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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 April 30, 2005

☐ 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	51-0291762
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Post Office Box 7 Vail, Colorado	81658
(Address of principal executive offices)	(Zip Code)

(970) 845-2500
(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

x Yes ☐ No

As of June 6, 2005, 35,952,484 shares of Common Stock were issued and outstanding.

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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)

	April 30, 2005 (unaudited)	July 31, 2004	April 30, 2004 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 41,068	$ 46,328	$ 60,731
Restricted cash	17,709	16,031	34,138
Receivables, net	33,493	36,957	29,455
Inventories, net	31,098	31,151	29,229
Other current assets	27,985	25,270	20,702
Total current assets	151,353	155,737	174,255
Property, plant and equipment, net (Note 5)	978,464	968,772	976,335
Real estate held for sale and investment	140,009	134,548	119,570
Goodwill, net	145,090	145,090	145,090
Intangible assets, net	81,325	85,203	86,164
Other assets	34,044	44,607	47,458
Total assets	$ 1,530,285	$1,533,957	$ 1,548,872
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses (Note 5)	$ 188,349	$ 198,868	$ 156,078
Long-term debt due within one year (Note 4)	2,178	3,159	14,227
Total current liabilities	190,527	202,027	170,305
Long-term debt (Note 4)	520,349	622,644	620,456
Other long-term liabilities	102,016	97,616	94,631
Deferred income taxes	116,638	79,745	93,234
Commitments and contingencies (Note 10)	--	--	--
Put option liabilities (Note 8)	451	3,657	3,520
Minority interest in net assets of consolidated subsidiaries	39,142	37,105	39,663
Stockholders' equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, zero shares issued and outstanding	--	--	--
Common stock:			
Class A common stock, convertible to common stock, $0.01 par value, 20,000,000 shares authorized, zero (unaudited), 6,114,834, and 6,114,834 (unaudited) shares issued and outstanding as of April 30, 2005, July 31, 2004, and April 30, 2004, respectively (Note 11)	--	61	61
Common stock, $0.01 par value, 80,000,000 shares authorized, 35,946,776 (unaudited), 29,222,828, and 29,186,818 (unaudited) shares issued and outstanding as of April 30, 2005, July 31, 2004, and April 30, 2004, respectively	359	292	292
Additional paid-in capital	426,819	416,660	416,342
Deferred compensation	(415)	(677)	(762)
Retained earnings	134,399	74,827	111,130
Total stockholders' equity	561,162	491,163	527,063
Total liabilities and stockholders' equity	$ 1,530,285	$1,533,957	$ 1,548,872

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

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

	Three Months Ended April 30,	
	2005	**2004**
Net revenue:		
Mountain	$ 256,825	$ 233,400
Lodging	56,285	50,910
Real estate	14,341	4,165
Total net revenue	327,451	288,475
Segment operating expense:		
Mountain	132,399	125,949
Lodging	43,164	39,521
Real estate	16,165	(8,578)
Total segment operating expense	191,728	156,892
Other operating expense:		
Depreciation and amortization	(25,039)	(22,406)
Asset impairment charge (Note 8)	(1,573)	--
Loss on disposal of fixed assets, net	(38)	(11)
Income from operations	109,073	109,166
Mountain equity investment income, net	438	654
Lodging equity investment income, net	--	567
Real estate equity investment (loss) income, net	(48)	488
Investment income, net	141	445
Interest expense	(9,349)	(10,664)
Loss on sale of equity investment	(3)	--
Loss on put options, net	(447)	(433)
Other income, net	--	2
Minority interest in income of consolidated subsidiaries, net	(4,216)	(4,178)
Income before provision for income taxes	95,589	96,047
Provision for income taxes	(36,801)	(33,562)
Net income	$ 58,788	$ 62,485
Per share amounts (Note 3):		
Basic net income per share	$ 1.64	$ 1.77
Diluted net income per share	$ 1.61	$ 1.77

