VAIL RESORTS INC
Form 10-Q
December 09, 2008

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2008

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-09614

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 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨
Non-accelerated filer ¨ (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).

¨ Yes x No

As of December 3, 2008, 36,719,865 shares of the registrant's common stock were outstanding.

Table of Contents

PART I	FINANCIAL INFORMATION
Item 1.	Financial Statements -- Unaudited

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

	October 31, 2008 (unaudited)	July 31, 2008	October 31, 2007 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 102,668	$ 162,345	$ 166,044
Restricted cash	12,453	58,437	42,876
Trade receivables, net	44,468	50,185	24,954
Inventories, net	67,718	49,708	63,701
Other current assets	41,988	38,220	46,615
Total current assets	269,295	358,895	344,190
Property, plant and equipment, net (Note 5)	1,077,760	1,056,837	917,344
Real estate held for sale and investment	256,323	249,305	415,411
Goodwill, net	142,282	142,282	141,699
Intangible assets, net	72,463	72,530	73,243
Other assets	47,062	46,105	43,034
Total assets	$ 1,865,185	$ 1,925,954	$ 1,934,921
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 5)	$ 327,516	$ 294,182	$ 360,352
Income taxes payable	49,784	57,474	34,708
Long-term debt due within one year (Note 4)	354	15,355	76,944
Total current liabilities	377,654	367,011	472,004
Long-term debt (Note 4)	491,778	541,350	534,527
Other long-term liabilities (Note 5)	223,381	183,643	168,131
Deferred income taxes	57,063	75,279	54,354
Commitments and contingencies (Note 8)			
Minority interest in net assets of consolidated subsidiaries	27,198	29,915	24,533
Stockholders' equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	--	--	--
Common stock, $0.01 par value, 100,000,000 shares authorized, 40,000,502 (unaudited), 39,926,496 and 39,864,167 (unaudited) shares issued, respectively	400	399	399
Additional paid-in capital	547,043	545,773	538,009
Retained earnings	273,541	308,045	180,508
Treasury stock, at cost; 3,282,508 (unaudited), 3,004,108 and 906,004 (unaudited) shares, respectively (Note 10)	(132,873)	(125,461)	(37,544)
Total stockholders' equity	688,111	728,756	681,372
Total liabilities and stockholders' equity	$ 1,865,185	$ 1,925,954	$ 1,934,921

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

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

	Three Months Ended October 31,	
	2008	2007
Net revenue:		
Mountain	$ 40,778	$ 42,536
Lodging	45,253	43,317
Real estate	66,750	12,034
Total net revenue	152,781	97,887
Segment operating expense:		
Mountain	81,223	80,947
Lodging	44,898	41,236
Real estate	51,377	6,913
Total segment operating expense	177,498	129,096
Other operating expense:		
Depreciation and amortization	(25,078)	(20,761)
Loss on disposal of fixed assets, net	(180)	(234)
Loss from operations	(49,975)	(52,204)
Mountain equity investment income, net	1,015	1,969
Investment income	643	3,218
Interest expense, net	(7,947)	(7,644)
Contract dispute credit, net (Note 8)	--	11,920
Minority interest in loss of consolidated subsidiaries, net	2,351	2,063
Loss before benefit from income taxes	(53,913)	(40,678)
Benefit from income taxes	19,409	16,068
Net loss	$ (34,504)	$ (24,610)
Per share amounts (Note 3):		
Basic net loss per share	$ (0.93)	$ (0.63)
Diluted net loss per share	$ (0.93)	$ (0.63)

