VAIL RESORTS INC
Form 10-Q/A
August 24, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
AMENDMENT No. 1

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2007

¨ 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: 1-9614

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.
x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

¨ Yes x No

As of March 5, 2007, 38,880,704 shares of the registrant’s common stock were outstanding.

Explanatory Note

The Company is filing this amendment to its Quarterly Report on Form 10-Q (“Form 10-Q/A”) to restate its Consolidated Condensed Statements of Cash Flows for the six months ended January 31, 2007 and 2006 as described in Note 15, Restatement, of the Notes to Consolidated Condensed Financial Statements. As previously disclosed in the Company’s Quarterly Report on Form 10-Q for the period ended April 30, 2007 filed with the United States Securities and Exchange Commission (the “SEC”) on June 8, 2007, the Company was in discussion with the staff of the SEC regarding the Company’s classification of its Real Estate segment cash inflows and outflows within the operating and investing sections of its Consolidated Condensed Statements of Cash Flows. Following these discussions, the Company concluded to restate its Consolidated Condensed Statements of Cash Flows by reclassifying its cash outflows related to its investments in real estate, disclosed as a separate line item, from investing activities to operating activities. Consequently, this restatement resulted in a reduction of cash flows provided by operating activities with an equal and off-setting impact to cash flows used in investing activities. This restatement does not impact the Company’s previously reported overall net change in cash and cash equivalents in its Consolidated Condensed Statements of Cash Flows for any period presented. Additionally, this restatement does not impact the Company’s Consolidated Condensed Balance Sheets or Consolidated Condensed Statements of Operations for any period presented. The Company is also filing amendments to its Annual Report on Form 10-K for the year ended July 31, 2006 and Quarterly Reports on Form 10-Q for the quarters ended October 31, 2006 and April 30, 2007 to reflect this restatement.

For the convenience of the reader, this Form 10-Q/A sets forth the Company’s original Form 10-Q as filed with the SEC on March 12, 2007 (the “Original 10-Q") in its entirety, as amended by, and to reflect, the restatement. No attempt has been made in this Form 10-Q/A to update other disclosures presented in the Original 10-Q, except as required to reflect the effects of the restatement. This Form 10-Q/A does not reflect events occurring after the filing of the Original 10-Q or modify or update those disclosures, including the exhibits to the Original 10-Q affected by subsequent events. The following sections of this Form 10-Q/A have been amended to reflect the restatement:

- Part I – Item 1 – Financial Statements (Consolidated Condensed Statements of Cash Flows, Note 13 Guarantor Subsidiaries and Non-Guarantor Subsidiaries – Restated, Note 15 Restatement) and
- Part I – Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations (Liquidity and Capital Resources).

This Form 10-Q/A has been signed as of a current date and all certifications of the Company’s Chief Executive Officer and Chief Financial Officer are given as of a current date. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original 10-Q for the six months ended January 31, 2007, including any amendments to those filings.

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PART I **FINANCIAL INFORMATION**

Item 1. **Financial Statements -- Unaudited**

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

	January 31, 2007 (Unaudited)	July 31, 2006	January 31, 2006 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 254,866	$ 191,794	$ 175,541
Restricted cash	26,792	20,322	23,715
Trade receivables, net	43,728	35,949	39,712
Inventories, net	49,825	42,278	43,977
Other current assets	38,918	35,631	43,909
Total current assets	414,129	325,974	326,854
Property, plant and equipment, net (Note 5)	868,185	851,112	858,200
Real estate held for sale and investment	293,219	259,384	221,048
Goodwill, net	135,811	135,811	135,811
Intangible assets, net	73,715	75,109	77,541
Other assets	47,557	40,253	33,226
Total assets	$ 1,832,616	$ 1,687,643	$ 1,652,680
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses (Note 5)	$ 305,690	$ 230,762	$ 295,092
Income taxes payable	9,103	17,517	6,324
Long-term debt due within one year (Note 4)	440	5,915	5,673
Total current liabilities	315,233	254,194	307,089
Long-term debt (Note 4)	551,866	525,313	517,638
Other long-term liabilities (Note 5)	185,849	158,490	132,933
Deferred income taxes	83,967	73,064	77,037
Commitments and contingencies (Note 11)			
Put option liabilities (Note 9)	1,245	1,245	--
Minority interest in net assets of consolidated subsidiaries	36,035	32,560	31,345
Stockholders' equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, zero shares issued and outstanding	--	--	--
Common stock, $0.01, 100,000,000 shares authorized, 38,802,817 (unaudited), 39,036,282 and 37,965,853 (unaudited) shares issued and outstanding as of January 31, 2007, July 31, 2006 and January 31, 2006, respectively	395	390	380
Additional paid-in capital	522,941	509,505	479,611
Retained earnings	160,931	143,721	106,647
Treasury stock (Note 12)	(25,846)	(10,839)	--
Total stockholders' equity	658,421	642,777	586,638
Total liabilities and stockholders' equity	$ 1,832,616	$ 1,687,643	$ 1,652,680

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 January 31, 2007	2006
Net revenue:		
Mountain	$ 272,026	$ 246,228
Lodging	32,796	32,079
Real estate	56,216	9,709
Total net revenue	361,038	288,016
Segment operating expense:		
Mountain	159,871	150,666
Lodging	30,757	32,894
Real estate	50,391	6,383
Total segment operating expense	241,019	189,943
Other operating (expense) income:		
Depreciation and amortization	(21,759)	(21,431)
Relocation and separation charges (Note 7)	(500)	--
Mold remediation credit (Note 11)	--	852
Loss on disposal of fixed assets, net	(10)	(486)
Income from operations	97,750	77,008
Mountain equity investment income, net	1,496	1,455
Real estate equity investment income	--	31
Investment income	2,417	1,046
Interest expense, net	(7,911)	(9,502)
Gain on sale of businesses, net (Note 8)	--	4,625
Contract dispute charges (Note 11)	(672)	--
Gain on put options (Note 9)	--	1,026
Other income, net	--	51
Minority interest in income of consolidated subsidiaries, net	(6,152)	(5,231)
Income before provision for income taxes	86,928	70,509
Provision for income taxes	(33,902)	(27,498)
Net income	$ 53,026	$ 43,011
Per share amounts (Note 3):		
Basic net income per share	$ 1.37	$ 1.15
Diluted net income per share	$ 1.35	$ 1.12

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)

