

VAIL RESORTS INC
Form 10-Q
June 05, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 April 30, 2008

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

For the transition period from to

Commission File Number: 001-09614

Vail Resorts, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

51-0291762
(I.R.S. Employer Identification No.)

390 Interlocken Crescent, Suite 1000
Broomfield, Colorado
(Address of Principal Executive Offices)

80021
(Zip Code)

(303) 404-1800
(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 No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

As of June 2, 2008, 38,402,203 shares of the registrant's common stock were outstanding.

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PART I

FINANCIAL INFORMATION

Item 1.

Financial Statements -- Unaudited

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Vail Resorts, Inc.
Consolidated Condensed Balance Sheets
(In thousands, except share and per share amounts)

	April 30, 2008 (Unaudited)	July 31, 2007	April 30, 2007 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 304,133	\$ 230,819	\$ 316,439
Restricted cash	60,562	54,749	40,408
Trade receivables, net	39,054	43,557	35,258
Inventories, net	45,084	48,064	42,627
Other current assets	41,846	34,448	32,833
Total current assets	490,679	411,637	467,565
Property, plant and equipment, net (Note 5)	979,511	885,926	868,723
Real estate held for sale and investment	394,008	357,586	305,085
Goodwill, net	142,011	141,699	135,939
Intangible assets, net	72,597	73,507	73,199
Other assets	42,620	38,768	44,607
Total assets	\$ 2,121,426	\$ 1,909,123	\$ 1,895,118
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses (Note 5)	\$ 315,373	\$ 281,779	\$ 237,981
Income taxes payable	25,418	37,441	11,739
Long-term debt due within one year (Note 4)	74,192	377	401
Total current liabilities	414,983	319,597	250,121
Long-term debt (Note 4)	575,275	593,733	575,162
Other long-term liabilities (Note 5)	172,380	181,830	166,382
Deferred income taxes	129,487	72,213	130,212
Commitments and contingencies (Note 10)			
Minority interest in net assets of consolidated subsidiaries	33,133	27,711	30,052
Stockholders' equity:			
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, zero shares issued and outstanding	--	--	--
Common stock, \$0.01 par value, 100,000,000 shares authorized, 39,914,385 (unaudited), 39,747,976 and 39,630,543 (unaudited) shares issued as of April 30, 2008, July 31, 2007 and April 30, 2007, respectively	399	397	396
Additional paid-in capital	543,318	534,370	529,199
Retained earnings	319,165	205,118	239,440
Treasury stock (Note 12)	(66,714)	(25,846)	(25,846)
Total stockholders' equity	796,168	714,039	743,189
Total liabilities and stockholders' equity	\$ 2,121,426	\$ 1,909,123	\$ 1,895,118

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

Vail Resorts, Inc.
Consolidated Condensed Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended April 30,	
	2008	2007
Net revenue:		
Mountain	\$ 325,726	\$ 308,712
Lodging	43,590	43,643
Real estate	54,474	17,134
Total net revenue	423,790	369,489
Segment operating expense:		
Mountain	157,807	152,997
Lodging	35,513	31,126
Real estate	53,562	25,261
Total segment operating expense	246,882	209,384
Other operating (expense) income:		
Depreciation and amortization	(25,471)	(23,513)
Relocation and separation charges (Note 7)	--	(166)
Gain (loss) on disposal of fixed assets, net	24	(242)
Income from operations	151,461	136,184
Mountain equity investment income, net	698	1,660
Investment income	2,459	4,334
Interest expense, net	(8,441)	(8,039)
Loss on sale of business (Note 8)	--	(601)
Contract dispute charges (Note 10)	--	(184)
Gain on put options, net (Note 9)	--	690
Minority interest in income of consolidated subsidiaries, net	(4,621)	(5,343)
Income before provision for income taxes	141,556	128,701
Provision for income taxes	(54,215)	(50,193)
Net income	\$ 87,341	\$ 78,508
Per share amounts (Note 3):		
Basic net income per share	\$ 2.26	\$ 2.02
Diluted net income per share	\$ 2.24	\$ 1.99

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

Vail Resorts, Inc.
 Consolidated Condensed Statements of Operations
 (In thousands, except per share amounts)
 (Unaudited)

	Nine Months Ended	
	April 30,	
	2008	2007
Net revenue:		
Mountain	\$ 647,984	\$ 626,902
Lodging	121,734	116,848
Real estate	111,978	100,272
Total net revenue	881,696	844,022
Segment operating expense:		
Mountain	401,942	392,355
Lodging	113,530	98,233
Real estate	104,885	101,770
Total segment operating expense	620,357	592,358
Other operating income (expense):		
Gain on sale of real property	709	--
Depreciation and amortization	(69,854)	(66,857)
Relocation and separation charges (Note 7)	--	(1,401)
Loss on disposal of fixed assets, net	(367)	(332)
Income from operations	191,827	183,074
Mountain equity investment income, net	3,592	3,990
Investment income	7,697	8,815
Interest expense, net	(23,620)	(24,885)
Loss on sale of business (Note 8)	--	(601)
Contract dispute credit (charges), net (Note 10)	11,920	(4,460)
Gain on put options, net (Note 9)	--	690
Minority interest in income of consolidated subsidiaries, net	(7,468)	(9,707)
Income before provision for income taxes	183,948	156,916
Provision for income taxes	(69,901)	(61,197)
Net income	\$ 114,047	\$ 95,719
Per share amounts (Note 3):		
Basic net income per share	\$ 2.94	\$ 2.47
Diluted net income per share	\$ 2.91	\$ 2.44

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

Vail Resorts, Inc.
Consolidated Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended April 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 114,047	\$ 95,719
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,854	66,857
Non-cash cost of real estate sales	79,244	74,683
Non-cash stock-based compensation expense	6,194	5,448
Loss on sale of business	--	601
Deferred income taxes, net	54,935	55,094
Minority interest in income of consolidated subsidiaries, net	7,468	9,707
Other non-cash income, net	(5,913)	(633)
Changes in assets and liabilities:		
Restricted cash	(5,813)	(20,086)
Accounts receivable, net	(1,222)	(391)
Inventories, net	2,980	(382)
Investments in real estate	(168,964)	(121,114)
Accounts payable and accrued expenses	(26,503)	(24,255)
Deferred real estate deposits	18,869	3,737
Other assets and liabilities, net	1,902	19,326
Net cash provided by operating activities	147,078	164,311
Cash flows from investing activities:		
Capital expenditures	(112,602)	(82,012)
Proceeds from sale of business	--	3,544
Purchase of minority interest	--	(8,387)
Other investing activities, net	2,943	453
Net cash used in investing activities	(109,659)	(86,402)
Cash flows from financing activities:		
Repurchases of common stock	(40,868)	(15,007)
Proceeds from borrowings under Non-Recourse Real Estate Financings	125,418	56,413
Payments of Non-Recourse Real Estate Financings	(70,226)	(1,493)
Proceeds from borrowings under other long-term debt	70,837	56,587
Payments of other long-term debt	(71,236)	(67,171)
Proceeds from exercise of stock options	1,771	9,594
Change in overdraft balances	21,066	13,422
Other financing activities, net	(867)	(5,609)
Net cash provided by financing activities	35,895	46,736
Net increase in cash and cash equivalents	73,314	124,645
Cash and cash equivalents:		
Beginning of period	230,819	191,794
End of period	\$ 304,133	\$ 316,439

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Cash paid for interest, net of amounts capitalized	\$ 21,205	\$ 26,713
Taxes paid, net	\$ 23,503	\$ 6,730

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

Vail Resorts, Inc.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. Organization and Business

Vail Resorts, Inc. (“Vail Resorts” or the “Parent Company”) is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the “Company”) currently operate in three business segments: Mountain, Lodging and Real Estate. In the Mountain segment, the Company owns and operates five world-class ski resort properties at the Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado and the Heavenly Ski Resort (“Heavenly”) in the Lake Tahoe area of California and Nevada, as well as ancillary businesses, primarily including ski school, dining and retail/rental operations. These resorts operate primarily on Federal land under the terms of Special Use Permits granted by the USDA Forest Service (the “Forest Service”). The Company holds a 69.3% interest in SSI Venture, LLC (“SSV”), a retail/rental company. In the Lodging segment, the Company owns and/or manages a collection of luxury hotels under its RockResorts International, LLC (“RockResorts”) brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to the Company’s ski resorts, the Grand Teton Lodge Company (“GTLC”), which operates three destination resorts at Grand Teton National Park (under a National Park Service concessionaire contract), and golf courses. Vail Resorts Development Company (“VRDC”), a wholly-owned subsidiary, conducts the operations of the Company’s Real Estate segment, which holds and develops real estate in and around the Company’s resort communities. The Company’s mountain business and its lodging properties at or around the Company’s ski resorts are seasonal in nature with peak operating seasons from mid-November through mid-April. The Company’s operations at GTLC and its golf courses generally operate from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 6, Variable Interest Entities).