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

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

	Three Months Ended October 31, 2008	Three Months Ended October 31, 2007
Cash flows from operating activities:		
Net loss	$ (34,504)	$ (24,610)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,078	20,761
Real estate cost of sales	40,127	698
Stock-based compensation expense	2,567	2,246
Deferred income taxes, net	(19,188)	(18,654)
Minority interest in loss of consolidated subsidiaries, net	(2,351)	(2,063)
Other non-cash income, net	(1,807)	(2,146)
Changes in assets and liabilities:		
Restricted cash	45,984	11,874
Accounts receivable, net	6,616	15,170
Inventories, net	(18,010)	(15,637)
Investments in real estate	(50,774)	(64,330)
Accounts payable and accrued liabilities	40,063	47,630
Deferred real estate deposits	(11,149)	18,738
Private club deferred initiation fees and deposits	34,637	1,761
Other assets and liabilities, net	(6,370)	(10,813)
Net cash provided by (used in) operating activities	50,919	(19,375)
Cash flows from investing activities:		
Capital expenditures	(43,384)	(52,290)
Other investing activities, net	(2,582)	523
Net cash used in investing activities	(45,966)	(51,767)
Cash flows from financing activities:		
Repurchases of common stock	(7,412)	(11,698)
Proceeds from borrowings under Non-Recourse Real Estate Financings	9,013	17,586
Payments of Non-Recourse Real Estate Financings	(58,407)	--
Proceeds from borrowings under other long-term debt	20,640	26,614
Payments of other long-term debt	(35,808)	(26,840)
Other financing activities, net	7,344	705
Net cash (used in) provided by financing activities	(64,630)	6,367
Net decrease in cash and cash equivalents	(59,677)	(64,775)
Cash and cash equivalents:		
Beginning of period	162,345	230,819
End of period	$ 102,668	$ 166,044
Cash paid for interest, net of amounts capitalized	$ 15,776	$ 11,960

Taxes paid, net	$ 8,882	$ 2,123

The accompanying Notes are an integral part of these consolidated condensed 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 Mountain Resort 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 owns 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, 2008. 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, 2008 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification of Book Overdrafts-- Book overdrafts represent checks issued that had not been presented for payment to the banks and are classified as accounts payable in the Company’s Consolidated Condensed Balance Sheets. The Company typically funds these overdrafts through normal collections of funds or transfers from other bank balances. For the three months ended October 31, 2007, the Company revised its presentation of changes in book overdrafts from a financing activity to an operating activity in its Consolidated Condensed Statement of Cash Flows to conform to its current year presentation. In the Company’s Annual Report on Form 10-K for the year ended

July 31, 2008, the Company also presented changes in book overdrafts as an operating activity. The effect of this change increased cash used in operating activities for the three months ended October 31, 2007 from $17.3 million (as previously disclosed in the prior year's Quarterly Report on Form 10-Q) to $19.4 million with a corresponding increase in the cash flows provided by financing activities for the three months ended October 31, 2007 from $4.3 million (as previously disclosed in the prior year's Quarterly Report on Form 10-Q) to $6.4 million.

New Accounting Pronouncements-- In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but rather provides guidance on how to measure fair value by providing a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The Company adopted SFAS 157 beginning August 1, 2008 (see Note 7, Fair Value Measurements, for more information on the adoption of SFAS 157).

In February 2008, the FASB issued Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). This FSP delays the effective date of SFAS 157 for all nonfinancial assets and 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 has deferred the application of SFAS 157 for nonfinancial assets and liabilities as prescribed by FSP 157-2. The Company is currently evaluating the impacts, if any, the adoption of the provisions of SFAS 157 for nonfinancial assets and liabilities will have on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides the Company the irrevocable option to carry many financial assets and liabilities at fair value, with changes in fair value recognized in earnings. The requirements of SFAS 159 became effective for the Company beginning August 1, 2008; however, the Company did not elect the fair value measurement option for any of its financial assets or liabilities.

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 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 Loss 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 October 31, 2008 and 2007 (in thousands, except per share amounts):

	Three Months Ended October 31,			
	2008		2007	
	Basic	Diluted	Basic	Diluted
Net loss per common share:				
Net loss	$(34,504)	$(34,504)	$(24,610)	$(24,610)
Weighted-average shares outstanding	36,922	36,922	38,892	38,892
Effect of dilutive securities	--	--	--	--
Total shares	36,922	36,922	38,892	38,892
Net loss per common share	$ (0.93)	$ (0.93)	$ (0.63)	$ (0.63)

The number of shares issuable on the exercise of share based awards that were excluded from the calculation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive totaled 0.8 million and 1.0 million (maximum number of vested and unvested share based awards) for the three months ended October 31, 2008 and 2007, respectively.