	Six Months Ended January 31, 2007	2006
Net revenue:		
Mountain	$ 318,189	$ 286,505
Lodging	73,204	73,829
Real estate	83,138	13,102
Total net revenue	474,531	373,436
Segment operating expense:		
Mountain	239,358	222,957
Lodging	67,106	70,535
Real estate	76,509	12,452
Total segment operating expense	382,973	305,944
Other operating (expense) income:		
Depreciation and amortization	(43,344)	(40,354)
Relocation and separation charges (Note 7)	(1,235)	--
Asset impairment charge	--	(136)
Mold remediation credit (Note 11)	--	852
Loss on disposal of fixed assets, net	(91)	(726)
Income from operations	46,888	27,128
Mountain equity investment income, net	2,331	2,305
Real estate equity investment income	--	100
Investment income	4,481	2,234
Interest expense, net	(16,847)	(18,939)
Gain on sale of businesses, net (Note 8)	--	4,625
Contract dispute charges (Note 11)	(4,276)	--
Gain on put options (Note 9)	--	34
Other income, net	--	51
Minority interest in income of consolidated subsidiaries, net	(4,363)	(3,305)
Income before provision for income taxes	28,214	14,233
Provision for income taxes	(11,004)	(5,551)
Net income	$ 17,210	$ 8,682
Per share amounts (Note 3):		
Basic net income per share	$ 0.44	$ 0.23
Diluted net income per share	$ 0.44	$ 0.23

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)

	Six Months Ended January 31, 2007 (as restated, see Note 15)	Six Months Ended January 31, 2006 (as restated, see Note 15)
Net cash provided by operating activities	$108,319	$ 35,521
Cash flows from investing activities:		
Capital expenditures	(62,058)	(55,112)
Proceeds from sale of businesses	--	30,712
Other investing activities, net	354	(4,018)
Net cash used in investing activities	(61,704)	(28,418)
Cash flows from financing activities:		
Repurchases of common stock	(15,007)	--
Proceeds from borrowings under Non-Recourse Real Estate Financings	33,067	5,233
Payments of Non-Recourse Real Estate Financings	(1,493)	--
Proceeds from borrowings under other long-term debt	48,012	20,980
Payments of other long-term debt	(58,508)	(24,909)
Proceeds from exercise of stock options	6,803	27,635
Other financing activities, net	3,583	2,919
Net cash provided by financing activities	16,457	31,858
Net increase in cash and cash equivalents	63,072	38,961
Cash and cash equivalents:		
Beginning of period	191,794	136,580
End of period	$254,866	$175,541

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 resorts and related ancillary businesses at Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado and the Heavenly Ski Resort ("Heavenly") in the Lake Tahoe area of California and Nevada. These resorts use federal land under the terms of Special Use Permits granted by the USDA Forest Service (the "Forest Service"). The Company also holds a 61.7% interest in SSI Venture, LLC ("SSV"), a retail/rental company. In the Lodging segment, the Company owns and operates various hotels, as well as RockResorts International, LLC ("RockResorts"), a luxury hotel management company, and Grand Teton Lodge Company ("GTLC"), which operates three resorts within Grand Teton National Park (under a National Park Service concessionaire contract), and the Jackson Hole Golf & Tennis Club ("JHG&TC") in Wyoming. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary, conducts the operations of the Company's Real Estate segment. 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 generally run 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, except for the restatement discussed in Note 15. 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/A for the year ended July 31, 2006. 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 have been condensed or omitted. The July 31, 2006 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 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, 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.

3. Net Income Per Common Share

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" ("EPS"), establishes standards for computing and presenting EPS. SFAS No. 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 common stockholders 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 January 31, 2007 and 2006 (in thousands, except per share amounts):

	Three Months Ended January 31,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	$ 53,026	$ 53,026	$ 43,011	$ 43,011
Weighted-average shares outstanding	38,753	38,753	37,467	37,467
Effect of dilutive securities	--	486	--	855
Total shares	38,753	39,239	37,467	38,322
Net income per share	$ 1.37	$ 1.35	$ 1.15	$ 1.12

The number of shares issuable on the exercise of stock 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 24,000 and 448,000 for the three months ended January 31, 2007 and 2006, respectively.

Presented below is basic and diluted EPS for the six months ended January 31, 2007 and 2006 (in thousands, except per share amount):

	Six Months Ended January 31,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	$ 17,210	$ 17,210	$ 8,682	$ 8,682
Weighted-average shares outstanding	38,734	38,734	37,133	37,133
Effect of dilutive securities	--	465	--	848
Total shares	38,734	39,199	37,133	37,981
Net income per share	$ 0.44	$ 0.44	$ 0.23	$ 0.23

The number of shares issuable on the exercise of stock 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 116,000 and 448,000 for the six months ended January 31, 2007 and 2006, respectively.

4. Long-Term Debt

Long-term debt as of January 31, 2007, July 31, 2006 and January 31, 2006 is summarized as follows (in thousands):

	Maturity (a)	January 31, 2007	July 31, 2006	January 31, 2006
Credit Facility Revolver	2010	$ --	$ --	$ --
SSV Facility	2011	--	6,261	6,233
Industrial Development Bonds	2009-2020	57,700	61,700	61,700

Employee Housing Bonds	2027-2039	52,575	52,575	52,575
Non-Recourse Real Estate Financings (b)	2009	44,931	13,357	5,233
6.75% Senior Subordinated Notes ("6.75% Notes")	2014	390,000	390,000	390,000
Other	2007-2029	7,100	7,335	7,570
Total debt		552,306	531,228	523,311
Less: Current maturities (c)		440	5,915	5,673
Long-term debt		$551,866	$525,313	$517,638

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

(b) At January 31, 2007, Non-Recourse Real Estate Financings consist of borrowings under the $175 million construction agreement for Arrabelle at Vail Square, LLC ("Arrabelle"). At July 31, 2006, Non-Recourse Real Estate Financings also included borrowings under the $30 million construction agreement for Gore Creek Place, LLC ("Gore Creek") which were paid in full during the six months ended January 31, 2007.

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

Aggregate maturities for debt outstanding as of January 31, 2007 are as follows (in thousands):

Fiscal 2007	$ 175
Fiscal 2008	363
Fiscal 2009	60,197
Fiscal 2010	262
Fiscal 2011	1,738
Thereafter	489,571
Total debt	$552,306

The Company incurred gross interest expense of $10.3 million and $9.8 million for the three months ended January 31, 2007 and 2006, respectively, of which $463,000 and $483,000 was amortization of deferred financing costs. The Company incurred gross interest expense of $20.5 million and $19.3 million for the six months ended January 31, 2007 and 2006, respectively, of which $930,000 and $1.0 million was amortization of deferred financing costs. The Company capitalized $2.3 million and $250,000 of interest during the three months ended January 31, 2007 and 2006, respectively. The Company capitalized $3.6 million and $333,000 of interest during the six months ended January 31, 2007 and 2006, respectively.