In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company’s financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire year. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended July 31, 2007. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The July 31, 2007 Consolidated Condensed Balance Sheet was derived from audited financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates--The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes--Effective August 1, 2007, the Company adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). Although the implementation of FIN 48 did not impact the amount of the Company’s liabilities for unrecognized tax benefits, the adoption did result in a reclassification of \$2.8 million of liabilities for unrecognized tax benefits from deferred income tax liabilities to other long-term liabilities to conform with the balance sheet presentation requirements of FIN 48. As of August 1, 2007, the amount of unrecognized tax benefits was \$13.0 million, of which \$2.8 million would, if recognized, decrease the Company’s effective tax rate. As allowed under FIN 48, the Company is continuing its policy of accruing income tax

related interest and penalties, if applicable, within income tax expense. As of August 1, 2007, accrued interest, net of tax, was \$0.8 million.

During the year ended July 31, 2005, the Company amended previously filed tax returns (for tax years 1997-2002) in an effort to remove restrictions under Section 382 of the Internal Revenue Code on approximately \$73.8 million of Federal net operating loss ("NOL") carryforwards relating to fresh start accounting from the Company's reorganization in 1992. During the year ended July 31, 2006, the Internal Revenue Service completed its examination of the Company's filing position in these amended returns and disallowed the Company's position to remove the restrictions. The Company has appealed the examiner's disallowance of these NOLs to the Office of Appeals. Upon ultimate resolution, the unrecognized tax benefit related to this matter will be resolved as it will result in either payment by the Company, recognition of tax benefits through the utilization of the NOLs, or a combination of both; however, the resolution of this matter is not anticipated to materially impact the Company's effective tax rate. The Company anticipates that this matter will be resolved in the next twelve months.

New Accounting Pronouncements--In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The requirements of SFAS 157 are effective for the Company beginning August 1, 2008 (the Company's fiscal year ending July 31, 2009). In February 2008, the FASB issued Staff Position ("FSP") 157-2, "Effective Date of FASB Statement No. 157". This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 (the Company's fiscal year ending July 31, 2010) and interim periods within the fiscal year of adoption. The Company is in the process of evaluating this guidance and therefore has not yet determined the impact that SFAS 157 will have on the Company's financial position or results of operations upon adoption.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 gives the Company the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. The requirements of SFAS 159 are effective for the Company beginning August 1, 2008 (the Company's fiscal year ending July 31, 2009), although early adoption is permitted. The Company is in the process of evaluating this guidance and therefore has not yet determined the impact that SFAS 159 will have on the Company's financial position or results of operations upon adoption.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations consummated after July 31, 2009 (the Company's fiscal year ending July 31, 2010).

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the balance sheet. Currently, noncontrolling interests (minority interests) are reported as a liability in the Company's consolidated balance sheet and the related income (loss) attributable to minority interests is reflected as an expense (credit) in arriving at net income. Upon adoption of SFAS 160, the Company will be required to report its minority interests as a separate component of stockholders' equity and present net income allocable to the minority interests along with net income attributable to the stockholders of the Company separately in its consolidated statement of operations. SFAS

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160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. The requirements of SFAS 160 are effective for the Company beginning August 1, 2009 (the Company's fiscal year ending July 31, 2010).

3. Net Income Per Common Share

SFAS No. 128, "Earnings Per Share" ("SFAS 128"), establishes standards for computing and presenting earnings per share ("EPS"). SFAS 128 requires the dual presentation of basic and diluted EPS on the face of the Consolidated Condensed Statements of Operations and requires a reconciliation of numerators (net income (loss)) and denominators (weighted-average shares outstanding) for both basic and diluted EPS in the footnotes. Basic EPS excludes dilution and is computed by dividing net income (loss) available to holders of common stock by the weighted-average shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of the Company. Presented below is basic and diluted EPS for the three months ended April 30, 2008 and 2007 (in thousands, except per share amounts):

	Three Months Ended April 30,			
	2008		2007	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	\$ 87,341	\$ 87,341	\$ 78,508	\$ 78,508
Weighted-average shares outstanding	38,655	38,655	38,897	38,897
Effect of dilutive securities	--	274	--	532
Total shares	38,655	38,929	38,897	39,429
Net income per share	\$ 2.26	\$ 2.24	\$ 2.02	\$ 1.99

The number of shares issuable on the exercise of share based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 78,000 and zero for the three months ended April 30, 2008 and 2007, respectively.

Presented below is basic and diluted EPS for the nine months ended April 30, 2008 and 2007 (in thousands, except per share amounts):

	Nine months Ended April 30,			
	2008		2007	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	\$ 114,047	\$ 114,047	\$ 95,719	\$ 95,719
Weighted-average shares outstanding	38,809	38,809	38,787	38,787
Effect of dilutive securities	--	327	--	502
Total shares	38,809	39,136	38,787	39,289
Net income per share	\$ 2.94	\$ 2.91	\$ 2.47	\$ 2.44

The number of shares issuable on the exercise of share based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 81,000 and

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33,000 for the nine months ended April 30, 2008 and 2007, respectively.

4. Long-Term Debt

Long-term debt as of April 30, 2008, July 31, 2007 and April 30, 2007 is summarized as follows (in thousands):

	Maturity (a)	April 30, 2008	July 31, 2007	April 30, 2007
Credit Facility Revolver (b)	2012	\$ --	\$ --	\$ --
SSV Facility	2011	--	--	--
Industrial Development Bonds	2009-2020	57,700	57,700	57,700
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
Non-Recourse Real Estate Financings (c)	2009-2010	142,075	86,882	68,276
6.75% Senior Subordinated Notes ("6.75% Notes")	2014	390,000	390,000	390,000
Other	2008-2029	7,117	6,953	7,012
Total debt		649,467	594,110	575,563
Less: Current maturities (d)		74,192	377	401
Long-term debt		\$575,275	\$593,733	\$575,162

(a) Maturities are based on the Company's July 31 fiscal year end.

(b) On March 20, 2008, the Company exercised the accordion feature as provided in the existing Fourth Amended and Restated Credit Agreement, dated as of January 28, 2005, as amended, between The Vail Corporation (a wholly-owned subsidiary of the Company), Bank of America, N.A. as administrative agent and the Lenders party thereto (the "Credit Agreement"), which expanded the borrowing capacity from \$300 million to \$400 million at the same terms existing in the Credit Agreement.

(c) As of April 30, 2008, Non-Recourse Real Estate Financings consisted of borrowings under the original \$175 million construction agreement for Arrabelle at Vail Square, LLC ("Arrabelle") of \$58.8 million and under the original \$123 million construction agreement for The Chalets at The Lodge at Vail, LLC ("Chalets") of \$83.3 million. As of July 31, 2007, Non-Recourse Real Estate Financings consisted of borrowings of \$60.5 million under the construction agreement for Arrabelle and \$26.4 million under the construction agreement for the Chalets. As of April 30, 2007, Non-Recourse Real Estate Financings consisted of borrowings of \$59.5 million under the construction agreement for Arrabelle and \$8.8 million under the construction agreement for the Chalets. Borrowings under the Non-Recourse Real Estate Financings are due upon the earlier of either the closing of the applicable Arrabelle and Chalets real estate units (of which the amount due is determined by the amount of proceeds received upon closing) or the stated maturity date. The investments in the Arrabelle and Chalets real estate developments, a portion of which will be converted to proceeds upon closing of units, are recorded in Real Estate Held for Sale and Investment.

