revenues	$ 171,118	$ 157,260	8.8%
Occupancy rate	99.0%	98.7%	0.3 pts
Average daily room rate	$ 379	$ 346	9.5%
Revenue per available room	$ 375	$ 341	10.0%
U.S. Operations:			
Las Vegas Operating Properties			
Total room revenues	$ 241,681	$ 226,236	6.8%
Occupancy rate	91.0%	84.8%	6.2 pts
Average daily room rate	$ 208	$ 209	(0.5)%
Revenue per available room	$ 189	$ 177	6.8%
Sands Bethlehem			
Total room revenues	$ 5,289	$ 4,338	21.9%
Occupancy rate	68.9%	56.2%	12.7 pts
Average daily room rate	$ 141	$ 141	%
Revenue per available room	$ 97	$ 79	22.8%

Food and beverage revenues increased $46.9 million compared to the six months ended June 30, 2012. The increase was primarily attributable to a $35.3 million increase at Sands Cotai Central, due to its progressive opening, as well as a $5.8 million increase at our Las Vegas Operating Properties, driven by an increase in banquet operations.

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Mall revenues increased $28.3 million compared to the six months ended June 30, 2012. The increase was primarily due to a $27.1 million increase at our Macao operating properties, driven by an increase in base rents as well as the progressive opening of Sands Cotai Central. For further information related to the financial performance of our malls, see Additional Information Regarding our Retail Mall Operations. The following table summarizes the results of our mall activity:

	Six Months Ended June 30,[1]		
	2013	2012	Change
	(Mall revenues in thousands)		
Macao Operations:			
The Grand Canal Shoppes at The Venetian Macao			
Total mall revenues	$ 67,270	$ 57,428	17.1%
Mall gross leasable area (in square feet)	759,077	806,897	(5.9)%
Occupancy	95.6%	91.6%	4.0 pts
Base rent per square foot	$ 150	$ 136	10.3%
Tenant sales per square foot	$ 1,357	$ 1,165	16.5%
The Shoppes at Sands Cotai Central[2]			
Total mall revenues	$ 16,624	$ 3,252	411.2%
Mall gross leasable area (in square feet)	210,143	50,635	315.0%
Occupancy	100.0%	100.0%	pts
Base rent per square foot	$ 121	$ 204	(40.7)%
The Shoppes at Four Seasons[3]			
Total mall revenues	$ 35,726	$ 31,806	12.3%
Mall gross leasable area (in square feet)	241,416	189,088	27.7%
Occupancy	89.9%	92.2%	(2.3)pts
Base rent per square foot	$ 155	$ 149	4.0%
Tenant sales per square foot	$ 4,661	$ 4,095	13.8%
Singapore Operations:			
The Shoppes at Marina Bay Sands[4]			
Total mall revenues	$ 72,548	$ 71,910	0.9%
Mall gross leasable area (in square feet)	640,648	629,734	1.7%
Occupancy	86.7%	97.2%	(10.5)pts
Base rent per square foot	$ 219	$ 199	10.1%
Tenant sales per square foot	$ 1,552	$ 1,313	18.2%
U.S. Operations:			
The Outlets at Sands Bethlehem[5]			
Total mall revenues	$ 1,286	$ 762	68.8%
Mall gross leasable area (in square feet)	134,907	129,216	4.4%
Occupancy	75.9%	65.3%	10.6 pts
Base rent per square foot	$ 22	$	%

(1) As GLA, occupancy, base rent per square foot and tenant sales per square foot are calculated as of June 30, 2013 and 2012, they are identical to the summary presented herein for the three months ended June 30, 2013 and 2012, respectively.
(2) Phases I and II of The Shoppes at Sands Cotai Central opened in April and September 2012, respectively.
(3) In November 2012, The Shoppes at Four Seasons expanded the duty-free luxury shops, resulting in approximately 52,000 square feet of additional gross leasable space.
(4) The decrease in occupancy at The Shoppes at Marina Bay Sands is due to an ongoing repositioning of the mall that will bring in several new key luxury tenants. Approximately 56,000 square feet of gross leasable area is currently undergoing new fit-out and is not considered occupied as of June 30, 2013.
(5) A progressive opening of The Outlets at Sands Bethlehem began in November 2011. Base rent per square foot for the six months ended June 30, 2012, and tenant sales per square foot for the six months ended June 30, 2013 and 2012, are excluded from the table as certain co-tenancy requirements were not met during 2012 as the mall was only partially occupied.

Operating Expenses

The breakdown of operating expenses is as follows:

	Six Months Ended June 30,		
	2013	2012	Percent Change
	(Dollars in thousands)		
Casino	$ 3,046,000	$ 2,395,009	27.2%
Rooms	134,375	113,299	18.6%
Food and beverage	186,025	160,274	16.1%
Mall	35,405	34,099	3.8%
Convention, retail and other	158,943	157,927	0.6%
Provision for doubtful accounts	126,737	110,592	14.6%
General and administrative	598,283	477,755	25.2%
Corporate	102,753	107,547	(4.5)%
Pre-opening	7,868	94,931	(91.7)%
Development	11,353	7,995	42.0%
Depreciation and amortization	503,605	415,187	21.3%
Amortization of leasehold interests in land	20,275	20,002	1.4%
Impairment loss		143,674	(100.0)%
Loss on disposal of assets	6,694	1,075	522.7%
Total operating expenses	$ 4,938,316	$ 4,239,366	16.5%

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Operating expenses were $4.94 billion for the six months ended June 30, 2013, an increase of $699.0 million compared to $4.24 billion for the six months ended June 30, 2012. The increase in operating expenses was primarily attributable to the progressive opening of Sands Cotai Central that commenced in April 2012.