4. Long-Term Debt

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

	Maturity (a)	October 31, 2008	July 31, 2008	October 31, 2007
Credit Facility Revolver	2012	$ --	$ --	$ --
SSV Facility	2011	--	--	--
Industrial Development Bonds (b)	2011-2020	42,700	57,700	57,700
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
Non-Recourse Real Estate Financings (c)	--	--	49,394	104,468
6.75% Senior Subordinated Notes (“6.75% Notes”)	2014	390,000	390,000	390,000
Other	2009-2029	6,857	7,036	6,728
Total debt		492,132	556,705	611,471
Less: Current maturities (d)		354	15,355	76,944
Long-term debt		$491,778	$541,350	$534,527

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

(b)

The Company has outstanding $42.7 million of industrial development bonds (collectively, the "Industrial Development Bonds"), of which $41.2 million were issued by Eagle County, Colorado and mature, subject to prior redemption, on August 1, 2019. The Series 1991 Sports Facilities Refunding Revenue Bonds, issued by Summit County, Colorado, have an aggregate outstanding principal amount of $1.5 million and mature, subject to prior redemption, on September 1, 2010. On August 29, 2008, $15.0 million of borrowings under the Series 1990 Sports Facilities Refunding Revenue Bonds, issued by Summit County, Colorado were paid in full at maturity.

(c) Non-Recourse Real Estate Financings borrowings under the original $123.0 million construction agreement for The Chalets at The Lodge at Vail, LLC ("Chalets") were paid in full during the three months ended October 31, 2008. As of July 31, 2008 Non-Recourse Real Estate Financings included borrowings of $49.4 million under the construction agreement for the Chalets. As of October 31, 2007 Non-Recourse Real Estate Financings consisted of borrowings under the original $175.0 million construction agreement for Arrabelle at Vail Square, LLC ("Arrabelle") of $61.6 million and under the construction agreement for the Chalets of $42.9 million.

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

Aggregate maturities for debt outstanding as of October 31, 2008 reflected by fiscal year are as follows (in thousands):

2009	$ 171
2010	349
2011	1,831
2012	305
2013	319
Thereafter	489,157
Total debt	$492,132

The Company incurred gross interest expense of $9.7 million and $11.1 million for the three months ended October 31, 2008 and 2007, respectively, of which $0.8 million and $0.6 million was amortization of deferred financing costs. The Company capitalized $1.7 million and $3.5 million of interest during the three months ended October 31, 2008 and 2007, respectively.

5. Supplementary Balance Sheet Information

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

	October 31, 2008	July 31, 2008	October 31, 2007
Land and land improvements	$ 266,194	$ 265,123	$ 249,834
Buildings and building improvements	729,211	685,393	555,784
Machinery and equipment	459,544	457,825	428,976
Furniture and fixtures	152,735	149,251	111,239
Software	40,359	39,605	33,706
Vehicles	29,588	28,829	26,950
Construction in progress	72,744	80,601	106,736
Gross property, plant and equipment	1,750,375	1,706,627	1,513,225
Accumulated depreciation	(672,615)	(649,790)	(595,881)
Property, plant and equipment, net	$1,077,760	$1,056,837	$ 917,344

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

October 31,	July 31,	October 31,

	2008	2008	2007
Trade payables	$ 73,348	$ 53,187	$ 96,896
Real estate development payables	57,001	52,574	35,322
Deferred revenue	82,343	45,805	69,568
Deferred real estate and other deposits	46,582	58,421	83,576
Accrued salaries, wages and deferred compensation	16,052	22,397	18,405
Accrued benefits	22,303	22,777	22,997
Accrued interest	6,722	14,552	6,919
Liabilities to complete real estate projects, short term	2,821	4,199	4,817
Other accruals	20,344	20,270	21,852
Total accounts payable and accrued liabilities	$ 327,516	$ 294,182	$ 360,352

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

	October 31, 2008	July 31, 2008	October 31, 2007
Private club deferred initiation fee revenue	$ 150,747	$ 92,066	$ 93,234
Deferred real estate deposits	45,856	45,775	42,657
Private club initiation deposits	5,453	29,881	18,745
Other long-term liabilities	21,325	15,921	13,495
Total other long-term liabilities	$ 223,381	$ 183,643	$ 168,131

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 October 31, 2008, the Employee Housing Entities had total assets of $38.0 million (primarily recorded in property, plant and equipment, net) and total liabilities of $69.7 million (primarily recorded in long-term debt as “Employee Housing Bonds”). All of the assets ($7.9 million as of October 31, 2008) of Tarnes serve as collateral for Tarnes' Tranche B Employee Housing Bonds. The Company has issued under its 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 October 31, 2008.