(d) Current maturities represent principal payments due in the next 12 months.

Aggregate maturities for debt outstanding as of April 30, 2008 reflected by fiscal year are as follows (in thousands):

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	Non-Recourse Real Estate Financings			Total
		All Other		
2008	\$ --	\$ 80		\$ 80
2009	58,820	15,351		74,171
2010	83,255	349		83,604
2011	--	1,831		1,831
2012	--	305		305
Thereafter	--	489,476		489,476
Total debt	\$ 142,075	\$ 507,392		\$ 649,467

The Company incurred gross interest expense of \$11.1 million and \$10.6 million for the three months ended April 30, 2008 and 2007, respectively, of which \$0.6 million and \$0.6 million was amortization of deferred financing costs. The Company capitalized \$2.7 million and \$2.6 million of interest during the three months ended April 30, 2008 and 2007, respectively. The Company incurred gross interest expense of \$33.9 million and \$31.1 million for the nine months ended April 30, 2008 and 2007, respectively, of which \$1.8 million and \$1.5 million was amortization of deferred financing costs. The Company capitalized \$10.3 million and \$6.2 million of interest during the nine months ended April 30, 2008 and 2007, respectively.

5. Supplementary Balance Sheet Information

The composition of property, plant and equipment, net follows (in thousands):

	April 30, 2008	July 31, 2007	April 30, 2007
Land and land improvements	\$ 254,475	\$ 249,291	\$ 248,275
Buildings and building improvements	653,964	553,958	538,530
Machinery and equipment	462,966	420,514	422,077
Furniture and fixtures	131,021	114,615	125,781
Software	35,811	27,756	33,123
Vehicles	28,260	27,179	27,051
Construction in progress	54,799	71,666	59,220
Gross property, plant and equipment	1,621,296	1,464,979	1,454,057
Accumulated depreciation	(641,785)	(579,053)	(585,334)
Property, plant and equipment, net	\$ 979,511	\$ 885,926	\$ 868,723

The composition of accounts payable and accrued expenses follows (in thousands):

	April 30, 2008	July 31, 2007	April 30, 2007
Trade payables	\$ 65,269	\$ 67,517	\$ 55,606
Real estate development payables	52,131	30,582	33,332
Deferred revenue	29,924	36,179	21,984
Deferred real estate and other deposits	89,740	51,351	46,348
Accrued salaries, wages and deferred compensation	23,467	30,721	25,987
Accrued benefits	27,058	23,810	29,239
Accrued interest	6,844	14,710	6,965
Liabilities to complete real estate projects, short term	7,327	8,500	5,436
Other accruals	13,613	18,409	13,084
Total accounts payable and accrued expenses	\$ 315,373	\$ 281,779	\$ 237,981

The composition of other long-term liabilities follows (in thousands):

	April 30, 2008	July 31, 2007	April 30, 2007
Private club deferred initiation fee revenue	\$ 93,373	\$ 94,205	\$ 94,262
Deferred real estate deposits	34,997	54,363	37,120
Private club initiation deposits	29,579	17,767	16,302
Other long-term liabilities	14,431	15,495	18,698
Total other long-term liabilities	\$ 172,380	\$ 181,830	\$ 166,382

6. Variable Interest Entities

The Company is the primary beneficiary of four employee housing entities (collectively, the “Employee Housing Entities”), Breckenridge Terrace, LLC, The Tarnes at BC, LLC (“Tarnes”), BC Housing LLC and Tenderfoot Seasonal Housing, LLC, which are Variable Interest Entities (“VIEs”), and has consolidated them in its Consolidated Condensed Financial Statements. As a group, as of April 30, 2008, the Employee Housing Entities had total assets of \$39.1 million (primarily recorded in property, plant and equipment, net) and total liabilities of \$68.4 million (primarily recorded in long-term debt as “Employee Housing Bonds”). All of the assets (\$8.1 million as of April 30, 2008) of Tarnes serve as collateral for Tarnes’ Tranche B Employee Housing Bonds. The Company has issued under its senior credit facility (the “Credit Facility”) \$38.3 million letters of credit related to the Tranche A Employee Housing Bonds and \$12.6 million letters of credit related to the Tranche B Employee Housing Bonds. The letters of credit would be triggered in the event that one of the entities defaults on required payments. The letters of credit have no default provisions.

The Company is the primary beneficiary of Avon Partners II, LLC (“APII”), which is a VIE. APII owns commercial space and the Company currently leases substantially all of that space. APII had total assets of \$5.5 million (primarily recorded in property, plant and equipment, net) and no debt as of April 30, 2008.

The Company, through various lodging subsidiaries, manages hotels in which the Company has no ownership interest in the entities that own such hotels. The Company has extended a \$2.0 million note receivable to one of these entities. These entities were formed to acquire, own, operate and realize the value in resort hotel properties. The Company managed the day-to-day operations of seven hotel properties as of April 30, 2008. The Company has determined that the entities that own the hotel properties are VIEs, and the management contracts are significant variable interests in these VIEs. The Company has also determined that it is not the primary beneficiary of these entities and, accordingly, is not required to consolidate any of these entities. These VIEs had estimated total assets of approximately \$246.1 million and total liabilities of approximately \$147.2 million. The Company’s maximum exposure to loss as a result of its involvement with these VIEs is limited to the note receivable and accrued interest of approximately \$2.1 million and the net book value of the intangible asset associated with a management agreement in the amount of \$0.7 million as of April 30, 2008.

7. Relocation and Separation Charges

In February 2006, the Company announced a plan to relocate its corporate headquarters; the plan was formally approved by the Company’s Board of Directors in April 2006. The relocation process (which also included the consolidation of certain other operations of the Company) was completed by July 31, 2007. The total charges associated with the relocation was \$3.8 million of which \$0.2 million and \$1.4 million was recorded in the three and nine months ended April 30, 2007, respectively. The above amounts do not reflect any of the anticipated benefits expected to be realized from the relocation and consolidation of offices.

8. Sale of Business

On April 30, 2007, the Company sold its 54.5% interest in RTP, LLC (“RTP”) to RTP’s minority shareholder for approximately \$3.5 million. As part of this transaction the Company retained source code rights to its internal use software and internet solutions. The Company recorded a net loss of \$0.6 million on the sale of its investment in RTP, which was included in “loss on sale of business” in the accompanying Consolidated Condensed Statements of Operations for the three and nine months ended April 30, 2007. Additionally, as a result of this transaction the Company recorded a net gain of \$0.7 million related to the elimination of the put option liability to RTP’s minority shareholder and the write-off of the associated put option intangible asset (see Note 9, Put and Call Options, for more information on this transaction).

9. Put and Call Options

The Company holds an approximate 69.3% ownership interest in SSV. The Company and GSSI LLC (“GSSI”), the minority shareholder in SSV, have remaining put and call rights with respect to SSV: (i) beginning August 1, 2010 and each year thereafter, each of the Company and GSSI have the right to call or put, respectively, 100% of GSSI’s ownership interest in SSV to the Company during certain periods each year and (ii) GSSI has the right to put to the Company 100% of its ownership interest in SSV at any time after GSSI has been removed as manager of SSV or after an involuntary transfer of the Company’s ownership interest in SSV has occurred. As of April 30, 2008, the estimated price at which the put/call option for the remaining interest could be expected to be settled was \$36.9 million.

In March 2001, in connection with the Company’s acquisition of a 51% ownership interest in RTP, the Company and RTP’s minority shareholder entered into a put agreement whereby the minority shareholder could put up to an aggregate one-third of its original 49% interest in RTP to the Company during the period from August 1 through October 31 annually. The put price was determined primarily by the trailing twelve month EBITDA (as defined in the underlying agreement) for the period ending prior to the beginning of each put period. The Company had determined that this put option should be marked to fair value through earnings. The put period was extended in October 2006, and again in February 2007. In connection with the Company’s sale of its 54.5% interest in RTP (see Note 8, Sale of Business, for more information on this transaction) the put agreement with RTP’s minority shareholder was terminated resulting in the Company recording a net gain of \$0.7 million for the three and nine months ended April 30, 2007 related to the elimination of its put option liability net of the write-off of the associated put option intangible asset.

10. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances \$8.5 million of bonds issued by Holland Creek Metropolitan District (“HCMD”) through an \$8.6 million letter of credit issued against the Company’s Credit Facility. HCMD’s bonds were issued and used to build infrastructure associated with the Company’s Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to Red Sky Ranch Metropolitan District (“RSRMD”) until RSRMD’s revenue streams from property taxes are sufficient to meet debt service requirements under HCMD’s bonds, and the Company has recorded a liability of \$1.7 million, \$1.1 million and \$1.0 million, primarily within “other long-term liabilities” in the accompanying Consolidated Condensed Balance Sheets, as of April 30, 2008, July 31, 2007 and April 30, 2007, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates that it will make capital improvement fee payments under this arrangement through the year ending July 31, 2016.

Guarantees

As of April 30, 2008, the Company had various other guarantees, primarily in the form of letters of credit in the amount of \$95.7 million, consisting primarily of \$51.0 million in support of the Employee Housing Bonds, \$36.0 million of construction and development related guarantees and \$7.6 million for workers’ compensation and general

liability deductibles related to construction and development activities.

In addition to the guarantees noted above, the Company has entered into contracts in the normal course of business which include certain indemnifications within the scope of Financial Interpretations No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") under which it could be required to make payments to third parties upon the occurrence or non-occurrence of certain future events. These indemnities include indemnities to licensees in connection with the licensees' use of the Company's trademarks and logos, indemnities for liabilities associated with the infringement of other parties' technology and software products, indemnities related to liabilities associated with the use of easements, indemnities related to employment of contract workers, the Company's use of trustees, indemnities related to the Company's use of public lands and environmental indemnifications. The duration of these indemnities generally is indefinite and generally do not limit the future payments the Company could be obligated to make.

As permitted under applicable law, the Company and certain of its subsidiaries indemnify their directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company or its subsidiaries in such a capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that should enable the Company to recover a portion of any future amounts paid.

Unless otherwise noted, the Company has not recorded any significant liabilities for the letters of credit, indemnities and other guarantees noted above in the accompanying Consolidated Condensed Financial Statements, either because the Company has recorded on its Consolidated Condensed Balance Sheets the underlying liability associated with the guarantee, the guarantee or indemnification existed prior to January 1, 2003, the guarantee is with respect to the Company's own performance and is therefore not subject to the measurement requirements of FIN 45, or because the Company has calculated the fair value of the indemnification or guarantee to be immaterial based upon the current facts and circumstances that would trigger a payment under the indemnification clause. In addition, with respect to certain indemnifications it is not possible to determine the maximum potential amount of liability under these guarantees due to the unique set of facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

As noted above, the Company makes certain indemnifications to licensees in connection with their use of the Company's trademarks and logos. The Company does not record any product warranty liability with respect to these indemnifications.

Commitments

In the ordinary course of obtaining necessary zoning and other approvals for the Company's potential real estate development projects, the Company may contingently commit to the completion of certain infrastructure improvements and other costs related to the projects. Fulfillment of such commitments is required only if the Company moves forward with the development project. The determination whether to complete a development project is entirely at the Company's discretion, and is generally contingent upon, among other considerations, receipt of satisfactory zoning and other approvals and the current status of the Company's analysis of the economic viability of the project, including the costs associated with the contingent commitments. The Company currently has obligations, recorded as liabilities in the accompanying Consolidated Condensed Balance Sheet, to complete or fund certain improvements with respect to real estate developments; the Company has estimated such costs to be approximately \$7.6 million as of April 30, 2008 and anticipates completion of the majority of these commitments within the next two years.

Self Insurance

The Company is self-insured for claims under its health benefit plans and for workers' compensation claims, subject to a stop loss policy. The self-insurance liability related to workers' compensation is determined actuarially based on claims filed. The self-insurance liability related to claims under the Company's health benefit plans is determined based on internal and external analysis of actual claims. The amounts related to these claims are included as a component of accrued benefits in accounts payable and accrued expenses (see Note 5, Supplementary Balance Sheet Information).

Legal

The Company is a party to various lawsuits arising in the ordinary course of business, including Resort (Mountain and Lodging) related cases and contractual and commercial litigation that arises from time to time in connection with the Company's real estate operations. Management believes the Company has adequate insurance coverage or has accrued for loss contingencies for all known matters that are deemed to be probable losses and estimable. As of April 30, 2008, July 31, 2007 and April 30, 2007, the accrual for the above loss contingencies was not material individually and in the aggregate.

Cheeca Lodge & Spa Contract Dispute

In March 2006, RockResorts was notified by the ownership of Cheeca Lodge & Spa, formerly a RockResorts managed property, that its management agreement was being terminated effective immediately. RockResorts believed that the termination was in violation of the management agreement and sought monetary damages, and recovery of attorney's fees and costs. Pursuant to the dispute resolution provisions of the management agreement, the disputed matter went before a single judge arbitrator at the JAMS Arbitration Tribunal in Chicago, Illinois. On February 28, 2007, the arbitrator rendered a decision, awarding \$8.5 million in damages in favor of RockResorts and against Cheeca Holdings, LLC ("Cheeca Holdings") and recovery of costs and attorney's fees to be determined in the last stage of the proceedings. Prior to the ruling by the arbitrator in the last stage of the proceeding, the Company reached a comprehensive settlement with Cheeca Holdings which included damages, attorney's fees and expenses. On October 19, 2007, RockResorts received payment of the final settlement from Cheeca Holdings in the amount of \$13.5 million, of which \$11.9 million (net of final attorney's fees) is recorded in "contract dispute credit (charges), net" in the Consolidated Condensed Statement of Operations for the nine months ended April 30, 2008.

The Canyons Ski Resort Litigation

During the fourth quarter of the fiscal year ended July 31, 2007, the Company entered into an agreement with Peninsula Advisors, LLC ("Peninsula") for the negotiation and mutual acquisition of The Canyons ski resort ("The Canyons") and the land underlying The Canyons. On July 15, 2007, American Skiing Company ("ASC") entered into an agreement to sell The Canyons to Talisker Corporation and Talisker Canyons Finance Company, LLC (together "Talisker"). On July 27, 2007, the Company filed a complaint in the District Court in Colorado against Peninsula and Talisker claiming, among other things, breach of contract by Peninsula and intentional interference with contractual relations and prospective business relations by Talisker and seeking damages, specific performance and injunctive relief. On October 19, 2007, the Company's request for a preliminary injunction to prevent the closing of the acquisition by Talisker of The Canyons from ASC was denied. On November 8, 2007, Talisker filed an answer to the Company's complaint along with three counterclaims. On November 12, 2007, Peninsula filed a motion to dismiss and for partial summary judgment. The Company believes that these counter claims and motions are without merit. These motions have been set for hearing on June 20, 2008. The Company is unable to predict the ultimate outcome of the above described actions.

11. Segment Information

The Company has three reportable segments: Mountain, Lodging and Real Estate. The Mountain segment includes the operations of the Company's ski resorts and related ancillary activities. The Lodging segment includes the

operations of all of the Company's owned hotels, RockResorts, GTLC, condominium management and golf operations. The Resort segment is the combination of the Mountain and Lodging segments. The Real Estate segment holds and develops real estate in and around the Company's resort communities. The Company's reportable segments, although integral to the success of the others, offer distinctly different products and services and require different types of management focus. As such, these segments are managed separately.

The Company reports its segment results using Reported EBITDA (defined as segment net revenue less segment operating expenses, plus or minus segment equity investment income or loss, and for the Real Estate segment plus gain on sale of real property) which is a non-GAAP financial measure. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" requires the Company to report segment results in a manner consistent with management's internal reporting of operating results to the chief operating decision maker (Chief Executive Officer) for purposes of evaluating segment performance. Therefore, since the Company uses Reported EBITDA to measure performance of segments for internal reporting purposes, the Company will continue to use Reported EBITDA to report segment results.

Reported EBITDA is not a measure of financial performance under GAAP. Items excluded from Reported EBITDA are significant components in understanding and assessing financial performance. Reported EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, net change in cash and cash equivalents or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because Reported EBITDA is not a measurement determined in accordance with GAAP and thus is susceptible to varying calculations, Reported EBITDA as presented may not be comparable to other similarly titled measures of other companies.