Casino expenses increased $651.0 million compared to the six months ended June 30, 2012. Of the increase, $472.7 million was attributable to the 39.0% gross win tax on increased casino revenues across all of our Macao properties, as well as a $139.6 million increase in additional casino expenses at Sands Cotai Central.

Rooms and food and beverage expenses increased $21.1 million and $25.8 million, respectively, compared to the six months ended June 30, 2012. The increases were driven by the associated increases in the related revenues described above.

The provision for doubtful accounts was $126.7 million for the six months ended June 30, 2013, compared to $110.6 million for the six months ended June 30, 2012. The amount of this provision can vary over short periods of time because of factors specific to the customers who owe us money from gaming activities at any given time. We believe that the amount of our provision for doubtful accounts in the future will depend upon the state of the economy, our credit standards, our risk assessments and the judgment of our employees responsible for granting credit.

General and administrative expenses increased $120.5 million compared to the six months ended June 30, 2012. The increase was primarily attributable to a $79.4 million increase at Sands Cotai Central, as well as a $20.5 million increase at The Venetian Macao, driven by an increase in advertising expense.

Pre-opening expenses were $7.9 million for the six months ended June 30, 2013, compared to $94.9 million for the six months ended June 30, 2012. Pre-opening expense represents personnel and other costs incurred prior to the opening of new ventures, which are expensed as incurred. Pre-opening expenses for the six months ended June 30, 2013 and 2012, were primarily related to activities at Sands Cotai Central. Development expenses include the costs associated with the Company s evaluation and pursuit of new business opportunities, which are also expensed as incurred.

Depreciation and amortization expense increased $88.4 million compared to the six months ended June 30, 2012. The increase was primarily attributable to a $99.5 million increase at Sands Cotai Central, partially offset by decreases at our Las Vegas Operating Properties and our other Macao operating properties due to certain assets being fully depreciated.

The impairment loss of $143.7 million for the six months ended June 30, 2012, consisted primarily of a $100.7 million write-off of capitalized construction costs related to our Cotai Strip parcels 7 and 8 in Macao and a $42.9 million impairment due to the termination of the ZAiA show at The Venetian Macao.

Adjusted Property EBITDA

The following table summarizes information related to our segments (see Item 1 Financial Statements Notes to Condensed Consolidated Financial Statements Note 10 Segment Information for discussion of our operating segments and a reconciliation of adjusted property EBITDA to net income):

	Six Months Ended June 30,		
	2013	2012	Percent Change
	(Dollars in thousands)		
Macao:			
The Venetian Macao	$ 709,346	$ 511,174	38.8%
Sands Cotai Central	277,668	51,838	435.6%
Four Seasons Macao	115,361	144,106	(19.9)%
Sands Macao	184,940	178,260	3.7%
Other Asia	(5,724)	(11,677)	51.0%
	1,281,591	873,701	46.7%
Marina Bay Sands	752,130	802,924	(6.3)%
United States:			

Las Vegas Operating Properties	176,397	180,156	(2.1)%
Sands Bethlehem	63,435	54,419	16.6%
	239,832	234,575	2.2%
Total adjusted property EBITDA	$ 2,273,553	$ 1,911,200	19.0%

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Adjusted property EBITDA at our Macao operations increased $407.9 million compared to the six months ended June 30, 2012. The increase was primarily attributable to a $225.8 million increase at Sands Cotai Central, due to its progressive opening that commenced in April 2012, as well as a $198.2 million increase at The Venetian Macao, driven by an increase in casino activity.

Adjusted property EBITDA at Marina Bay Sands decreased $50.8 million compared to the six months ended June 30, 2012. The decrease was primarily attributable to a $21.0 million decrease in casino revenues, driven by a decrease in Rolling Chip win percentage, and a $24.5 million increase in casino expenses.

Adjusted property EBITDA at our Las Vegas Operating Properties remained relatively unchanged compared to the six months ended June 30, 2012. Net revenues increased $37.4 million (excluding intersegment royalty revenue), but was offset by increases in the associated operating expenses.

Adjusted property EBITDA at Sands Bethlehem increased $9.0 million compared to the six months ended June 30, 2012. The increase was primarily attributable to a $19.0 million increase in net revenues, driven by an increase in casino revenues, partially offset by increases in the associated operating expenses.

Interest Expense

The following table summarizes information related to interest expense on long-term debt:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(Dollars in thousands)	
Interest cost (which includes the amortization of deferred financing costs and original issue discount)	$ 131,989	$ 156,047
Add - imputed interest on deferred proceeds from sale of The Shoppes at The Palazzo	7,580	7,555
Less - capitalized interest	(2,361)	(34,397)
Interest expense, net	$ 137,208	$ 129,205
Cash paid for interest	$ 107,655	$ 157,709
Weighted average total debt balance	$ 9,942,247	$ 9,926,923
Weighted average interest rate	2.7%	3.1%

Interest cost decreased $24.1 million compared to the six months ended June 30, 2012, resulting primarily from a decrease in our weighted average interest rate. Capitalized interest decreased $32.0 million compared to the six months ended June 30, 2012, primarily due to the completion of phases I, IIA and IIB of Sands Cotai Central in April and September 2012 and January 2013, respectively.