5. Supplementary Balance Sheet Information

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

	January 31, 2007	**July 31, 2006**	**January 31, 2006**
Land and land improvements	$ 247,997	$ 248,941	$ 244,841

Buildings and building improvements	538,426	529,316	526,808
Machinery and equipment	455,382	426,457	426,726
Vehicles	27,121	25,671	25,436
Furniture and fixtures	124,201	113,696	111,610
Construction in progress	41,035	39,149	21,024
Gross property, plant and equipment	1,434,162	1,383,230	1,356,445
Accumulated depreciation	(565,977)	(532,118)	(498,245)
Property, plant and equipment, net	$ 868,185	$ 851,112	$ 858,200

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

	January 31, 2007	**July 31, 2006**	**January 31, 2006**
Trade payables	$103,718	$ 82,599	$ 92,565
Deferred revenue	66,627	30,785	62,048
Deferred credits and deposits	27,071	24,026	43,885
Accrued salaries, wages and deferred compensation	34,709	31,954	29,181
Accrued benefits	26,704	24,538	20,011
Accrued interest	14,614	14,969	14,686
Liabilities to complete real estate projects	5,262	5,951	7,575
Other accruals	26,985	15,940	25,141
Total accounts payable and accrued expenses	$305,690	$ 230,762	$295,092

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

	January 31, 2007	**July 31, 2006**	**January 31, 2006**
Private club deferred initiation fee revenue	$ 94,110	$ 91,438	$ 90,270
Deferred real estate credits	62,774	54,578	33,876
Private club initiation deposits	9,330	1,308	1,253
Liabilities to complete real estate projects	6,301	550	550
Other long-term liabilities	13,334	10,616	6,984
Total other long-term liabilities	$185,849	$ 158,490	$132,933

6. Variable Interest Entities

The Company has determined that it is the primary beneficiary of four employee housing entities (collectively, the "Employee Housing Entities"), Breckenridge Terrace, LLC (“Breckenridge Terrace”), 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 January 31, 2007, the Employee Housing Entities had total assets of $41.4 million (primarily recorded in property, plant and equipment, net) and total liabilities of $65.4 million (primarily recorded in long-term debt as “Employee Housing Bonds”). All of the assets ($7.1 million as of January 31, 2007) 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 has determined that it is the primary beneficiary of Avon Partners II ("APII"), which is a VIE. APII owns commercial space and the Company currently leases substantially all of that space. APII had total assets of $4.5 million (primarily recorded in property, plant and equipment, net) and no debt as of January 31, 2007.

The Company has determined that it is the primary beneficiary of FFT Investment Partners ("FFT"), which is a VIE. FFT owns a private residence in Eagle County, Colorado. The entity had total assets of $5.6 million (primarily recorded in real estate held for sale and investment) and no debt as of January 31, 2007. In March 2007, the private residence owned by FFT was sold for $6.7 million, and as such, FFT is expected to be dissolved.

The Company, through various lodging subsidiaries, manages the operations of several entities that own hotels in which the Company has no ownership interest. The Company also has extended a $1.5 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 January 31, 2007. 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. Based on information provided to the Company by owners of the entities, these VIEs had total assets of approximately $194.5 million and total liabilities of approximately $79.4 million as of January 31, 2007. 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 $1.7 million and the net book value of the intangible asset associated with the management agreements in the amount of $2.4 million as of January 31, 2007.

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 includes the consolidation of certain other operations of the Company) was substantially completed by January 31, 2007. The Company currently expects that the total charges associated with the relocation that will result in cash expenditures will be approximately $3.8 million (which includes charges for severance and retention of approximately $1.7 million, charges for contract termination costs of approximately $400,000 and facility, employee and other relocation costs of approximately $1.7 million), of which $3.6 million was incurred through January 31, 2007. The above amounts do not reflect any of the anticipated benefits expected to be realized from the relocation and consolidation of offices.

The following table summarizes the activity and balances of the liability related to future payments of relocation charges, which has been recorded in "accounts payable and accrued expenses" in the accompanying Consolidated Condensed Balance Sheets (in thousands):

	Severance and Retention Benefits	**Contact Termination Costs**	**Facility, Employee and Other Relocation Costs**	**Total**
Balance at July 31, 2006	$ 873	$ --	$ 283	$ 1,156
Relocation charges	67	303	865	1,235
Payments	(911)	(106)	(1,060)	(2,077)
Balance at January 31, 2007	$ 29	$ 197	$ 88	$ 314

8. Sale of Businesses

On January 19, 2006, JHL&S LLC, a limited liability company owned by wholly-owned subsidiaries of the Company, sold the assets constituting Snake River Lodge & Spa ("SRL&S") to Lodging Capital Partners, a private, Chicago-based hospitality investment firm ("LCP"), for $32.5 million, the proceeds of which were adjusted for normal working capital prorations. The carrying value of the assets sold (net of liabilities assumed) was $26.9 million, which were recorded as "assets held for sale" prior to the sale. The Company recorded a $4.7 million gain after consideration of all costs involved, which is included in "gain on sale of businesses, net" in the accompanying Consolidated Condensed Statements of Operations for the three and six months ended January 31, 2006. The Company continues to manage SRL&S pursuant to a 15-year management agreement with LCP.

In conjunction with the December 8, 2004 sale of the Company’s 49% minority equity interest in Bachelor Gulch Resort, LLC (“BG Resort”), the Company had guaranteed payment of certain contingencies of BG Resort upon settlement. At the time of sale, the Company recorded a liability related to these contingencies in the amount of $130,000. In February 2006, the Company reached a settlement of these contingencies and recorded an additional liability in the amount of $82,000, which was recorded as a loss within "gain on sale of businesses, net" in the accompanying Consolidated Condensed Statements of Operations for the three and six months ended January 31, 2006.

9. Put and Call Options

The Company holds an approximate 61.7% 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: (1) beginning August 1, 2007 and each year thereafter, each of the Company and GSSI shall 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 (2) 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 an involuntary transfer of the Company's ownership interest in SSV has occurred. The put and call pricing is generally based on the trailing twelve month EBITDA (as defined in the operating agreement) of SSV for the fiscal period ended prior to the commencement of the put or call period, as applicable.

In February 2007, the Company and GSSI entered into an amended operating agreement whereby the Company will acquire 20% of GSSI’s ownership interest for $8.4 million, which is expected to close March 31, 2007. As a result of this transaction, the Company will hold an approximate 69.3% ownership interest in SSV. In addition, the put and call rights for GSSI’s remaining interest in SSV were extended to begin August 1, 2010 and the existing management agreement was extended to coincide with the exercise of the remaining put and call rights.

In March 2001, in connection with the Company's acquisition of a 51% ownership interest in RTP, LLC ("RTP"), the Company and RTP's minority shareholder entered into a put agreement whereby the minority shareholder can 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 is 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 has 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 (the “Provisional Put Period”). The Provisional Put period will expire no later than June 30, 2007. As a result of the extensions, the Company did not recognize any gain or loss as the estimated fair value of the put option liability did not change during the three and six months ended January 31, 2007. For the three and six months ended January 31, 2006, the Company recorded gains of $1.0 million and $34,000, respectively, representing a decrease in the estimated fair value of the put option liability during those periods. As of January 31, 2007, the Company had a 54.5% interest in RTP. RTP's minority shareholder has the option to put 27.8% of its remaining interest in RTP to the Company as of January 31, 2007.