The Company utilizes Reported EBITDA in evaluating performance of the Company and in allocating resources to its segments. Mountain Reported EBITDA consists of Mountain net revenue less Mountain operating expense plus Mountain equity investment income. Lodging Reported EBITDA consists of Lodging net revenue less Lodging operating expense. Real Estate Reported EBITDA consists of Real Estate net revenue less Real Estate operating expense plus gain on sale of real property. All segment expenses include an allocation of corporate administrative expense. Assets are not allocated between segments, or used to evaluate performance, except as shown in the table below.

Following is key financial information by reportable segment which is used by management in evaluating performance and allocating resources (in thousands):

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2008	2007	2008	2007
Net revenue				
Lift tickets	\$167,793	\$158,380	\$301,791	\$286,997
Ski school	46,229	44,650	81,384	78,848
Dining	30,344	28,624	58,002	54,978
Retail/rental	59,533	53,401	149,844	141,210
Other	21,827	23,657	56,963	64,869
Total Mountain net revenue	325,726	308,712	647,984	626,902
Lodging	43,590	43,643	121,734	116,848
Resort	369,316	352,355	769,718	743,750
Real Estate	54,474	17,134	111,978	100,272
Total net revenue	\$423,790	\$369,489	\$881,696	\$844,022
Operating expense:				
Mountain	\$157,807	\$152,997	\$401,942	\$392,355
Lodging	35,513	31,126	113,530	98,233

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Resort	193,320	184,123	515,472	490,588
Real estate	53,562	25,261	104,885	101,770
Total segment operating expense	\$246,882	\$209,384	\$620,357	\$592,358
Gain on sale of real property	\$ --	\$ --	\$ 709	\$ --
Mountain equity investment income, net	\$ 698	\$ 1,660	\$ 3,592	\$ 3,990
Reported EBITDA:				
Mountain	\$168,617	\$157,375	\$249,634	\$238,537
Lodging	8,077	12,517	8,204	18,615
Resort	176,694	169,892	257,838	257,152
Real Estate	912	(8,127)	7,802	(1,498)
Total Reported EBITDA	\$177,606	\$161,765	\$265,640	\$255,654
Reconciliation to net income:				
Total Reported EBITDA	\$177,606	\$161,765	\$265,640	\$255,654
Depreciation and amortization	(25,471)	(23,513)	(69,854)	(66,857)
Relocation and separation charges	--	(166)	--	(1,401)
Gain (loss) on disposal of fixed assets, net	24	(242)	(367)	(332)
Investment income	2,459	4,334	7,697	8,815
Interest expense, net	(8,441)	(8,039)	(23,620)	(24,885)
Loss on sale of business	--	(601)	--	(601)
Contract dispute (charges) credit, net	--	(184)	11,920	(4,460)
Gain on put options, net	--	690	--	690
Minority interest in income of consolidated subsidiaries, net	(4,621)	(5,343)	(7,468)	(9,707)
Income before provision for income taxes	141,556	128,701	183,948	156,916
Provision for income taxes	(54,215)	(50,193)	(69,901)	(61,197)
Net income	\$ 87,341	\$ 78,508	\$114,047	\$ 95,719
Real estate held for sale and investment	\$394,008	\$305,085	\$394,008	\$305,085

12. Stock Repurchase Plan

On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock. During the three and nine months ended April 30, 2008, the Company repurchased 321,150 and 832,733 shares of common stock at a cost of \$15.0 million and \$40.9 million, respectively. Since inception of this stock repurchase plan, the Company has repurchased 1,506,233 shares at a cost of approximately \$66.7 million, as of April 30, 2008. As of April 30, 2008, 1,493,767 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under the Company's employee share award plans.

13. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 6.75% Notes (see Note 4, Long-Term Debt) are fully and unconditionally guaranteed on a joint and several, senior subordinated basis by substantially all of the Company's consolidated subsidiaries (collectively, and excluding Non-Guarantor Subsidiaries (as defined below), the "Guarantor Subsidiaries") except for Colter Bay Corporation, Eagle Park Reservoir Company, Gros Ventre Utility Company, Jackson Lake Lodge Corporation, Jenny Lake Lodge, Inc., Mountain Thunder, Inc., SSV, Larkspur Restaurant & Bar, LLC, Vail Associates Investments, Inc., Arrabelle, Gore Creek Place, LLC, Chalets, RCR Vail, LLC, Crystal Peak Lodge of Breckenridge, Inc., Timber Trail, Inc., VR Holdings, Inc. and certain other insignificant entities (together, the "Non-Guarantor Subsidiaries"). APII and the Employee Housing Entities are included with the Non-Guarantor

Subsidiaries for purposes of the consolidated financial information, but are not considered subsidiaries under the indentures governing the 6.75% Notes.

Presented below is the consolidated condensed financial information of the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for the Non-Guarantor subsidiaries is presented in the column titled "Other Subsidiaries." Balance sheet data is presented as of April 30, 2008, July 31, 2007 and April 30, 2007. Statements of operations data is presented for the three and nine months ended April 30, 2008 and 2007. Statements of cash flows data is presented for the nine months ended April 30, 2008 and 2007.

Investments in subsidiaries are accounted for by the Parent Company and Guarantor Subsidiaries using the equity method of accounting. Net income (loss) of Guarantor and Non-Guarantor Subsidiaries is, therefore, reflected in the Parent Company's and Guarantor Subsidiaries' investments in and advances to (from) subsidiaries. Net income (loss) of the Guarantor and Non-Guarantor Subsidiaries is reflected in Guarantor Subsidiaries and Parent Company as equity in consolidated subsidiaries. The elimination entries eliminate investments in Other Subsidiaries and intercompany balances and transactions for consolidated reporting purposes.

Supplemental Condensed Consolidating Balance Sheet
As of April 30, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	\$ --	\$ 288,205	\$ 15,928	\$ --	\$ 304,133
Restricted cash	--	10,212	50,350	--	60,562
Trade receivables, net	--	36,711	2,343	--	39,054
Inventories, net	--	9,611	35,473	--	45,084
Other current assets	17,395	15,406	9,045	--	41,846
Total current assets	17,395	360,145	113,139	--	490,679
Property, plant and equipment, net	--	798,732	180,779	--	979,511
Real estate held for sale and investment	--	98,314	295,694	--	394,008
Goodwill, net	--	123,034	18,977	--	142,011
Intangible assets, net	--	56,715	15,882	--	72,597
Other assets	4,114	27,991	10,515	--	42,620
Investments in subsidiaries and advances to (from) parent	1,327,512	527,762	(104,346)	(1,750,928)	--
Total assets	\$ 1,349,021	\$ 1,992,693	\$ 530,640	\$ (1,750,928)	\$ 2,121,426
Current liabilities:					
Accounts payable and accrued expenses	\$ 5,859	\$ 186,889	\$ 122,625	\$ --	\$ 315,373
Income taxes payable	25,418	--	--	--	25,418
Long-term debt due within one year	--	15,028	59,164	--	74,192
Total current liabilities	31,277	201,917	181,789	--	414,983
Long-term debt	390,000	42,728	142,547	--	575,275
Other long-term liabilities	2,089	104,422	65,869	--	172,380
Deferred income taxes	129,487	--	--	--	129,487
Minority interest in net assets of consolidated subsidiaries	--	--	--	33,133	33,133
Total stockholders' equity	796,168	1,643,626	140,435	(1,784,061)	796,168
Total liabilities and stockholders' equity	\$ 1,349,021	\$ 1,992,693	\$ 530,640	\$ (1,750,928)	\$ 2,121,426