Other Factors Effecting Earnings

Other income was $1.8 million for the six months ended June 30, 2013, compared to other expense of $1.6 million for the six months ended June 30, 2012. The amounts in both periods were primarily attributable to foreign exchange gains and losses, as well as changes in the fair value of our interest rate cap agreements.

The loss on modification or early retirement of debt of $19.2 million for the six months ended June 30, 2012, was primarily due to a $13.1 million loss related to the refinancing of our Singapore credit facility in June 2012.

Our effective income tax rate was 7.0% for the six months ended June 30, 2013, compared to 10.6% for the six months ended June 30, 2012. The effective income tax rate for the six months ended June 30, 2013 and 2012, reflects a 17% statutory tax rate on our Singapore operations and a zero percent tax rate on our Macao gaming operations due to our income tax exemption in Macao, which, if not extended, will expire in December 2013. During July 2012, we requested an additional 5-year income tax exemption. We have recorded a valuation allowance related to deferred tax assets generated by operations in the U.S. and certain foreign jurisdictions; however, to the extent that the financial results of these operations improve and it becomes more-likely-than-not that these deferred tax assets or portion thereof are realizable, we will reduce the valuation allowances in the period such determination is made.

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The net income attributable to our noncontrolling interests was $273.9 million for the six months ended June 30, 2013, compared to $126.0 million for the six months ended June 30, 2012. These amounts are primarily related to the noncontrolling interest of SCL.

Additional Information Regarding our Retail Mall Operations

We own and operate retail malls at our integrated resorts at The Venetian Macao, Four Seasons Macao, Sands Cotai Central, Marina Bay Sands and Sands Bethlehem. Management believes that being in the retail mall business and, specifically, owning some of the largest retail properties in Asia will provide meaningful value for us, particularly as the retail market in Asia continues to grow.

Our malls are designed to complement our other unique amenities and service offerings provided by our integrated resorts. Our strategy is to seek out desirable tenants that appeal to our customers and provide a wide variety of shopping options. We generate our mall revenues primarily from leases with tenants through minimum base rents, overage rents, management fees and reimbursements for common area maintenance (CAM) and other expenditures.

The following tables summarize the results of our mall operations for the three and six months ended June 30, 2013 and 2012 (in thousands):

	The Grand Canal Shoppes at The Venetian Macao	The Shoppes at Four Seasons	The Shoppes at Sands Cotai Central[1]	The Shoppes at Marina Bay Sands	The Outlets at Sands Bethlehem[2]	Total
For the three months ended June 30, 2013						
Mall revenues:						
Minimum rents[3]	$ 24,493	$ 16,789	$ 5,743	$ 24,742	$ 267	$ 72,034
Overage rents	6,572	6,833	1,110	2,919	430	17,864
CAM, levies and management fees	6,348	1,814	1,841	8,092		18,095
Total mall revenues	37,413	25,436	8,694	35,753	697	107,993
Mall operating expenses:						
Common area maintenance	4,348	1,373	1,391	6,746	328	14,186
Management fees and other direct operating expenses	1,673	316	211	1,610	151	3,961
Mall operating expenses	6,021	1,689	1,602	8,356	479	18,147
Property taxes[4]				1,790	267	2,057
Provision for (recovery of) doubtful accounts	(395)	35	(140)	(24)		(524)
Mall-related expenses[5]	5,626	1,724	1,462	10,122	746	19,680
For the three months ended June 30, 2012						
Mall revenues:						
Minimum rents[3]	$ 19,925	$ 5,578	$ 2,096	$ 27,457	$ 315	$ 55,371
Overage rents	5,978	14,347		2,110	136	22,571
CAM, levies and management fees	5,410	1,422	1,156	7,810		15,798
Total mall revenues	31,313	21,347	3,252	37,377	451	93,740
Mall operating expenses:						
Common area maintenance	4,134	1,016	508	6,302	263	12,223
Management fees and other direct operating expenses	1,714	603	669	2,549	40	5,575

Mall operating expenses	5,848	1,619	1,177	8,851	303	17,798
Property taxes[4]				1,361	116	1,477
Provision for (recovery of) doubtful accounts	89	188	22	12		311
Mall-related expenses[5]	5,937	1,807	1,199	10,224	419	19,586