In March 2007, the Company and RTP’s minority shareholder entered into a definitive agreement under which RTP’s minority shareholder will acquire the Company’s 54.5% interest in RTP for approximately $3.5 million. As part of this agreement the Company will retain source code rights to its internal use software and internet solutions. This transaction is expected to close on or around April 30, 2007. As a result of this transaction, the Company will record a net loss of approximately $100,000 on the sale of its investment in RTP including the elimination of the put option liability and the write-off of the associated put option intangible asset.

10. Related Party Transactions

In June 2006, the Company invested in the purchase of a residence in the Denver/Boulder, Colorado area, for Jeffrey W. Jones, the Company’s Senior Executive Vice President and Chief Financial Officer, and his family in connection with his relocation to the Company’s new headquarters in Broomfield, Colorado. The Company contributed $650,000 towards the purchase price of the residence and thereby obtained a 31.0% undivided ownership interest in such residence. In January 2007, Mr. Jones repurchased the Company’s 31.0% undivided ownership interest for an appraised value of $650,000. The sale of the Company’s undivided ownership interest had been approved by the Board of Directors of the Company, in accordance with the Company's related party transactions policy.

In January 2007, Robert A. Katz, Chief Executive Officer of the Company, executed a purchase and sale agreement for the purchase of a unit at The Lodge at Vail Chalets project located near the Vista Bahn at the base of Vail Mountain for a total purchase price of $12.5 million. Mr. Katz provided an earnest money deposit of $1.9 million. The earnest money deposits will be used to fund the construction of The Lodge at Vail Chalets project. The sale of the unit has been approved by the Board of Directors of the Company, in accordance with the Company's related party transactions policy.

As of January 31, 2006, the Company had outstanding a $500,000 note receivable from Keystone/Intrawest, LLC, a real estate development venture in which the Company has an equity-method investment. This note was related to the fair market value of the land originally contributed to the partnership, and was repaid in the year ended July 31, 2006, as the underlying land was sold to third parties.

11. 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 $1.1 million, $1.3 million and $1.7 million, primarily within "other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheets, as of January 31, 2007, July 31, 2006 and January 31, 2006, 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, 2008.

Guarantees

As of January 31, 2007, the Company had various other letters of credit outstanding in the amount of $68.9 million, a portion of which are not issued against the Credit Facility, consisting primarily of $51.0 million in support of the Employee Housing Bonds, $4.5 million related to workers' compensation for Heavenly and The Lodge at Rancho Mirage, $9.1 million of construction performance guarantees and $2.9 million for workers' compensation and general liability deductibles related to the construction of Gore Creek and Arrabelle.

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 based upon the Company's 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.

The Company guarantees the revenue streams associated with selected routes flown by certain airlines into Eagle County, Colorado, Regional Airport; these guarantees are generally capped at certain levels. As of January 31, 2007, the Company has recorded a liability related to the airline guarantees of $850,000, which represents the estimated amount the Company will be required to pay. Payments, if any, under these guarantees are expected to be made during the year ending July 31, 2007.

Unless otherwise noted, the Company has not recorded a liability 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 Sheet the underlying liability associated with the guarantee, the guarantee or indemnification existed prior to January 1, 2003 or 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 of whether the Company ultimately completes 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 $11.6 million as of January 31, 2007, and anticipates completion of the majority of these commitments within the next two years.

The Company has completed installing a new gondola lift and related infrastructure at Breckenridge for the 2006/07 ski season pursuant to an agreement with the Town of Breckenridge (the "Town"). The Town agreed to contribute $6.7 million to fund construction of the gondola, as well as the already completed skiway. The funds contributed by the Town reduced the book value of the gondola and related infrastructure.

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.

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. Cheeca Holdings, LLC, the entity owner of the hotel property, asserted that RockResorts breached the management contract, among other alleged breaches, and sought a ruling that it had the right to terminate the management contract and sought monetary damages, and recovery of attorneys' 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. The Company has incurred $672,000 and $4.3 million of legal related costs related to this matter in the three and six months ended January 31, 2007, respectively, which is included in "contract dispute charges" in the accompanying Consolidated Condensed Statements of Operations for the three and six months ended January 31, 2007. In February 2007, the arbitrator rendered a decision in favor of the Company (see Note 14, Subsequent Event, for more information regarding the arbitrator's ruling).

Breckenridge Terrace Employee Housing Construction Defect/Water Intrusion Claims

During the year ended July 31, 2004, the Company became aware of water intrusion and condensation problems causing mold damage in the 17 building employee housing facility owned by Breckenridge Terrace, an Employee Housing Entity in which the Company is a member and manager. As a result, the facility was not available for occupancy during the 2003/04 ski season. All buildings at the facility required mold remediation and reconstruction and this work began in the year ended July 31, 2004. Breckenridge Terrace recorded a $7.0 million liability in the year ended July 31, 2004 for the estimated cost of remediation and reconstruction efforts. These costs were funded by a loan to Breckenridge Terrace from the Company member of Breckenridge Terrace. As of July 31, 2006, Breckenridge Terrace had substantially completed all remediation efforts.

Forensic construction experts retained by Breckenridge Terrace determined that the water intrusion and condensation problems were the result of construction and design defects. In accordance with Colorado law, Breckenridge Terrace served separate notices of claims on the general contractor, architect and developer and initiated arbitration proceedings which have since been closed. During the three and six months ended January 31, 2006, the Company recorded a $852,000 mold remediation credit due to Breckenridge Terrace receiving reimbursement from third parties for costs incurred in conjunction with its mold remediation efforts. This credit has been recognized by the Company as reduction of the remediation expense that was originally recognized in the year ended July 31, 2004.

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 six months ended January 31, 2007, the Company repurchased 167,700 and 358,400 shares of common stock at a cost of $7.5 million and $15.0 million, respectively. Since inception of this stock repurchase plan, the Company has repurchased 673,500 shares at a cost of approximately $25.8 million. As of January 31, 2007, 2,326,500 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 stock based compensation plans. Acquisitions under the share repurchase program will be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The timing as well as the number of shares that may be repurchased under the program will depend on a number of factors including the Company's future financial performance, the Company's available cash resources and competing uses for cash that may arise in the future, the restrictions in the Credit Facility and in the Indenture, dated as of January 29, 2004 among the Company, the guarantors therein and the Bank of New York, as Trustee, prevailing prices of the Company's common stock and the number of shares that become available for sale at prices that the Company believes are attractive. The stock repurchase program may be discontinued at any time and is not expected to have a significant impact on the Company's capitalization.