Supplemental Condensed Consolidating Balance Sheet
As of July 31, 2007
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	\$ --	\$ 225,952	\$ 4,867	\$ --	\$ 230,819
Restricted cash	--	11,437	43,312	--	54,749
Trade receivables, net	--	41,804	1,753	--	43,557
Inventories, net	--	9,805	38,259	--	48,064
Other current assets	15,056	13,545	5,847	--	34,448
Total current assets	15,056	302,543	94,038	--	411,637
Property, plant and equipment, net	--	784,458	101,468	--	885,926
Real estate held for sale and investment	--	86,837	270,749	--	357,586
Goodwill, net	--	123,033	18,666	--	141,699
Intangible assets, net	--	57,087	16,420	--	73,507
Other assets	4,646	24,225	9,897	--	38,768
Investments in subsidiaries and advances to (from) parent	1,206,709	337,716	(82,219)	(1,462,206)	--
Total assets	\$ 1,226,411	\$ 1,715,899	\$ 429,019	\$ (1,462,206)	\$ 1,909,123
Current liabilities:					
Accounts payable and accrued expenses	\$ 12,718	\$ 161,456	\$ 107,605	\$ --	\$ 281,779
Income taxes payable	37,441	--	--	--	37,441
Long-term debt due within one year	--	49	328	--	377
Total current liabilities	50,159	161,505	107,933	--	319,597
Long-term debt	390,000	57,724	146,009	--	593,733
Other long-term liabilities	--	108,582	73,248	--	181,830
Deferred income taxes	72,213	--	--	--	72,213
Minority interest in net assets of consolidated subsidiaries	--	--	--	27,711	27,711
Total stockholders' equity	714,039	1,388,088	101,829	(1,489,917)	714,039
Total liabilities and stockholders' equity	\$ 1,226,411	\$ 1,715,899	\$ 429,019	\$ (1,462,206)	\$ 1,909,123

Supplemental Condensed Consolidating Balance Sheet
As of April 30, 2007
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	\$ --	\$ 273,103	\$ 43,336	\$ --	\$ 316,439
Restricted cash	--	27,673	12,735	--	40,408
Trade receivables, net	--	32,769	2,489	--	35,258
Inventories, net	--	7,855	34,772	--	42,627
Other current assets	13,991	13,207	5,635	--	32,833
Total current assets	13,991	354,607	98,967	--	467,565
Property, plant and equipment, net	--	798,591	70,132	--	868,723
Real estate held for sale and investment	--	112,253	192,832	--	305,085
Goodwill, net	--	121,611	14,328	--	135,939
Intangible assets, net	--	56,729	16,470	--	73,199
Other assets	4,824	27,691	12,092	--	44,607
Investments in subsidiaries and advances to (from) parent	1,261,952	295,497	(53,028)	(1,504,421)	--
Total assets	\$ 1,280,767	\$ 1,766,979	\$ 351,793	\$ (1,504,421)	\$ 1,895,118
Current liabilities:					
Accounts payable and accrued expenses	\$ 5,627	\$ 152,999	\$ 79,355	\$ --	\$ 237,981
Income taxes payable	11,739	--	--	--	11,739
Long-term debt due within one year	--	35	366	--	401
Total current liabilities	17,366	153,034	79,721	--	250,121
Long-term debt	390,000	57,718	127,444	--	575,162
Other long-term liabilities	--	120,029	46,353	--	166,382
Deferred income taxes	130,212	--	--	--	130,212
Minority interest in net assets of consolidated subsidiaries	--	--	--	30,052	30,052
Total stockholders' equity	743,189	1,436,198	98,275	(1,534,473)	743,189
Total liabilities and stockholders' equity	\$ 1,280,767	\$ 1,766,979	\$ 351,793	\$ (1,504,421)	\$ 1,895,118

Supplemental Condensed Consolidating Statement of Operations
For the three months ended April 30, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	\$ --	\$ 311,082	\$ 115,593	\$ (2,885)	\$ 423,790
Total operating expense	27	181,592	93,557	(2,847)	272,329
(Loss) income from operations	(27)	129,490	22,036	(38)	151,461
Other (expense) income, net	(6,733)	1,525	(812)	38	(5,982)
Equity investment income, net	--	698	--	--	698
Minority interest in income of consolidated subsidiaries, net	--	--	--	(4,621)	(4,621)
(Loss) income before income taxes	(6,760)	131,713	21,224	(4,621)	141,556
Benefit (provision) for income taxes	2,672	(56,887)	--	--	(54,215)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(4,088)	74,826	21,224	(4,621)	87,341
Equity in income (loss) of consolidated subsidiaries	91,429	--	--	(91,429)	--
Net income (loss)	\$ 87,341	\$ 74,826	\$ 21,224	\$ (96,050)	\$ 87,341

Supplemental Condensed Consolidating Statement of Operations
For the three months ended April 30, 2007
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	\$ --	\$ 304,899	\$ 67,994	\$ (3,404)	\$ 369,489
Total operating expense	175	181,201	54,789	(2,860)	233,305
(Loss) income from operations	(175)	123,698	13,205	(544)	136,184
Other (expense) income, net	(6,757)	3,397	(1,071)	542	(3,889)
Equity investment income, net	--	1,660	--	--	1,660
Loss on sale of business	--	(601)	--	--	(601)
Gain on put options, net	--	690	--	--	690
Minority interest in income of consolidated subsidiaries, net	--	--	--	(5,343)	(5,343)
(Loss) income before income taxes	(6,932)	128,844	12,134	(5,345)	128,701
Benefit (provision) for income taxes	2,704	(52,901)	4	--	(50,193)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(4,228)	75,943	12,138	(5,345)	78,508
Equity in income (loss) of consolidated subsidiaries	82,736	--	--	(82,736)	--
Net income (loss)	\$ 78,508	\$ 75,943	\$ 12,138	\$ (88,081)	\$ 78,508

Supplemental Condensed Consolidating Statement of Operations
For the nine months ended April 30, 2008

(in thousands)

(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	\$ --	\$ 641,345	\$ 248,494	\$ (8,143)	\$ 881,696
Total operating expense	(41)	482,023	215,916	(8,029)	689,869
Income (loss) from operations	41	159,322	32,578	(114)	191,827
Other (expense) income, net	(20,251)	19,112	(2,978)	114	(4,003)
Equity investment income, net	--	3,592	--	--	3,592
Minority interest in income of consolidated subsidiaries, net	--	--	--	(7,468)	(7,468)
(Loss) income before income taxes	(20,210)	182,026	29,600	(7,468)	183,948
Benefit (provision) for income taxes	7,985	(77,886)	--	--	(69,901)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(12,225)	104,140	29,600	(7,468)	114,047
Equity in income (loss) of consolidated subsidiaries	126,272	--	--	(126,272)	--
Net income (loss)	\$ 114,047	\$ 104,140	\$ 29,600	\$ (133,740)	\$ 114,047

Supplemental Condensed Consolidating Statement of Operations
For the nine months ended April 30, 2007

(in thousands)

(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	\$ --	\$ 639,972	\$ 213,097	\$ (9,047)	\$ 844,022
Total operating expense	525	491,364	177,667	(8,608)	660,948
(Loss) income from operations	(525)	148,608	35,430	(439)	183,074
Other (expense) income, net	(20,276)	2,319	(3,115)	542	(20,530)
Equity investment income, net	--	3,990	--	--	3,990
Loss on sale of business	--	(601)	--	--	(601)
Gain on put options, net	--	690	--	--	690
Minority interest in income of consolidated subsidiaries, net	--	--	--	(9,707)	(9,707)
(Loss) income before income taxes	(20,801)	155,006	32,315	(9,604)	156,916
Benefit (provision) for income taxes	8,113	(69,437)	127	--	(61,197)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(12,688)	85,569	32,442	(9,604)	95,719
Equity in income (loss) of consolidated subsidiaries	108,407	--	--	(108,407)	--
Net income (loss)	\$ 95,719	\$ 85,569	\$ 32,442	\$ (118,011)	\$ 95,719