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	The Grand Canal Shoppes at The Venetian Macao	The Shoppes at Four Seasons	The Shoppes at Sands Cotai Central[1]	The Shoppes at Marina Bay Sands	The Outlets at Sands Bethlehem[2]	Total
For the six months ended June 30, 2013						
Mall revenues:						
Minimum rents[3]	$ 48,098	$ 24,334	$ 11,521	$ 51,240	$ 536	$ 135,729
Overage rents	7,247	7,821	1,428	5,412	750	22,658
CAM, levies and management fees	11,925	3,571	3,675	15,896		35,067
Total mall revenues	67,270	35,726	16,624	72,548	1,286	193,454
Mall operating expenses:						
Common area maintenance	7,865	2,552	2,711	13,276	597	27,001
Management fees and other direct operating expenses	3,508	743	546	3,346	261	8,404
Mall operating expenses	11,373	3,295	3,257	16,622	858	35,405
Property taxes[4]				3,600	530	4,130
Provision for (recovery of) doubtful accounts	(419)	155	(122)	(3)		(389)
Mall-related expenses[5]	10,954	3,450	3,135	20,219	1,388	39,146
For the six months ended June 30, 2012						
Mall revenues:						
Minimum rents[3]	$ 38,519	$ 10,748	$ 2,096	$ 53,706	$ 519	$ 105,588
Overage rents	8,543	18,422		3,160	242	30,367
CAM, levies and management fees	10,366	2,636	1,156	15,045		29,203
Total mall revenues	57,428	31,806	3,252	71,911	761	165,158
Mall operating expenses:						
Common area maintenance	7,770	1,947	508	12,223	484	22,932
Management fees and other direct operating expenses	3,785	1,325	669	5,306	82	11,167
Mall operating expenses	11,555	3,272	1,177	17,529	566	34,099
Property taxes[4]				2,692	287	2,979
Provision for (recovery of) doubtful accounts	(144)	339	22	12		229
Mall-related expenses[5]	11,411	3,611	1,199	20,233	853	37,307

(1) Phases I and II of The Shoppes at Sands Cotai Central opened in April and September 2012, respectively.
(2) Revenues from CAM, levies and management fees are included in minimum rents for The Outlets at Sands Bethlehem.
(3) Minimum rents include base rents and straight-line adjustments of base rents.
(4) Our malls in Macao were exempt from property tax for the three and six months ended June 30, 2013 and 2012. Commercial property that generates rental income is exempt from property tax for the first six years for newly constructed buildings in Cotai. We are currently in the process of requesting an extension from the Macao government on the property tax exemption and the exact date of expiration currently cannot be determined.
(5) Mall-related expenses consist of CAM, management fees and other direct operating expenses, property taxes and provision for (recovery of) doubtful accounts, but excludes depreciation and amortization and general and administrative costs.

It is common in the mall operating industry for companies to disclose mall net operating income (NOI) as a useful supplemental measure of a mall s operating performance. In the tables above, we believe that taking total mall revenues less mall- related expenses provides an operating performance measure for our malls. Other mall operating companies may use different methodologies for deriving mall-related expenses. As such, this calculation may not be comparable to the NOI of other mall operating companies.

Because NOI excludes general and administrative expenses, interest expense, impairment losses, depreciation and amortization, gains and losses from property dispositions, allocations to noncontrolling interests and provision for income taxes, it provides a performance measure that, when compared year over year, reflects the revenues and expenses directly associated with owning and operating commercial real estate properties and the impact on operations from trends in occupancy rates, rental rates and operating costs.

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Development Projects

Macao

We submitted plans to the Macao government for The Parisian Macao, an integrated resort that will be connected to The Venetian Macao and Four Seasons Macao. The Parisian Macao, which is currently expected to open in late 2015, is intended to include a gaming area (to be operated under our gaming subconcession), hotel and shopping mall. We expect the cost to design, develop and construct The Parisian Macao to be approximately $2.7 billion, inclusive of payments made for the land premium. We commenced construction activities and have capitalized costs of $195.4 million, including the land premium (net of amortization), as of June 30, 2013. In addition, we will be completing the development of some public areas surrounding our Cotai Strip properties on behalf of the Macao government.

As of June 30, 2013, we have capitalized an aggregate of $8.65 billion in construction costs and land premiums (net of amortization) for our Cotai Strip developments, which include The Venetian Macao, Sands Cotai Central, Four Seasons Macao and The Parisian Macao, as well as our investments in transportation infrastructure, including our passenger ferry service operations. In addition to funding phases I and II of Sands Cotai Central with borrowings under our $3.7 billion Macao credit facility, we may need to arrange additional financing to fund the balance of our Cotai Strip developments.

Land concessions in Macao generally have an initial term of 25 years with automatic extensions of 10 years thereafter in accordance with Macao law. We have received land concessions from the Macao government to build on parcels 1, 2, 3 and 5 and 6, including the sites on which The Venetian Macao, Sands Cotai Central and Four Seasons Macao are, and The Parisian Macao will be, located. We do not own these land sites in Macao; however, the land concessions grant us exclusive use of the land. As specified in the land concessions, we are required to pay premiums for each parcel, which are either payable in a single lump sum upon acceptance of the land concessions by the Macao government or in seven semi-annual installments, as well as annual rent for the term of the land concessions.

Under our land concession for Sands Cotai Central, we are required to complete the development by May 2014. We will be applying for an extension from the Macao government to complete Sands Cotai Central, as we will be unable to meet the May 2014 deadline. The land concession for The Parisian Macao contains a similar requirement, which was extended by the Macao government in July 2012, that the development be completed by April 2016. Should we determine that we are unable to complete The Parisian Macao by April 2016, we would then also expect to apply for another extension from the Macao government. If we are unable to meet The Parisian Macao deadline and the deadlines for either development are not extended, we could lose our land concessions for Sands Cotai Central or The Parisian Macao, which would prohibit us from operating any facilities developed under the respective land concessions. As a result, we could record a charge for all or some portion of the $4.07 billion or $195.4 million in capitalized construction costs and land premiums (net of amortization), as of June 30, 2013, related to Sands Cotai Central and The Parisian Macao, respectively.