13. Guarantor Subsidiaries and Non-Guarantor Subsidiaries -- Restated

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 Boulder/Beaver LLC, Colter Bay Corporation, Eagle Park Reservoir Company, Forest Ridge Holdings, Inc., Gros Ventre Utility Company, Jackson Lake Lodge Corporation, Jenny Lake Lodge, Inc., Mountain Thunder, Inc., RT Partners, Inc. and RTP, SSV, Larkspur Restaurant & Bar, LLC, Vail Associates Investments, Inc., Arrabelle, Gore Creek, Timber Trail, Inc. and VR Holdings, Inc. (together, the "Non-Guarantor Subsidiaries"). APII, FFT and the Employee Housing Entities are included with the Non-Guarantor Subsidiaries for purposes of the consolidated condensed 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 January 31, 2007, July 31, 2006 and January 31, 2006. Statement of operations data is presented for the three and six months ended January 31, 2007 and 2006. Statement of cash flows data is presented for the six months ended January 31, 2007 and 2006.

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 January 31, 2007
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 247,083	$ 7,783	$ --	$ 254,866
Restricted cash	--	25,404	1,388	--	26,792
Trade receivables, net	--	37,578	6,150	--	43,728
Inventories, net	--	9,034	40,791	--	49,825
Other current assets	13,338	23,509	2,071	--	38,918
Total current assets	13,338	342,608	58,183	--	414,129
Property, plant and equipment, net	--	784,486	83,699	--	868,185
Real estate held for sale and investment	--	118,917	174,302	--	293,219
Goodwill, net	--	118,475	17,336	--	135,811
Intangible assets, net	--	57,168	16,547	--	73,715
Other assets	5,001	26,948	15,608	--	47,557
Investments in subsidiaries and advances to (from) parent	1,059,064	(535,123)	(64,043)	(459,898)	--
Total assets	$ 1,077,403	$ 913,479	$ 301,632	$ (459,898)	$ 1,832,616
Current liabilities:					
Accounts payable and accrued expenses	$ 19,866	$ 231,873	$ 53,951	$ --	$ 305,690
Income taxes payable	9,103	--	--	--	9,103
Long-term debt due within one year	--	35	405	--	440
Total current liabilities	28,969	231,908	54,356	--	315,233
Long-term debt	390,000	57,727	104,139	--	551,866
Other long-term liabilities	13	124,415	61,421	--	185,849
Deferred income taxes	--	83,946	21	--	83,967
Put option liabilities	--	1,245	--	--	1,245
Minority interest in net assets of consolidated subsidiaries	--	--	36,035	--	36,035
Total stockholders' equity	658,421	414,238	45,660	(459,898)	658,421
Total liabilities and stockholders' equity	$ 1,077,403	$ 913,479	$ 301,632	$ (459,898)	$ 1,832,616

Supplemental Condensed Consolidating Balance Sheet
As of July 31, 2006
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 179,998	$ 11,796	$ --	$ 191,794
Restricted cash	--	14,787	5,535	--	20,322
Trade receivables, net	--	31,030	4,919	--	35,949
Inventories, net	--	8,595	33,683	--	42,278
Other current assets	11,945	21,308	2,378	--	35,631
Total current assets	11,945	255,718	58,311	--	325,974
Property, plant and equipment, net	--	782,158	68,954	--	851,112
Real estate held for sale and investment	--	154,330	105,054	--	259,384
Goodwill, net	--	118,475	17,336	--	135,811
Intangible assets, net	--	58,185	16,924	--	75,109
Other assets	5,356	20,510	14,387	--	40,253
Investments in subsidiaries and advances to (from) parent	1,053,209	(541,621)	(51,690)	(459,898)	--
Total assets	$1,070,510	$ 847,755	$ 229,276	$(459,898)	$1,687,643
Current liabilities:					
Accounts payable and accrued expenses	$ 19,857	$ 161,179	$ 49,726	$ --	$ 230,762
Income taxes payable	17,517	--	--	--	17,517
Long-term debt due within one year	--	4,045	1,870	--	5,915
Total current liabilities	37,374	165,224	51,596	--	254,194
Long-term debt	390,000	57,734	77,579	--	525,313
Other long-term liabilities	359	121,995	36,136	--	158,490
Deferred income taxes	--	72,919	145	--	73,064
Put option liabilities	--	1,245	--	--	1,245
Minority interest in net assets of consolidated subsidiaries	--	13,285	19,275	--	32,560
Total stockholders' equity	642,777	415,353	44,545	(459,898)	642,777
Total liabilities and stockholders' equity	$1,070,510	$ 847,755	$ 229,276	$(459,898)	$1,687,643

Supplemental Condensed Consolidating Balance Sheet
As of January 31, 2006
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 134,279	$ 41,262	$ --	$ 175,541
Restricted cash	--	20,546	3,169	--	23,715
Receivables, net	--	35,038	4,674	--	39,712
Inventories, net	--	8,669	35,308	--	43,977
Other current assets	12,769	24,764	6,376	--	43,909
Total current assets	12,769	223,296	90,789	--	326,854
Property, plant and equipment, net	--	787,860	70,340	--	858,200
Real estate held for sale and investment	--	138,559	82,489	--	221,048
Goodwill, net	--	135,811	--	--	135,811
Intangible assets, net	--	42,902	34,639	--	77,541
Other assets	5,711	16,292	11,223	--	33,226
Investments in subsidiaries and advances to (from) parent	979,831	(449,031)	(70,902)	(459,898)	--
Total assets	$ 998,311	$ 895,689	$ 218,578	$ (459,898)	$ 1,652,680
Current liabilities:					
Accounts payable and accrued expenses	$ 14,986	$ 224,339	$ 55,767	$ --	$ 295,092
Income taxes payable	6,324	--	--	--	6,324
Long-term debt due within one year	--	4,044	1,629	--	5,673
Total current liabilities	21,310	228,383	57,396	--	307,089
Long-term debt	390,000	57,767	69,871	--	517,638
Other long-term liabilities	363	98,648	33,922	--	132,933
Deferred income taxes	--	76,770	267	--	77,037
Minority interest in net assets of consolidated subsidiaries	--	--	31,345	--	31,345
Total stockholders' equity	586,638	434,121	25,777	(459,898)	586,638
Total liabilities and stockholders' equity	$ 998,311	$ 895,689	$ 218,578	$ (459,898)	$ 1,652,680

Supplemental Condensed Consolidating Statement of Operations
For the three months ended January 31, 2007
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 259,244	$ 104,346	$ (2,552)	$ 361,038
Total operating expense	4,584	181,996	79,260	(2,552)	263,288
(Loss) income from operations	(4,584)	77,248	25,086	--	97,750
Other expense, net	(6,751)	1,584	(999)	--	(6,166)
Equity investment income, net	--	1,496	--	--	1,496
Minority interest in income of consolidated subsidiaries, net	--	--	(6,152)	--	(6,152)
(Loss) income before income taxes	(11,335)	80,328	17,935	--	86,928
Benefit (provision) for income taxes	4,420	(38,400)	78	--	(33,902)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(6,915)	41,928	18,013	--	53,026
Equity in income (loss) of consolidated subsidiaries	59,941	--	--	(59,941)	--
Net income (loss)	$ 53,026	$ 41,928	$ 18,013	$ (59,941)	$ 53,026