Supplemental Condensed Consolidating Statement of Cash Flows
For the nine months ended April 30, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 26,447	\$ 109,992	\$ 10,639	\$ 147,078
Cash flows from investing activities:				
Capital expenditures	--	(68,992)	(43,610)	(112,602)
Other investing activities, net	--	3,300	(357)	2,943
Net cash used in investing activities	--	(65,692)	(43,967)	(109,659)
Cash flows from financing activities:				
Repurchases of common stock	(40,868)	--	--	(40,868)
Proceeds from borrowings under Non-Recourse Real Estate Financings	--	--	125,418	125,418
Payments of Non-Recourse Real Estate Financings	--	--	(70,226)	(70,226)
Proceeds from borrowings under other long-term debt	--	--	70,837	70,837
Payments of other long-term debt	--	(53)	(71,183)	(71,236)
Proceeds from exercise of stock options	1,771	--	--	1,771
Other financing activities, net	1,803	24,459	(6,063)	20,199
Advances from (to) affiliates	10,847	(6,453)	(4,394)	--
Net cash (used in) provided by financing activities	(26,447)	17,953	44,389	35,895
Net increase in cash and cash equivalents	--	62,253	11,061	73,314
Cash and cash equivalents:				
Beginning of period	--	225,952	4,867	230,819
End of period	\$ --	\$ 288,205	\$ 15,928	\$ 304,133

Supplemental Condensed Consolidating Statement of Cash Flows
For the nine months ended April 30, 2007
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	\$ (7,730)	\$ 150,857	\$ 21,184	\$ 164,311
Cash flows from investing activities:				
Capital expenditures	--	(72,270)	(9,742)	(82,012)
Proceeds from sale of businesses	--	3,544	--	3,544
Purchase of minority interest	--	(8,387)	--	(8,387)
Other investing activities, net	--	(333)	786	453
Net cash used in investing activities	--	(77,446)	(8,956)	(86,402)
Cash flows from financing activities:				
Repurchases of common stock	(15,007)	--	--	(15,007)
Proceeds from borrowings under long-term debt	--	1,242	111,758	113,000
Payments of long-term debt	--	(5,263)	(63,401)	(68,664)
Proceeds from exercise of stock options	9,594	--	--	9,594
Other financing activities, net	3,892	15,755	(11,834)	7,813
Advances (to) from affiliates	9,251	7,960	(17,211)	--
Net cash provided by financing activities	7,730	19,694	19,312	46,736
Net increase in cash and cash equivalents	--	93,105	31,540	124,645
Cash and cash equivalents:				
Beginning of period	--	179,998	11,796	191,794
End of period	\$ --	\$ 273,103	\$ 43,336	\$ 316,439

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended July 31, 2007 ("Form 10-K") and the Consolidated Condensed Financial Statements as of April 30, 2008 and 2007 and for the three and nine months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding the financial position, results of operations and cash flows of the Company. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements which involve risks and uncertainties. These risks include, but are not limited to those discussed in this Form 10-Q and in the Company's other filings with the Securities and Exchange Commission ("SEC"), including the risks described in Item 1A of Part I of the Form 10-K.

Management's Discussion and Analysis includes discussion of financial performance within each of the Company's segments. The Company has chosen to specifically address the non-GAAP measures, Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment income or loss and for the Real Estate segment plus gain on sale of real property) and Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents), in the following discussion because management considers these measurements to be significant indications of the Company's financial performance and available capital resources. The Company utilizes Reported EBITDA in evaluating performance of the Company and in allocating resources to its segments. Refer to the end of the Results of Operations section for a reconciliation of Reported EBITDA to net income. Management also believes that Net Debt is an important measurement as it is an indicator of the Company's ability to obtain additional capital resources for its future cash needs. Refer to the end of the Results of Operations section for a reconciliation of Net Debt.

Reported EBITDA and Net Debt are not measures of financial performance or liquidity under accounting principles generally accepted in the United States of America ("GAAP"). Items excluded from Reported EBITDA and Net Debt are significant components in understanding and assessing financial performance or liquidity. Reported EBITDA and Net Debt should not be considered in isolation or as an alternative to, or substitute for, net income, net change in cash and cash equivalents or other financial statement data presented in the Consolidated Condensed Financial Statements as indicators of financial performance or liquidity. Because Reported EBITDA and Net Debt are not measurements determined in accordance with GAAP and are thus susceptible to varying calculations, Reported EBITDA and Net Debt as presented may not be comparable to other similarly titled measures of other companies.

OVERVIEW

The Company's operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. The Mountain segment is comprised of the operations of five ski resort properties as well as ancillary businesses, primarily including ski school, dining and retail/rental operations. Mountain segment revenue is seasonal in nature, the majority of which is earned in the Company's second and third fiscal quarters. Operations within the Lodging segment include (i) ownership/management of a group of nine luxury hotels through the RockResorts International, LLC ("RockResorts") brand, including five proximate to the Company's ski resorts, (ii) the ownership/management of non-RockResorts branded hotels and condominiums proximate to the Company's ski resorts, (iii) Grand Teton Lodge Company ("GTLC") and (iv) golf courses. The Resort segment is the combination of the Mountain and Lodging segments. The Real Estate segment is involved with the development of property in and around the Company's resort properties.

The Company's five ski resorts opened for business for the 2007/2008 ski season in November, which fell in the Company's second fiscal quarter; the period during which the ski resorts are open (generally November through April)

is the peak operating season for the Mountain segment. The Company's single largest source of Mountain segment revenue is the sale of lift tickets (including season passes), which represented approximately 52% and 51% of Mountain segment net revenue for the three months ended April 30, 2008 and 2007, respectively, and approximately 47% and 46% of Mountain segment net revenue for the nine months ended April 30, 2008 and 2007, respectively. Lift ticket revenue is driven by volume and pricing. Pricing is impacted by both absolute pricing as well as the demographic mix of guests, which impacts the price points at which various products are purchased. The demographic mix of guests is divided into two primary categories: (i) out-of-state and international guests ("Destination") and (ii) in-state and local visitors ("In-State"). For the nine months ended April 30, 2008 (which includes substantially all of the 2007/2008 ski season), Destination guests comprised an estimated 63% of the Company's skier visits, while the In-State market comprised an estimated 37% of the Company's skier visits. Destination guests generally purchase the Company's higher-priced lift ticket products and utilize more ancillary services such as ski school, dining and retail/rental as well as the lodging at or around the Company's resorts. Destination guests are less likely to be impacted by changes in the weather, due to the advance planning required for their trip, but can be impacted by the economy and the global geopolitical climate. In-State guests tend to be more weather-sensitive and value-oriented; to address this, the Company markets season passes to In-State guests, generally prior to the start of the ski season. For the nine months ended April 30, 2008, approximately 26% of the total lift revenue recognized was comprised of season pass revenue. The cost structure of ski resort operations is largely fixed (with the exception of certain variable expenses including Forest Service fees, credit card fees, retail/rental operations, ski school labor and dining operations); as such, incremental revenue generally has high associated profit margin.

Lodging properties at or around the Company's ski resorts represented approximately 91% and 84% of Lodging segment revenue for the three months ended April 30, 2008 and 2007, respectively, and 72% and 70% of Lodging segment revenue for the nine months ended April 30, 2008 and 2007, respectively, and are closely aligned with the performance of the Mountain segment, particularly with respect to visitation by Destination guests. Revenue from hotel management operations under the RockResorts brand is generated through management fees based upon the revenue of the managed individual hotel properties within the RockResorts portfolio, and to the extent that these managed properties are not proximate to the Company's ski resorts, the seasonality of those hotels more closely resembles the seasonality and trends of hotels within the overall travel industry. Revenue of the Lodging segment during the Company's first and fourth fiscal quarters is generated primarily by the operations of GTLC (as GTLC's peak operating season occurs during the summer months), as well as golf operations and operations from the Company's other owned and managed properties.

The Company's Real Estate segment primarily engages in both the vertical development of projects and the sale of land to third-party developers, which latter activity generally includes the retention of some involvement and control in the infrastructure, development, oversight and design of the projects and a contingent revenue structure based on the ultimate sale of the developed units. The Company attempts to mitigate the risk of vertical development by utilizing guaranteed maximum price construction contracts (although certain construction costs may not be covered by contractual limitations), pre-selling all or a portion of the project, which generally requires significant non-refundable deposits and obtaining non-recourse financing for certain projects. The Company's real estate development projects also may result in the creation of certain resort assets that provide additional benefit to the Resort segment. The Company's Real Estate revenue and associated expense fluctuate based upon the timing of closings and the type of real estate being sold, thus increasing the volatility of Real Estate operating results from period to period. In the near-term, the majority of Real Estate revenue is expected to be generated from vertical development projects that are currently under construction, in which revenue and related cost of sales will be recorded at the time of real estate closings.