United States

We were constructing a high-rise residential condominium tower (the Las Vegas Condo Tower), located on the Las Vegas Strip between The Palazzo and The Venetian Las Vegas. We suspended our construction activities for the project due to reduced demand for Las Vegas Strip condominiums and the overall decline in general economic conditions. We intend to recommence construction when demand and conditions improve. As of June 30, 2013, we have capitalized construction costs of $178.8 million for this project. The impact of the suspension on the estimated overall cost of the project is currently not determinable with certainty. Should demand and conditions fail to improve or management decide to abandon the project, we could record a charge for all or some portion of the $178.8 million in capitalized construction costs as of June 30, 2013.

Other

We continue to aggressively pursue a variety of new development opportunities around the world.

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Liquidity and Capital Resources

Cash Flows Summary

Our cash flows consisted of the following:

	Six Months Ended June 30, 2013	2012
	(In thousands)	
Net cash generated from operating activities	$ 2,024,207	$ 1,418,319
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(532)	(454)
Capital expenditures	(394,015)	(735,512)
Proceeds from disposal of property and equipment	1,716	1,478
Acquisition of intangible assets	(45,857)	
Net cash used in investing activities	(438,688)	(734,488)
Cash flows from financing activities:		
Proceeds from exercise of stock options	22,835	25,556
Proceeds from exercise of warrants		526,398
Excess tax benefits from stock-based compensation	3,107	
Dividends paid	(988,898)	(767,642)
Distributions to noncontrolling interests	(4,713)	(5,095)
Proceeds from long-term debt	80,496	3,625,516
Repayments on long-term debt	(688,431)	(4,382,790)
Payments of deferred financing costs		(100,142)
Net cash used in financing activities	(1,575,604)	(1,078,199)
Effect of exchange rate on cash	(8,540)	13,650
Increase (decrease) in cash and cash equivalents	$ 1,375	$ (380,718)

Cash Flows Operating Activities

Table games play at our properties is conducted on a cash and credit basis. Slot machine play is primarily conducted on a cash basis. The retail hotel rooms business is generally conducted on a cash basis, the group hotel rooms business is conducted on a cash and credit basis, and banquet business is conducted primarily on a credit basis resulting in operating cash flows being generally affected by changes in operating income and accounts receivable. Net cash generated from operating activities for the six months ended June 30, 2013, increased $605.9 million compared to the six months ended June 30, 2012. The increase was primarily attributable to the increase in operating cash flows generated from our Macao operations.

Cash Flows Investing Activities

Capital expenditures for the six months ended June 30, 2013, totaled $394.0 million, including $243.9 million for construction and development activities in Macao (primarily for phase IIB of Sands Cotai Central, which was completed in January 2013), $97.0 million in Singapore; $27.3 million at our Las Vegas Operating Properties and $25.8 million for corporate and other activities. Additionally, during the six months ended June 30, 2013, we paid SGD 57.0 million (approximately $45.1 million at exchange rates in effect on June 30, 2013) to renew our Singapore gaming license.

Cash Flows Financing Activities

Net cash flows used in financing activities were $1.58 billion for the six months ended June 30, 2013, which was primarily attributable to $988.9 million in dividend payments, repayments of $406.9 million on our 2012 Singapore Revolving Facility and repayments of $276.5 million on our Senior Secured Credit Facility.

As of June 30, 2013, we had $1.19 billion available for borrowing under our U.S., Macao and Singapore credit facilities, net of letters of credit and outstanding banker s guarantees.

Development Financing Strategy

Through June 30, 2013, we have funded our development projects primarily through borrowings under our U.S., Macao and Singapore credit facilities, operating cash flows, proceeds from our equity offerings and proceeds from the disposition of non-core assets.

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The U.S. credit facility requires our Las Vegas operations to comply with certain financial covenants at the end of each quarter, including maintaining a maximum leverage ratio of net debt, as defined, to trailing twelve-month adjusted earnings before interest, income taxes, depreciation and amortization, as defined (Adjusted EBITDA). The maximum leverage ratio is 5.0x for all quarterly periods through maturity. We can elect to contribute up to $50 million of cash on hand to our Las Vegas operations on a bi-quarterly basis; such contributions having the effect of increasing Adjusted EBITDA during the applicable quarter for purposes of calculating compliance with the maximum leverage ratio. Our Macao credit facility also requires our Macao operations to comply with similar financial covenants, including maintaining a maximum leverage ratio of debt to Adjusted EBITDA. The maximum leverage ratio is 4.5x for the quarterly period ended June 30, 2013, decreases to 4.0x for the quarterly periods ending September 30, 2013 through December 31, 2014, decreases to 3.5x for the quarterly periods ending March 31 through December 31, 2015, and then decreases to, and remains at, 3.0x for all quarterly periods thereafter through maturity. Our Singapore credit facility requires operations of Marina Bay Sands to comply with similar financial covenants, including maintaining a maximum leverage ratio of debt to Adjusted EBITDA. The maximum leverage ratio is 4.0x for the quarterly periods ending June 30 through September 30, 2013, decreases to 3.5x for the quarterly periods ending December 31, 2013 through December 31, 2014, and then decreases to, and remains at, 3.0x for all quarterly periods thereafter through maturity. As of June 30, 2013, our U.S., Macao and Singapore leverage ratios were 0.9x, 1.3x, 3.0x, respectively, compared to the maximum leverage ratios allowed of 5.0x, 4.5x and 4.0x, respectively. If we are unable to maintain compliance with the financial covenants under these credit facilities, we would be in default under the respective credit facilities. A default under the U.S. credit facility would trigger a cross-default under our airplane financings. Any defaults or cross-defaults under these agreements would allow the lenders, in each case, to exercise their rights and remedies as defined under their respective agreements. If the lenders were to exercise their rights to accelerate the due dates of the indebtedness outstanding, there can be no assurance that we would be able to repay or refinance any amounts that may become due and payable under such agreements, which could force us to restructure or alter our operations or debt obligations.