The Company, through various lodging subsidiaries, manages hotels in which the Company has no ownership interest in the entities that own such hotels. These entities were formed by unrelated third parties to acquire, own, operate and realize the value in resort hotel properties. The Company managed the day-to-day operations of six hotel properties as of October 31, 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. Based upon the latest information provided by these third party 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 a $2.2 million note receivable including accrued interest from one of the third parties and the net book value of the intangible asset associated with a management agreement in the amount of $0.7 million as of October 31, 2008.

7. Fair Value Measurements

SFAS 157 establishes how reporting entities should measure fair value for measurement and disclosure purposes. The Standard does not require any new fair value measurements but rather establishes a common definition of fair value applicable to all assets and liabilities measured at fair value. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy established by SFAS 157 prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The three levels of the hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities;

Level 2: Inputs include quoted prices for similar assets and liabilities in active and inactive markets or that are observable for the asset or liability either directly or indirectly; and

Level 3: Unobservable inputs which are supported by little or no market activity.

The table below summarizes the Company's financial assets and liabilities measured at fair value in accordance with SFAS 157 as of October 31, 2008 (all other financial assets and liabilities applicable to SFAS 157 are immaterial) (in thousands):

		Fair Value Measurements at Reporting Date Using		
Description	Balance at October 31, 2008	Level 1	Level 2	Level 3
Cash equivalents	$ 55,855	$ 48,855	$ 7,000	$ --

The Company's cash equivalents include money market funds, time deposits and U.S. government debt securities which are measured using Level 1 and Level 2 inputs utilizing quoted market prices or pricing models whereby all significant inputs are either observable or corroborated by observable market data.

8. 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 $1.5 million, $1.6 million and $1.0 million, primarily within "other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheets, as of October 31, 2008, July 31, 2008 and October 31, 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 October 31, 2008, the Company had various other guarantees, primarily in the form of letters of credit in the amount of $94.6 million, consisting primarily of $51.0 million in support of the Employee Housing Bonds, $36.2 million of construction and development related guarantees and $6.1 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 FASB Financial Interpretation 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 liabilities 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 $3.4 million as of October 31, 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 analysis of actual claims. The amounts related to these claims are included as a component of accrued benefits in accounts payable and accrued liabilities (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 October 31, 2008, July 31, 2008 and October 31, 2007 the accrual for the above loss contingencies was not material individually and in the aggregate.

Cheeca Lodge & Spa Contract Dispute

On October 19, 2007, RockResorts received payment of the final settlement from Cheeca Holdings, LLC, related to the disputed contract termination of the formerly managed RockResorts Cheeca Lodge & Spa property, in the amount of $13.5 million, of which $11.9 million (net of final attorney's fees) is recorded in "contract dispute credit, net" in the Consolidated Condensed Statement of Operations for the three months ended October 31, 2007.

9. 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 owns 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), 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.

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 (loss), 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. 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 October 31,	
	2008	2007
Net revenue:		
Lift tickets	$ --	$ --
Ski school	--	--
Dining	3,929	4,762
Retail/rental	22,426	23,540
Other	14,423	14,234
Total Mountain net revenue	40,778	42,536
Lodging	45,253	43,317
Resort	86,031	85,853
Real estate	66,750	12,034
Total net revenue	$ 152,781	$ 97,887
Segment operating expense:		
Mountain	$ 81,223	$ 80,947
Lodging	44,898	41,236
Resort	126,121	122,183
Real estate	51,377	6,913
Total segment operating expense	$ 177,498	$ 129,096
Mountain equity investment income, net	$ 1,015	$ 1,969
Reported EBITDA:		
Mountain	$ (39,430)	$ (36,442)
Lodging	355	2,081
Resort	(39,075)	(34,361)
Real estate	15,373	5,121
Total Reported EBITDA	$ (23,702)	$ (29,240)
Reconciliation to net loss:		
Total Reported EBITDA	$ (23,702)	$ (29,240)
Depreciation and amortization	(25,078)	(20,761)
Loss on disposal of fixed assets, net	(180)	(234)
Investment income	643	3,218
Interest expense, net	(7,947)	(7,644)
Contract dispute credit, net	--	11,920
Minority interest in loss of consolidated subsidiaries, net	2,351	2,063
Loss before benefit from income taxes	(53,913)	(40,678)
Benefit from income taxes	19,409	16,068
Net loss	$ (34,504)	$ (24,610)
Real estate held for sale and investment	$ 256,323	$ 415,411