Supplemental Condensed Consolidating Statement of Operations
For the three months ended January 31, 2006
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 226,506	$ 63,570	$ (2,060)	$ 288,016
Total operating expense	4,082	160,439	48,547	(2,060)	211,008
(Loss) income from operations	(4,082)	66,067	15,023	--	77,008
Other expense, net	(6,872)	(722)	(811)	--	(8,405)
Equity investment income, net	--	1,486	--	--	1,486
Gain on sale of businesses, net	--	4,625	--	--	4,625
Gain on put options	--	1,026	--	--	1,026
Minority interest in income of consolidated subsidiaries, net	--	--	(5,231)	--	(5,231)
(Loss) income before income taxes	(10,954)	72,482	8,981	--	70,509
Benefit (provision) for income taxes	4,272	(31,831)	61	--	(27,498)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(6,682)	40,651	9,042	--	43,011
Equity in income (loss) of consolidated subsidiaries	49,691	--	--	(49,691)	--
Net income (loss)	$ 43,009	$ 40,651	$ 9,042	$ (49,691)	$ 43,011

Supplemental Condensed Consolidating Statement of Operations
For the six months ended January 31, 2007
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 335,205	$ 143,641	$ (4,315)	$ 474,531
Total operating expense	7,579	303,372	121,007	(4,315)	427,643
(Loss) income from operations	(7,579)	31,833	22,634	--	46,888
Other expense, net	(13,508)	(1,089)	(2,045)	--	(16,642)
Equity investment income, net	--	2,331	--	--	2,331
Minority interest in income of consolidated subsidiaries, net	--	--	(4,363)	--	(4,363)
(Loss) income before income taxes	(21,087)	33,075	16,226	--	28,214
Benefit (provision) for income taxes	8,223	(19,350)	123	--	(11,004)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(12,864)	13,725	16,349	--	17,210
Equity in income (loss) of consolidated subsidiaries	30,074	--	--	(30,074)	--
Net income (loss)	$ 17,210	$ 13,725	$ 16,349	$ (30,074)	$ 17,210

Supplemental Condensed Consolidating Statement of Operations
For the six months ended January 31, 2006
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 287,303	$ 90,200	$ (4,067)	$ 373,436
Total operating expense	7,850	261,145	81,380	(4,067)	346,308
(Loss) income from operations	(7,850)	26,158	8,820	--	27,128
Other expense, net	(13,632)	(1,571)	(1,451)	--	(16,654)
Equity investment income, net	--	2,405	--	--	2,405
Gain on sale of businesses, net	--	4,625	--	--	4,625
Gain on put options	--	34	--	--	34
Minority interest in income of consolidated subsidiaries, net	--	--	(3,305)	--	(3,305)
(Loss) income before income taxes	(21,482)	31,651	4,064	--	14,233
Benefit (provision) for income taxes	8,378	(14,036)	107	--	(5,551)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(13,104)	17,615	4,171	--	8,682
Equity in income (loss) of consolidated subsidiaries	21,785	--	--	(21,785)	--
Net income (loss)	$ 8,681	$ 17,615	$ 4,171	$ (21,785)	$ 8,682

Supplemental Condensed Consolidating Statement of Cash Flows
For the six months ended January 31, 2007
(in thousands)
(Unaudited)
(as restated, see Note 15)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (35,705)	$ 160,969	$ (16,945)	$ 108,319
Cash flows from investing activities:				
Capital expenditures	--	(42,349)	(19,709)	(62,058)
Other investing activities, net	--	2,578	(2,224)	354
Net cash used in investing activities	--	(39,771)	(21,933)	(61,704)
Cash flows from financing activities:				
Repurchases of common stock	--	(15,007)	--	(15,007)
Proceeds from borrowings under long-term debt	--	1,645	79,434	81,079
Payments of long-term debt	--	(5,662)	(54,339)	(60,001)
Proceeds from exercise of stock options	6,803	--	--	6,803
Other financing activities, net	3,432	(2,604)	2,755	3,583
Advances from (to) affiliates	25,470	(32,485)	7,015	--
Net cash (used in) provided by financing activities	35,705	(54,113)	34,865	16,457
Net increase (decrease) in cash and cash equivalents	--	67,085	(4,013)	63,072
Cash and cash equivalents:				
Beginning of period	--	179,998	11,796	191,794
End of period	$ --	$ 247,083	$ 7,783	$ 254,866

Supplemental Condensed Consolidating Statement of Cash Flows
For the six months ended January 31, 2006
(in thousands)
(Unaudited)
(as restated, see Note 15)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (19,028)	$ 64,873	$ (10,324)	$ 35,521
Cash flows from investing activities:				
Capital expenditures	--	(48,510)	(6,602)	(55,112)
Proceeds from sale of businesses	--	30,712	--	30,712
Other investing activities, net	--	414	(4,432)	(4,018)
Net cash used in investing activities	--	(17,384)	(11,034)	(28,418)
Cash flows from financing activities:				
Proceeds from borrowings under long-term debt	--	20,392	5,821	26,213
Payments of long-term debt	--	(24,909)	--	(24,909)
Proceeds from exercise of stock options	27,635	--	--	27,635
Other financing activities, net	6,376	1,792	(5,249)	2,919
Advances (to) from affiliates	(14,983)	(3,364)	18,347	--
Net cash provided by (used in) financing activities	19,028	(6,089)	18,919	31,858
Net increase (decrease) in cash and cash equivalents	--	41,400	(2,439)	38,961
Cash and cash equivalents:				
Beginning of period	--	92,879	43,701	136,580
End of period	$ --	$ 134,279	$ 41,262	$ 175,541

14. Subsequent Event

Cheeca Lodge & Spa Contract Dispute

On February 28, 2007, the arbitrator of the JAMS Arbitration Tribunal in Chicago, Illinois, rendered a decision, awarding $8.5 million in damages in favor of RockResorts and against Cheeca Holdings, LLC, the ownership entity of Cheeca Lodge & Spa, the former RockResort managed property located in Islamorada, Florida. The arbitrator found that the ownership group had wrongfully terminated the hotel management contract without good cause, as RockResorts had maintained in the proceedings, and that RockResorts had not breached the management contract, as the ownership group had alleged. The Company has incurred $672,000 and $4.3 million in the three and six months ended January 31, 2007, respectively, and the Company incurred $3.3 million of legal related costs for the year ended July 31, 2006 in connection with the matter which are included in "contract dispute charges" in the Consolidated Condensed Statements of Operations in the respective periods. In accordance with the arbitrator's ruling, RockResorts will seek recovery of costs and attorneys' fees in the last stage of the proceedings, which is expected to be concluded by the end of fiscal 2007. Upon conclusion of that stage, the total award, which will incorporate the $8.5 million damage award and any additional cost recovery award, is final, binding and not subject to appeal. Upon completion of the cost recovery stage, RockResorts will proceed with the collection of the award and will record the actual amount received, upon receipt, in "contract dispute credit (charges), net."