We held unrestricted cash and cash equivalents of approximately $2.51 billion and restricted cash and cash equivalents of approximately $7.0 million as of June 30, 2013, of which approximately $2.10 billion of the unrestricted amount is held by non-U.S. subsidiaries. Of the $2.10 billion, approximately $1.60 billion is available to be repatriated to the U.S. with minimal taxes owed on such amounts due to the significant foreign taxes we paid, which would ultimately generate U.S. foreign tax credits if cash is repatriated. The remaining unrestricted amounts are not available for repatriation primarily due to dividend requirements to third party public shareholders in the case of funds being repatriated from SCL. We believe the cash on hand and cash flow generated from operations will be sufficient to maintain compliance with the financial covenants of our credit facilities. We may need to arrange additional financing to fund the balance of our Cotai Strip developments.

In the normal course of our activities, we will continue to evaluate our capital structure and opportunities for enhancements thereof. During the six months ended June 30, 2013, we repaid the outstanding balance under our 2012 Singapore Revolving Facility and repaid $200 million under our Senior Secured Extended Revolving Facility.

On February 28 and June 21, 2013, SCL paid a dividend of 0.67 Hong Kong dollars (HKD) and HKD 0.66 per share, respectively (a total of $1.38 billion) to SCL shareholders (of which we retained $970.2 million). On March 29 and June 28, 2013, we paid a dividend of $0.35 per common share as part of a regular cash dividend program. During the six months ended June 30, 2013, we recorded $577.7 million as a distribution against retained earnings (of which $302.1 million related to our Principal Stockholder s family). In July 2013, our Board of Directors declared a quarterly dividend of $0.35 per common share (a total estimated to be approximately $289 million) to be paid on September 30, 2013, to shareholders of record on September 20, 2013. We expect this level of dividend to continue quarterly through the remainder of 2013.

In June 2013, our Board of Directors approved a share repurchase program, which expires in June 2015, with an initial authorization of $2.0 billion. Repurchases of our common stock are made at our discretion in accordance with applicable federal securities laws in the open market or otherwise. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including our financial position, earnings, legal requirements, other investment opportunities and market conditions. During June 2013, we repurchased 883,046 shares of our common stock for $46.6 million (including commissions) under this program. All share repurchases of our common stock have been recorded as treasury shares.

Aggregate Indebtedness and Other Known Contractual Obligations

As of June 30, 2013, there had been no material changes to our aggregated indebtedness and other known contractual obligations, which are set forth in the table included in our Annual Report on Form 10-K for the year ended December 31, 2012, with the exception of the following:

repayment of $327.6 million outstanding balance under our 2012 Singapore Revolving Facility (which would have matured in December 2017 with no interim amortization); and

repayment of $200.0 million under our Senior Secured Extended Revolving Facility (which would have matured in May 2014 with no interim amortization).

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Restrictions on Distributions

We are a parent company with limited business operations. Our main asset is the stock and membership interests of our subsidiaries. The debt instruments of our U.S., Macao and Singapore subsidiaries contain certain restrictions that, among other things, limit the ability of certain subsidiaries to incur additional indebtedness, issue disqualified stock or equity interests, pay dividends or make other distributions, repurchase equity interests or certain indebtedness, create certain liens, enter into certain transactions with affiliates, enter into certain mergers or consolidations or sell our assets of our company without prior approval of the lenders or noteholders.

Inflation

We believe that inflation and changing prices have not had a material impact on our sales, revenues or income from continuing operations during the past year.