10. 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 and on July 16, 2008 approved an increase of the Company’s common stock repurchase authorization by an additional 3,000,000 shares. During the three months ended October 31, 2008, the Company repurchased 278,400 shares of common stock at a cost of $7.4 million. Since inception of this stock repurchase plan through October 31, 2008, the Company has repurchased 3,282,508 shares at a cost of approximately $132.9 million. As of October 31, 2008, 2,717,492 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.

11. 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 Eagle Park Reservoir Company, Gros Ventre Utility Company, Mountain Thunder, Inc., SSV, Larkspur Restaurant & Bar, LLC, Arrabelle, Gore Creek Place, LLC, Chalets 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 indenture governing the 6.75% Notes.

Presented below is the consolidated 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 October 31, 2008, July 31, 2008 and October 31, 2007. Statement of operations and condensed statement of cash flows data are presented for the three months ended October 31, 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 October 31, 2008
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 92,806	$ 9,862	$ --	$ 102,668
Restricted cash	--	12,193	260	--	12,453
Trade receivables, net	--	43,662	806	--	44,468
Inventories, net	--	10,965	56,753	--	67,718
Other current assets	16,115	21,622	4,251	--	41,988
Total current assets	16,115	181,248	71,932	--	269,295
Property, plant and equipment, net	--	828,390	249,370	--	1,077,760
Real estate held for sale and investment	--	204,323	52,000	--	256,323
Goodwill, net	--	123,034	19,248	--	142,282
Intangible assets, net	--	56,584	15,879	--	72,463
Other assets	3,758	36,570	6,734	--	47,062
Investments in subsidiaries and advances to (from) parent	1,174,116	713,098	(114,512)	(1,772,702)	--
Total assets	$ 1,193,989	$ 2,143,247	$ 300,651	$ (1,772,702)	$ 1,865,185
Current liabilities:					
Accounts payable and accrued liabilities	$ 5,889	$ 224,520	$ 97,107	$ --	$ 327,516
Income taxes payable	49,784	--	--	--	49,784
Long-term debt due within one year	--	11	343	--	354
Total current liabilities	55,673	224,531	97,450	--	377,654
Long-term debt	390,000	42,721	59,057	--	491,778
Other long-term liabilities	3,142	217,436	2,803	--	223,381
Deferred income taxes	57,063	--	--	--	57,063
Minority interest in net assets of consolidated subsidiaries	--	--	--	27,198	27,198
Total stockholders' equity	688,111	1,658,559	141,341	(1,799,900)	688,111
Total liabilities and stockholders' equity	$ 1,193,989	$ 2,143,247	$ 300,651	$ (1,772,702)	$ 1,865,185

Supplemental Condensed Consolidating Balance Sheet
As of July 31, 2008
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 156,782	$ 5,563	$ --	$ 162,345
Restricted cash	--	10,526	47,911	--	58,437
Trade receivables, net	--	47,953	2,232	--	50,185
Inventories, net	--	11,786	37,922	--	49,708
Other current assets	15,142	19,205	3,873	--	38,220
Total current assets	15,142	246,252	97,501	--	358,895
Property, plant and equipment, net	--	806,696	250,141	--	1,056,837
Real estate held for sale and investment	--	204,260	45,045	--	249,305
Goodwill, net	--	123,034	19,248	--	142,282
Intangible assets, net	--	56,650	15,880	--	72,530
Other assets	3,936	34,922	7,247	--	46,105
Investments in subsidiaries and advances to (from) parent	1,248,019	599,199	(61,968)	(1,785,250)	--
Total assets	$ 1,267,097	$ 2,071,013	$ 373,094	$ (1,785,250)	$ 1,925,954
Current liabilities:					
Accounts payable and accrued liabilities	$ 12,446	$ 196,360	$ 85,376	$ --	$ 294,182
Income taxes payable	57,474	--	--	--	57,474
Long-term debt due within one year	--	15,022	333	--	15,355
Total current liabilities	69,920	211,382	85,709	--	367,011
Long-term debt	390,000	42,722	108,628	--	541,350
Other long-term liabilities	3,142	149,557	30,944	--	183,643
Deferred income taxes	75,279	--	--	--	75,279
Minority interest in net assets of consolidated subsidiaries	--	--	--	29,915	29,915
Total stockholders’ equity	728,756	1,667,352	147,813	(1,815,165)	728,756
Total liabilities and stockholders’ equity	$ 1,267,097	$ 2,071,013	$ 373,094	$ (1,785,250)	$ 1,925,954