As previously disclosed in Note 11, Commitments and Contingencies, RockResorts was notified in March 2006 by the ownership entity of the hotel 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 costs and attorneys' fees. The ownership group alleged that RockResorts breached the management agreement and sought a ruling that it had a right to terminate the management agreement and sought monetary damages and recovery of costs and attorneys' fees. Pursuant to the dispute resolution provisions of the management agreement, the matter went before the single judge arbitrator at the JAMS Arbitration Tribunal in Chicago, Illinois, in which the hearings concluded in early October 2006 and the arbitrator rendered a decision on February 28, 2007.

15. Restatement

The Consolidated Condensed Statements of Cash Flows for the six months ended January 31, 2007 and 2006 have been restated. The Company has restated its Consolidated Condensed Statements of Cash Flows by reclassifying cash outflows related to its investments in real estate, disclosed as a separate line item, from investing activities to operating activities. Consequently, this restatement resulted in a reduction of cash flows provided by operating activities with an equal and off-setting impact to cash flows used in investing activities. This restatement does not impact the Company's previously reported overall net change in cash and cash equivalents in its Consolidated Condensed Statements of Cash Flows for any period presented. Additionally, this restatement does not impact the Company's Consolidated Condensed Balance Sheets or Consolidated Condensed Statements of Operations for any period presented.

The following table presents the effect of the restatement on the Consolidated Condensed Statements of Cash Flows for the six months ended January 31, 2007 and 2006 (in thousands):

	Six Months Ended January 31, 2007		
	As Reported	**Adjustment**	**As Restated**
Net cash provided by operating activities	$ 196,886	$(88,567)	$108,319
Cash flow from investing activities:			
Investments in real estate	(88,567)	88,567	--

Net cash used in investing activities	(150,271)	88,567	(61,704)
Cash flow from financing activities:			
Net cash provided by financing activities	16,457	--	16,457
Net increase in cash and cash equivalents	63,072	--	63,072
Cash and cash equivalents:			
Beginning of period	191,794	--	191,794
End of period	$ 254,866	$ --	$ 254,866

	Six Months Ended January 31, 2006		
	As Reported	**Adjustment**	**As Restated**
Net cash provided by operating activities	$ 100,426	$ (64,905)	$ 35,521
Cash flow from investing activities:			
Investments in real estate	(64,905)	64,905	--
Net cash used in investing activities	(93,323)	64,905	(28,418)
Cash flow from financing activities:			
Net cash provided by financing activities	31,858	--	31,858
Net increase in cash and cash equivalents	38,961	--	38,961
Cash and cash equivalents:			
Beginning of period	136,580	--	136,580
End of period	$ 175,541	$ --	$ 175,541

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

The following Management's Discussion and Analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Annual Report on Form 10-K/A for the year ended July 31, 2006 ("Form 10-K/A") and the Consolidated Condensed Financial Statements as of January 31, 2007 and 2006 and for the three and six months then ended, included in Part I, Item 1 of this Form 10-Q/A, 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, general business and economic conditions, terrorism, war, the weather, changes in the competitive environment of the mountain and lodging industries, real estate development risk, and other factors discussed elsewhere herein and in the Company's filings with the Securities and Exchange Commission ("SEC").

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 revenues less segment operating expenses, plus or minus segment equity income or loss) 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 evaluates performance and allocates resources to its segments based on Reported EBITDA. 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, cash flows generated by operating, investing or financing activities 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.

Restatement

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement as discussed in Note 15, Restatement, of the Notes to Consolidated Condensed Financial Statements.

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 and related amenities, 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 ownership/management of a group of eight luxury hotels through the RockResorts International, LLC (“RockResorts”) brand, including four proximate to the Company's ski resorts; the operations of Grand Teton Lodge Company (“GTLC”), which is open generally from mid-May to mid-October; the ownership/management of non-RockResorts branded hotels and condominiums proximate to the Company's ski resorts; and golf course operations, which are open generally from mid-May to mid-October. The Real Estate segment is involved with the vertical and horizontal development of property in and around the Company's resort properties.

The Company's five ski resorts opened for business for the 2006/2007 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 47% and 46% of Mountain segment net revenue for the three months ended January 31, 2007 and 2006, respectively. Lift ticket revenues are 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: 1) out-of-state and international guests ("Destination") and 2) in-state and local visitors ("In-State"). For the three months ended January 31, 2007, Destination guests comprised approximately 58% of the Company's skier visits, while the In-State market comprised approximately 42% 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, lodging and retail/rental. 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 (including the strength of the U.S. dollar) and the global geopolitical climate. In-State guests tend to be more weather-sensitive and value-oriented; to mitigate against this, the Company markets season passes to In-State guests. Through January 31, 2007, approximately 29% of the total lift revenue recognized was comprised of season pass revenue (of which revenue recognized in the Company’s second fiscal quarter ending January 31, 2007 represented approximately 52% of total fiscal 2007 season pass sales; the remaining season pass sales will be recognized as lift ticket revenue in the third fiscal quarter). The cost structure of ski resort operations is largely fixed; as such, incremental revenue generally has high associated profit margin.

Lodging properties at or around the Company’s ski resorts represented approximately 88% and 82% of Lodging segment revenue for the thee months ended January 31, 2007 and 2006, respectively, and are closely aligned with the performance of the Mountain segment, particularly with respect to visitation from Destination guests. Revenues from hotel management operations under the RockResorts brand are generated through management fees based upon the revenue of the individual hotel properties within the RockResorts portfolio, and to the extent that these managed properties are not proximate to the Company’s ski resorts, they are more subject to the seasonality of those hotels and trends within the overall travel industry. Revenues of the Lodging segment during the Company's first and fourth fiscal quarters are generated primarily by the operations of GTLC (as GTLC's peak operating season occurs during the summer months), as well as golf operations and seasonally low operations from the Company's other owned and managed properties.

The Company's Real Estate segment engages in both the vertical development of projects and the sale of land to developers, which generally includes the retention of some control in the oversight and design of the projects and a contingent revenue structure based on the 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, requiring 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 (Mountain and Lodging) segment. The Company’s Real Estate revenues and associated expenses 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 revenues are expected to be generated from vertical development projects that are currently under construction, in which revenues and related cost of sales will be recorded at the time of real estate closing, after the investment has been made.