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include the discussions of our business strategies and expectations concerning future operations, margins, profitability, liquidity and capital resources. In addition, in certain portions included in this report, the words: anticipates, believes, estimates, seeks, expects, plans, intends and similar expressions, as they relate to our company or management, are intended to ide forward-looking statements. Although we believe that these forward-looking statements are reasonable, we cannot assure you that any forward-looking statements will prove to be correct. These forward- looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the risks associated with:

- general economic and business conditions in the U.S. and internationally, which may impact levels of disposable income, consumer spending, group meeting business, pricing of hotel rooms and retail and mall sales;
- our substantial leverage, debt service and debt covenant compliance (including the pledge of our assets as security for our indebtedness);
- disruptions in the global financing markets and our ability to obtain sufficient funding for our current and future developments;
- the extensive regulations to which we are subject to and the costs of compliance with such regulations;
- increased competition for labor and materials due to other planned construction projects in Macao and quota limits on the hiring of foreign workers;
- the impact of the suspensions of certain of our development projects and our ability to meet certain development deadlines;
- the uncertainty of tourist behavior related to discretionary spending and vacationing at casino-resorts in Macao, Singapore, Las Vegas and Pennsylvania;
- regulatory policies in mainland China or other countries in which our customers reside, including visa restrictions limiting the number of visits or the length of stay for visitors from mainland China to Macao, restrictions on foreign currency exchange or importation of currency, and the judicial enforcement of gaming debts;

our dependence upon properties primarily in Macao, Singapore and Las Vegas for all of our cash flow;

our relationship with GGP or any successor owner of The Shoppes at The Palazzo and The Grand Canal Shoppes;

new developments, construction and ventures, including our Cotai Strip developments;

the passage of new legislation and receipt of governmental approvals for our proposed developments in Macao and other jurisdictions where we are planning to operate;

our insurance coverage, including the risk that we have not obtained sufficient coverage or will only be able to obtain additional coverage at significantly increased rates;

disruptions or reductions in travel due to acts of terrorism;

disruptions or reductions in travel, as well as disruptions in our operations, due to natural or man-made disasters, outbreaks of infectious diseases, such as avian flu, SARS and H1N1 flu, terrorist activity or war;

government regulation of the casino industry (as well as new laws and regulations and changes to existing laws and regulations), including gaming license regulation, the requirement for certain beneficial owners of our securities to be found suitable by gaming authorities, the legalization of gaming in other jurisdictions and regulation of gaming on the Internet;

increased competition in Macao and Las Vegas, including recent and upcoming increases in hotel rooms, meeting and convention space, retail space and potential additional gaming licenses;

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- fluctuations in the demand for all-suites rooms, occupancy rates and average daily room rates in Macao, Singapore and Las Vegas;
- the popularity of Macao, Singapore and Las Vegas as convention and trade show destinations;
- new taxes, changes to existing tax rates or proposed changes in tax legislation;
- our ability to maintain our gaming licenses, certificate and subconcession;
- the continued services of our key management and personnel;
- any potential conflict between the interests of our Principal Stockholder and us;
- the ability of our subsidiaries to make distribution payments to us;
- our failure to maintain the integrity of our internal or customer data;
- the completion of infrastructure projects in Macao and Singapore; and
- the outcome of any ongoing and future litigation.

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. Readers are cautioned not to place undue reliance on these forward-looking statements. We assume no obligation to update any forward-looking statements after the date of this report as a result of new information, future events or developments, except as required by federal securities laws.

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ITEM 3 ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our variable rate long-term debt, which we attempt to manage through the use of interest rate cap agreements. We do not hold or issue financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions. Our derivative financial instruments consist exclusively of interest rate cap agreements, which do not qualify for hedge accounting. Interest differentials resulting from these agreements are recorded on an accrual basis as an adjustment to interest expense.

To manage exposure to counterparty credit risk in interest rate cap agreements, we enter into agreements with highly rated institutions that can be expected to fully perform under the terms of such agreements. Frequently, these institutions are also members of the bank group providing our credit facilities, which management believes further minimizes the risk of nonperformance.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts and weighted average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on June 30, 2013, LIBOR, HIBOR and SOR plus the applicable interest rate spread in accordance with the respective debt agreements. The information is presented in U.S. dollar equivalents, which is the Company s reporting currency, for the twelve months ending June 30:

	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value(1)
				(Dollars in millions)				
LIABILITIES								
Long-term debt								
Fixed rate	$ 0.9	$ 0.6	$	$	$	$	$ 1.5	$ 1.5
Average interest rate(2)	5.0%	5.0%	%	%	%	%	5.0%	
Variable rate	$ 974.6	$ 1,020.1	$ 2,148.5	$ 3,935.4	$ 1,381.9	$	$ 9,460.5	$ 9,396.0
Average interest rate(2)	1.8%	1.9%	1.9%	2.2%	1.9%	%	2.0%	
ASSETS								
Cap agreements(3)	$	$ 0.1	$ 0.2	$	$	$	$ 0.3	$ 0.3

(1) The estimated fair values are based on quoted market prices, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates.

(2) Based upon contractual interest rates for fixed rate indebtedness or current LIBOR, HIBOR and SOR for variable-rate indebtedness. Based on variable-rate debt levels as of June 30, 2013, an assumed 100 basis point change in LIBOR, HIBOR and SOR would cause our annual interest cost to change approximately $94.5 million.

(3) As of June 30, 2013, we have 24 interest rate cap agreements with an aggregate fair value of approximately $0.3 million based on quoted market values from the institutions holding the agreements.