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

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 160,983	$ 5,061	$ --	$ 166,044
Restricted cash	--	14,008	28,868	--	42,876
Trade receivables, net	--	23,705	1,249	--	24,954
Inventories, net	--	9,604	54,097	--	63,701
Other current assets	15,851	20,278	10,486	--	46,615
Total current assets	15,851	228,578	99,761	--	344,190
Property, plant and equipment, net	--	795,610	121,734	--	917,344
Real estate held for sale and investment	--	91,358	324,053	--	415,411
Goodwill, net	--	123,033	18,666	--	141,699
Intangible assets, net	--	56,845	16,398	--	73,243
Other assets	4,469	26,672	11,893	--	43,034
Investments in subsidiaries and advances to (from) parent	1,147,857	368,633	(123,167)	(1,393,323)	--
Total assets	$ 1,168,177	$ 1,690,729	$ 469,338	$ (1,393,323)	$ 1,934,921
Current liabilities:					
Accounts payable and accrued liabilities	$ 5,655	$ 200,895	$ 153,802	$ --	$ 360,352
Income taxes payable	34,708	-	-	--	34,708
Long-term debt due within one year	--	15,050	61,894	--	76,944
Total current liabilities	40,363	215,945	215,696	--	472,004
Long-term debt	390,000	42,712	101,815	--	534,527
Other long-term liabilities	2,088	102,485	63,558	--	168,131
Deferred income taxes	54,354	--	--	--	54,354
Minority interest in net assets of consolidated subsidiaries	--	--	--	24,533	24,533
Total stockholders’ equity	681,372	1,329,587	88,269	(1,417,856)	681,372
Total liabilities and stockholders’ equity	$ 1,168,177	$ 1,690,729	$ 469,338	$ (1,393,323)	$ 1,934,921

Supplemental Condensed Consolidating Statement of Operations
For the three months ended October 31, 2008
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 117,168	$ 38,838	$ (3,225)	$ 152,781
Total operating expense	169	162,157	43,617	(3,187)	202,756
(Loss) income from operations	(169)	(44,989)	(4,779)	(38)	(49,975)
Equity investment income, net	--	1,015	--	--	1,015
Other (expense) income, net	(6,761)	468	(1,049)	38	(7,304)
Minority interest in loss of consolidated subsidiaries, net	--	--	--	2,351	2,351
Loss before income taxes	(6,930)	(43,506)	(5,828)	2,351	(53,913)
Benefit (provision) from income taxes	2,494	16,918	(3)	--	19,409
Net loss before equity in (loss) income of consolidated subsidiaries	(4,436)	(26,588)	(5,831)	2,351	(34,504)
Equity in (loss) income of consolidated subsidiaries	(30,068)	5,863	--	24,205	--
Net (loss) income	$ (34,504)	$ (20,725)	$ (5,831)	$ 26,556	$ (34,504)

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

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 74,771	$ 25,936	$ (2,820)	$ 97,887
Total operating expense	(193)	118,267	34,799	(2,782)	150,091
Income (loss) from operations	193	(43,496)	(8,863)	(38)	(52,204)
Equity investment income, net	--	1,969	--	--	1,969
Other (expense) income, net	(6,760)	15,508	(1,292)	38	7,494
Minority interest in loss of consolidated subsidiaries, net	--	--	--	2,063	2,063
Loss before income taxes	(6,567)	(26,019)	(10,155)	2,063	(40,678)
Benefit from income taxes	2,594	13,474	--	--	16,068
Net loss before equity in (loss) income of consolidated subsidiaries	(3,973)	(12,545)	(10,155)	2,063	(24,610)
Equity in (loss) income of consolidated subsidiaries	(20,637)	--	--	20,637	--
Net (loss) income	$ (24,610)	$ (12,545)	$ (10,155)	$ 22,700	$ (24,610)