TRENDS, RISKS AND UNCERTAINTIES

Together with those factors identified in the Company's Form 10-K/A, 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 timing and amount of snowfall has an impact on skier visits. To mitigate this impact, the Company focuses efforts on sales of season passes prior to the beginning of the season to In-State skiers, who are the most weather sensitive visitors to the Company's ski resorts. Additionally, the Company has invested in snowmaking upgrades in an effort to address the inconsistency of early season snowfall where possible. Season pass revenue, although primarily collected prior to the ski season, is recognized in the Consolidated Condensed Statements of Operations during the ski season. Total season pass sales for the 2006/2007 ski season increased by 20.0% over sales for the 2005/2006 ski season as of January 31, 2007. Deferred revenue related to season pass sales was $34.5 million and $29.5 million as of January 31, 2007 and 2006, respectively, which will be recognized as lift revenue during the Company's third fiscal quarter ending April 30, 2007.
- Potential ownership changes of hotels currently under RockResorts management could result in the termination of existing RockResorts management contracts, which could impact the results of operations of the Lodging segment. In February 2007, RockResorts was notified by the ownership of The Equinox that the owner intends to sell the hotel, at which time the management agreement will be terminated (currently anticipated to be in the Company's third fiscal quarter ending April 30, 2007), which will result in the Company receiving a termination fee, but loss of future management fees. RockResorts recognized $822,000 in management fees from The Equinox in the year ended July 31, 2006. In August 2006, RockResorts' management agreement for The Lodge at Rancho Mirage ("Rancho Mirage") was terminated in conjunction with the closing of the hotel as part of a redevelopment plan by the current hotel owner, which resulted in the Company earning a termination fee of $2.4 million (pursuant to the terms of the management agreement), which the Company recorded as Lodging revenue in the six months ended January 31, 2007. RockResorts recognized $644,000 in revenue related to the management of this property in the year ended July 31, 2006. The Company continues to pursue new management contracts, which may include, in addition to management fees, marketing license fees and technical service fees in conjunction with a project's development and sales. For example, the Company recently announced that it will manage the new Rum Cay Resort on Rum Cay Island, Bahamas and will assist in the marketing of whole and fractional ownership of units within the resort and provide technical advisory services in the design and construction of the resort and will manage the new Eleven Biscayne Hotel & Spa in Miami, Florida and will provide technical advisory services for this resort.
- On February 28, 2007, the arbitrator of the JAMS Arbitration Tribunal in Chicago, Illinois, rendered a decision, awarding $8.5 million in damages in favor of RockResorts and against Cheeca Holdings, LLC, the ownership entity of Cheeca Lodge & Spa, the former RockResort managed property located in Islamorada, Florida. The arbitrator found that the ownership group had wrongfully terminated the hotel management contract without good cause, as RockResorts had maintained in the proceedings, and that RockResorts had not breached the management contract, as the ownership group had alleged. The Company has incurred $672,000 and $4.3 million in the three and six months ended January 31, 2007, respectively, and the Company incurred $3.3 million of legal related costs for the year ended July 31, 2006 in connection with the matter which are included in "contract dispute charges" in the Consolidated Condensed Statements of Operations in the respective periods. In accordance with the arbitrator's

ruling, RockResorts will seek recovery of costs and attorneys' fees in the last stage of the proceedings, which is expected to be concluded by the end of fiscal 2007. Upon conclusion of that stage, the total award, which will incorporate the $8.5 million damage award and any additional cost recovery award, is final, binding and not subject to appeal. Upon completion of the cost recovery stage, RockResorts will proceed with the collection of the award and will record the actual amount received, upon receipt, in "contract dispute credit (charges), net." As previously disclosed, RockResorts was notified in March 2006 by the ownership entity of Cheeca Lodge & Spa 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 including recovery of costs and attorneys' fees through binding arbitration in accordance with the dispute resolution provisions of the management agreement.

- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate under contract. 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, expected in the year ending July 31, 2008 and beyond. The profitability and/or viability of current or proposed real estate development projects could be adversely affected by continued escalation in construction costs and/or a slow-down in market demand, as well as project difficulties or delays and the resulting potential negative financial impact associated with design or construction issues that may arise in the course of construction. For the six months ended January 31, 2007, the Company has recorded $3.9 million of estimated unanticipated costs associated with construction and design issues related to its Jackson Hole Golf & Tennis Club ("JHG&TC") residential development. These costs include estimates to complete remediation work and take into consideration performance requirements and recoveries of costs from other parties involved in the design and construction of the JHG&TC residential development, and as such are subject to change which could impact future operating results.
- In recent years, the Company has shifted its Real Estate focus to more vertical development, which requires significant capital investment prior to the project completion. For example, in addition to previously announced development projects including the Arrabelle at Vail Square and The Lodge at Vail Chalets projects, the Company expects to move forward with the development of the Crystal Peak Lodge and The Ritz-Carlton Residences, Vail (including the construction of related Resort depreciable assets). The Company expects to incur between $500 million and $575 million of construction costs related to these projects subsequent to January 31, 2007.
- In February 2007, the Company and GSSI, LLC ("GSSI") entered into an amended operating agreement whereby the Company will acquire 20% of GSSI's ownership interest for $8.4 million, which is expected to close March 31, 2007. As a result of this transaction, the Company will hold an approximate 69.3% ownership interest in SSI Venture, LLC ("SSV"). In addition, the put and call rights for GSSI's remaining interest in SSV were extended to begin August 1, 2010 and the existing management agreement was extended to coincide with the exercise of the remaining put and call rights.
- In March 2007, the Company and RTP, LLC's ("RTP") minority shareholder entered into a definitive agreement under which RTP's minority shareholder will acquire the Company's 54.5% interest in RTP for approximately $3.5 million. As part of this agreement the Company will retain source code rights to its internal use software and internet solutions. This transaction is expected to close on or around April 30,

2007. As a result of this transaction, the Company will record a net loss of approximately $100,000 on the sale of its investment in RTP including the elimination of the put option liability and the write-off of the associated put option intangible asset.

l The Company is in the process of amending its senior credit facility (the “Credit Facility”) with a closing anticipated in March 2007, to reduce the revolving credit facility from $400 million to $300 million (the “Credit Facility Revolver”), extend the maturity on the Credit Facility Revolver, reduce pricing for interest rate margins and commitment fees and improve flexibility in the Company’s ability to make investments. Additionally, the amendment will include the elimination of certain covenant ratios and change, for pricing and covenant purposes, the gross debt leverage ratio to a net debt leverage ratio.

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/A.

RESULTS OF OPERATIONS

Summary

The Company realized significant increases to net income in both the three and six months ended January 31, 2007, compared to the three and six months ended January 31, 2006, as shown below (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2007	**2006**	**2007**	**2006**
Mountain Reported EBITDA	$113,651	$97,017	$81,162	$65,853
Lodging Reported EBITDA	2,039	(815)	6,098	3,294