TRENDS, RISKS AND UNCERTAINTIES

Together with those factors identified in the Company's Form 10-K and elsewhere in this Form 10-Q, the Company's management has identified the following important factors (as well as risks and uncertainties associated with such factors) that could impact the Company's future financial performance:

- The economic downturn currently affecting the U.S. economy could have a negative impact on overall trends in the travel industry. Consequently, visitation (particularly from Destination guests) to the Company's resorts and/or the amount the Company's guests spend at its resorts may be negatively impacted by the weaker U.S. economy, in addition to potential lowered demand for the Company's real estate projects.
- In March 2008, the Company announced a new season pass product (the "Epic Season Pass") for the upcoming 2008/2009 ski season, which offers unrestricted and unlimited access to the Company's five ski resorts. The Epic Season Pass will primarily be marketed towards the Company's Destination guests and must be purchased on or before November 15, 2008, prior to the vast majority of the ski season. As such, the Company expects an increase in season pass revenue for the 2008/2009 ski season, which is primarily collected prior to the opening of the ski season, and will be recognized ratably over the 2008/2009 ski season; however, the Company cannot predict the overall impact the Epic Season Pass will have on overall lift revenue and effective ticket price ("ETP").
- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate under contract, which determines when revenue and associated cost of sales is recognized. Changes to the anticipated timing of closing on one or more real estate projects could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. Additionally, the magnitude of real estate projects currently under development or contemplated could result in a significant increase in Real Estate Reported EBITDA as these projects close. For example, the Company closed on 17 of the 67 units at The Arrabelle at Vail Square ("Arrabelle") during the three months ended April 30, 2008, 29 of the 67 units at Arrabelle during the nine months ended April 30, 2008 and expects to close on the vast majority of the remaining condominium units during the current fiscal year. The Company expects to close on The Lodge at Vail Chalets ("Chalets") during the fourth fiscal quarter in the current fiscal year and the first half of the year ending July 31, 2009. The Company has entered into definitive sales contracts with a value of approximately \$390 million related to these projects of which \$54.1 million and \$88.6 million of revenue was recognized in the three and nine months ended April 30, 2008, respectively, along with the associated cost of sales.
- The Company has several real estate projects across its resorts under development and has identified additional projects for development. While the current instability in the capital markets and slowdown in the national real estate market have not, to date, materially impacted the Company's real estate development, the Company does have elevated risk associated with the selling and/or closing of its real estate under development as a result of the current economic climate. These risks surrounding the Company's real estate developments are partially mitigated by the fact that the Company's projects include a relatively low number of luxury and ultra luxury units situated at the base of its resorts, which are unique due to the relatively low supply of developable land. Additionally, the Company's real estate projects must meet the Company's pre-sale requirements, which include substantial non-refundable deposits, before significant development begins; however, there is no guarantee that a sustained downward trend in the capital and real estate markets would not materially impact the Company's real estate development activities or operating results. The Company is moving forward with the development of One Ski Hill Place located at the base of Peak 8 in Breckenridge, along with the other development projects currently under construction including Arrabelle, Chalets, Crystal Peak Lodge and The Ritz-Carlton Residences, Vail. The Company expects to incur between \$380 million and \$410 million of construction costs related to these projects subsequent to April 30, 2008.
- The Company had \$304.1 million in cash and cash equivalents as of April 30, 2008 with no borrowings under the revolver component of its senior credit facility (the "Credit Facility") and expects to generate additional cash from operations, including future closures on real estate vertical development projects. The Company is currently evaluating how to utilize its excess cash, including any combination of the following strategic options: self-fund real estate under development and/or increase real estate investment; increase resort capital expenditures; pursue strategic acquisitions; pay off outstanding debt; repurchase additional common stock of the Company (see Note 12, Stock Repurchase Plan, of the Notes to Consolidated Condensed Financial Statements for more information regarding the Company's stock repurchase plan); and/or other options to return value to stockholders. The Company believes its debt generally has favorable fixed interest rates and is long-term in nature. In determining its uses of excess cash, the Company has some constraints as a result of the Company's Fourth Amended and Restated Credit Agreement, dated as of January 28, 2005, as amended, between The Vail Corporation (a wholly-owned subsidiary of the Company), Bank of America, N.A. as administrative agent and the Lenders party thereto (the

“Credit Agreement”) underlying the Company’s Credit Facility and the Indenture, dated as of January 29, 2004 among the Company, the guarantors therein and the Bank of New York, as Trustee (“Indenture”), governing the Senior Subordinated Notes due 2014 (“6.75% Notes”), which limit the Company’s ability to pay dividends, repurchase stock and pay off certain of its debt, including its 6.75% Notes.

- During the fourth quarter of the fiscal year ended July 31, 2007, the Company entered into an agreement with Peninsula Advisors, LLC (“Peninsula”) for the negotiation and mutual acquisition of The Canyons ski resort (“The Canyons”) and the land underlying The Canyons. On July 15, 2007, American Skiing Company (“ASC”) entered into an agreement to sell The Canyons to Talisker Corporation and Talisker Canyons Finance Company, LLC (together “Talisker”). On July 27, 2007, the Company filed a complaint in the District Court in Colorado against Peninsula and Talisker claiming, among other things, breach of contract by Peninsula and intentional interference with contractual relations and prospective business relations by Talisker and seeking damages, specific performance and injunctive relief. On October 19, 2007, the Company’s request for a preliminary injunction to prevent the closing of the acquisition by Talisker of The Canyons from ASC was denied. On November 8, 2007, Talisker filed an answer to the Company’s complaint along with three counterclaims. On November 12, 2007, Peninsula filed a motion to dismiss and for partial summary judgment. The Company believes that these counter claims and motions are without merit. These motions have been set for hearing on June 20, 2008. The Company is unable to predict the ultimate outcome of the above described actions. The Company incurred legal expenses related to The Canyons litigation of approximately \$2.1 million in the nine months ended April 30, 2008.

The data provided in this section should be read in conjunction with the risk factors identified elsewhere in this document and within the Company’s Form 10-K.

RESULTS OF OPERATIONS

Summary

Shown below is a summary of operating results for both the three and nine months ended April 30, 2008, compared to the three and nine months ended April 30, 2007 (in thousands):

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2008	2007	2008	2007
Mountain Reported EBITDA	\$ 168,617	\$ 157,375	\$ 249,634	\$ 238,537
Lodging Reported EBITDA	8,077	12,517	8,204	18,615
Resort Reported EBITDA	176,694	169,892	257,838	257,152
Real Estate Reported EBITDA	912	(8,127)	7,802	(1,498)
Total Reported EBITDA	177,606	161,765	265,640	255,654
Income before provision for income taxes	141,556	128,701	183,948	156,916
Net income	\$ 87,341	\$ 78,508	\$ 114,047	\$ 95,719

Presented below is detailed comparative data and discussion regarding the Company’s results of operations for the three and nine months ended April 30, 2008 compared to the three and nine months ended April 30, 2007.

Mountain Segment

Mountain segment operating results for the three and nine months ended April 30, 2008 and 2007 are presented by category as follows (in thousands, except ETP):

	Three Months Ended		Percentage Increase (Decrease)
	April 30,		
	2008	2007	

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Lift tickets	\$ 167,793	\$ 158,380	5.9 %
Ski school	46,229	44,650	3.5 %
Dining	30,344	28,624	6.0 %
Retail/rental	59,533	53,401	11.5 %
Other	21,827	23,657	(7.7)%
Total Mountain net revenue	325,726	308,712	5.5 %
Total Mountain operating expense	157,807	152,997	3.1 %
Mountain equity investment income, net	698	1,660	(58.0)%
Total Mountain Reported EBITDA	\$ 168,617	\$ 157,375	7.1 %
Total skier visits	3,391	3,307	2.5 %
ETP	\$ 49.48	\$ 47.89	3.3 %

Total Mountain Reported EBITDA includes \$1.0 million of stock-based compensation expense for each of the three months ended April 30, 2008 and 2007.

	Nine Months Ended April 30,		Percentage Increase (Decrease)
	2008	2007	
Lift tickets	\$ 301,791	\$	