Supplemental Condensed Consolidating Statement of Cash Flows
For the three months ended October 31, 2008
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (36,215)	$ 43,155	$ 43,979	$ 50,919
Cash flows from investing activities:				
Capital expenditures	--	(38,399)	(4,985)	(43,384)
Other investing activities, net	--	(2,665)	83	(2,582)
Net cash used in investing activities	--	(41,064)	(4,902)	(45,966)
Cash flows from financing activities:				
Repurchases of common stock	(7,412)	--	--	(7,412)
Proceeds from borrowings under Non-Recourse Real Estate Financings	--	--	9,013	9,013
Payments of Non-Recourse Real Estate Financings	--	--	(58,407)	(58,407)
Proceeds from borrowings under other long-term debt	--	--	20,640	20,640
Payments of other long-term debt	--	(15,000)	(20,808)	(35,808)
Other financing activities, net	(207)	3,572	3,979	7,344
Advances from (to) affiliates	43,834	(54,639)	10,805	--
Net cash provided by (used in) financing activities	36,215	(66,067)	(34,778)	(64,630)
Net (decrease) increase in cash and cash equivalents	--	(63,976)	4,299	(59,677)
Cash and cash equivalents:				
Beginning of period	--	156,782	5,563	162,345
End of period	$ --	$ 92,806	$ 9,862	$ 102,668

Supplemental Condensed Consolidating Statement of Cash Flows
For the three months ended October 31, 2007
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (30,154)	$ 18,810	$ (8,031)	$ (19,375)
Cash flows from investing activities:				
Capital expenditures	--	(29,499)	(22,791)	(52,290)
Other investing activities, net	--	187	336	523
Net cash used in investing activities	--	(29,312)	(22,455)	(51,767)
Cash flows from financing activities:				
Repurchases of common stock	(11,698)	--	--	(11,698)
Net (payments) proceeds from borrowings under long-term debt	--	(17,266)	34,626	17,360
Other financing activities, net	2,285	2,366	(3,946)	705
Advances (to) from affiliates	39,567	(39,567)	--	--
Net cash provided by (used in) financing activities	30,154	(54,467)	30,680	6,367
Net decrease in cash and cash equivalents	--	(64,969)	194	(64,775)
Cash and cash equivalents:				
Beginning of period	--	225,952	4,867	230,819
End of period	$ --	$ 160,983	$ 5,061	$ 166,044

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, 2008 ("Form 10-K") and the Consolidated Condensed Financial Statements as of October 31, 2008 and 2007 and for the three 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, "Risk Factors" 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 include Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment 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. 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"). 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 loss. 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.

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 (loss), 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 owns and develops real estate in and around the Company's resort communities.

The Company's first fiscal quarter is a seasonally low period as the Company's ski operations are generally not open for business until mid-November, which falls in the Company's second fiscal quarter. Additionally, many of the

Company's lodging properties experience similar seasonal trends. As a result, the Company generally incurs significant losses in the Resort segment during the first fiscal quarter.

Revenue of the Mountain segment during the first fiscal quarter is primarily generated from summer and group related visitation at the Company's five mountain resorts, as well as SSI Venture, LLC’s (“SSV”) retail operations.

Revenue of the Lodging segment during the Company's first fiscal quarter 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 seasonally low operations from the Company's other owned and managed properties. In addition, the Company's lodging properties benefit from group business in early fall. Performance of the lodging properties at or around the Company's ski resorts are closely aligned with the performance of the Mountain segment, particularly with respect to visitation by out-of-state and international (“Destination”) guests. Revenue generated through management fees is based upon the revenue of managed individual hotel properties within the lodging portfolio, and to the extent that these managed properties are not proximate to ski resorts, the seasonality of those hotels more closely resembles the seasonality and trends within their geographical region and the overall travel industry.

The Company’s Real Estate segment primarily engages in both the vertical development of projects and to a lesser degree the sale of land to third-party developers, whi