Borrowings under the U.S. credit facility bear interest, at our election, at either an adjusted Eurodollar rate or at an alternative base rate plus a credit spread. The portions of the revolving facility and term loans that were not extended bear interest at the alternative base rate plus 0.25% per annum or 0.5% per annum, respectively, or at the adjusted Eurodollar rate plus 1.25% per annum or 1.5% per annum, respectively. The extended revolving facility and extended term loans bear interest at the alternative base rate plus 1.0% per annum or 1.5% per annum, respectively, or at the adjusted Eurodollar rate plus 2.0% per annum or 2.5% per annum, respectively. Applicable spreads under the U.S. credit facility are subject to downward adjustments based upon our credit rating. Borrowings under the 2011 VML Credit Facility bear interest at either the adjusted Eurodollar rate or an alternative base rate (in the case of U.S. dollar denominated loans) or HIBOR (in the case of Hong Kong dollar and Macao pataca denominated loans), as applicable, plus a spread of 1.5% per annum to 2.25% per annum based on a specified consolidated leverage. Borrowings under the 2012 Singapore Credit Facility bear interest at SOR plus a spread of 1.85% per annum, which spread is subject to a reduction based on a ratio of debt to Adjusted EBITDA. Borrowings under the airplane financings bear interest at LIBOR plus approximately 1.5% per annum.

Foreign currency transaction gains for the six months ended June 30, 2013, were $1.6 million. We may be vulnerable to changes in the U.S. dollar/pataca exchange rate. Based on balances as of June 30, 2013, an assumed 1% change in the U.S. dollar/pataca exchange rate would cause a foreign currency transaction gain/loss of approximately $14.9 million. We do not hedge our exposure to foreign currencies; however, we maintain a significant amount of our operating funds in the same currencies in which we have obligations thereby reducing our exposure to currency fluctuations.

See also Liquidity and Capital Resources.

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ITEM 4 ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to the Company s management, including its principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. The Company s Chief Executive Officer and its Chief Accounting Officer and Global Controller (Principal Financial Officer) have evaluated the disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) of the Company as of June 30, 2013, and have concluded that they are effective at the reasonable assurance level.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that had, or was reasonably likely to have, a material effect on the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 ***LEGAL PROCEEDINGS***

The Company is party to litigation matters and claims related to its operations. For more information, see the Company s Annual Report on Form 10-K for the year ended December 31, 2012, and Part I Item 1 Financial Statements Notes to Condensed Consolidated Financial Statements Note 9 Commitments and Contingencies of this Quarterly Report on Form 10-Q.

ITEM 1A ***RISK FACTORS***

There have been no material changes from the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 2 ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

The following table provides information about share repurchases made by the Company of its common stock during the quarter ended June 30, 2013:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)(2)
June 1, 2013 June 30, 2013	883,046	$ 52.71	883,046	$ 1,953,452

(1) Calculated excluding commissions.
(2) On June 5, 2013, the Company announced a stock repurchase program pursuant to which the Company has been authorized to repurchase up to $2.0 billion of its outstanding common stock. As of June 30, 2013, approximately $1.95 billion of shares remained available for repurchase. The stock repurchase program will expire on June 5, 2015. All repurchases under the stock repurchase program are made from time to time at the Company s discretion in accordance with applicable federal securities laws. All share repurchases of the Company s common stock have been recorded as treasury shares.

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ITEM 5 ***OTHER INFORMATION***

Effective July 31, 2013, the Company terminated Kenneth J. Kay s employment as the Company s Executive Vice President and Chief Financial Officer.

On July 10, 2013, the Company and Mr. Kay entered into a Separation Agreement and General Release (the Separation Agreement), pursuant to which Mr. Kay will receive (a) one year s salary ($1,189,760), subject to applicable taxes and payroll deductions, (b) COBRA health care benefits for himself and his dependents ($18,000) and executive health coverage for Mr. Kay and his dependents for one year or until newly employed, (c) a prorated bonus for 2013, when (and if) such bonuses are paid, (d) life insurance premiums for one year of coverage at the existing level and (e) moving expenses. Any unvested stock options previously granted to Mr. Kay will be cancelled.

On July 10, 2013, the Company and Mr. Kay also entered into a Consultancy Agreement pursuant to which Mr. Kay will provide transition services as needed from August 1, 2013 through January 31, 2014, unless earlier terminated. Mr. Kay will receive payments of $50,000 per month under the Consultancy Agreement.

The foregoing descriptions of certain provisions of the Separation Agreement and the Consultancy Agreement do not purport to be complete and are qualified in their entirety by reference to the full texts of the Separation Agreement filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and the Consultancy Agreement included as Attachment A to the Separation Agreement, each of which are incorporated herein by reference.

ITEM 6 ***EXHIBITS***

List of Exhibits

Exhibit No.	Description of Document
10.1	Separation Agreement and General Release, dated as of the Effective Date (as defined therein) between Kenneth J. Kay and Las Vegas Sands Corp. (including as Attachment A thereto, the Consultancy Agreement, entered into as of July 10, 2013, between Las Vegas Sands Corp. and Kenneth J. Kay).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer of Las Vegas Sands Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer of Las Vegas Sands Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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LAS VEGAS SANDS CORP.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

	LAS VEGAS SANDS CORP.
August 9, 2013	By: /s/ Sheldon G. Adelson Sheldon G. Adelson Chairman of the Board and Chief Executive Officer
August 9, 2013	By: /s/ Michael A. Quartieri Michael A. Quartieri Chief Accounting Officer and Global Controller (Principal Financial Officer)