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

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

	Nine Months Ended April 30,	
	2005	**2004**
Net revenue:		
Mountain	$ 505,484	$ 467,014
Lodging	145,148	133,943
Real estate	39,329	38,553
Total net revenue	689,961	639,510
Segment operating expense:		
Mountain	329,210	312,728
Lodging	127,282	120,578
Real estate	32,939	9,610
Total segment operating expense	489,431	442,916
Other operating income (expense):		
Gain on transfer of property	--	2,147
Depreciation and amortization	(69,387)	(65,340)
Asset impairment charge (Note 8)	(1,573)	(933)

Mold remediation charge	--	(5,500)
Loss on disposal of fixed assets, net	(1,519)	(1,567)
Income from operations	128,051	125,401
Mountain equity investment income, net	2,003	1,222
Lodging equity investment loss, net	(2,679)	(2,384)
Real estate equity investment (loss) income, net	(107)	692
Investment income, net	1,443	1,338
Interest expense	(30,734)	(36,930)
Loss on extinguishment of debt (Note 4)	(612)	(36,195)
Gain on sale of equity investment (Note 7)	5,690	--
Gain (loss) on put options, net	741	(1,739)
Other income (expense), net	49	(9)
Minority interest in income of consolidated subsidiaries, net	(6,980)	(6,181)
Income before provision for income taxes	96,865	45,215
Provision for income taxes	(37,293)	(14,871)
Net income	$ 59,572	$ 30,344
Per share amounts (Note 3):		
Basic net income per share	$ 1.68	$ 0.86
Diluted net income per share	$ 1.65	$ 0.86

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

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

	Nine Months Ended April 30,	
	2005	**2004**
Net cash provided by operating activities	$ 178,676	$ 157,505
Cash flows from investing activities:		
Capital expenditures	(68,015)	(48,061)
Investments in real estate	(33,789)	(11,590)
Other investing activities, net	14,311	3,167
Net cash used in investing activities	(87,493)	(56,484)
Cash flows from financing activities:		
Proceeds from issuance of 6.75% Notes	--	390,000
Proceeds from borrowings under other long-term debt	116,901	170,402
Payment of 8.75% Notes	--	(348,753)
Payments of other long-term debt	(220,161)	(234,559)
Payment of tender premium	--	(22,690)
Other financing activities, net	6,817	(6,992)
Net cash used in financing activities	(96,443)	(52,592)
Net (decrease) increase in cash and cash equivalents	(5,260)	48,429
Net increase in cash due to adoption of FIN 46R	--	4,428
Cash and cash equivalents:		
Beginning of period	46,328	7,874
End of period	$ 41,068	$ 60,731

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") 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. The

Company owns and operates five world-class ski resorts and related amenities 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. The Company also owns several hotel properties situated in proximity to its ski resorts. Additionally, the Company owns the 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 in Wyoming. The Company also owns a 100% interest (51% prior to May 5, 2005) in the Snake River Lodge & Spa ("SRL&S") located near Jackson, Wyoming and owns 100% of the Lodge at Rancho Mirage ("Rancho Mirage") near Palm Springs, California. The Company owns RockResorts International, LLC ("RockResorts"), a luxury hotel management company. The Company also holds a 61.7% interest in SSI Venture, LLC ("SSV"), a retail/rental company. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary of the Company, conducts the operations of the Company's Real Estate segment. The Company's mountain and lodging businesses are seasonal in nature with peak operating seasons generally 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. 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 fiscal year ended July 31, 2004. 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, 2004 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.

Reclassifications--Certain reclassifications have been made to the accompanying Consolidated Condensed Financial Statements as of and for the three and nine months ended April 30, 2004 to conform to the current period presentation.

Stock Compensation-- At April 30, 2005, the Company had four stock-based compensation plans. The Company applies Accounting Principles Board ("APB") Opinion No. 25 and related interpretations in accounting for stock-based compensation to employees; as such, the Company applies the intrinsic value method to value outstanding stock options. The Company recorded compensation expense related to restricted stock grants of $85,000 for both the three months ended April 30, 2005 and 2004. The Company recorded compensation expense related to restricted stock grants of $262,000 and $164,000 for the nine months ended April 30, 2005 and 2004, respectively. Had compensation cost for the Company's four stock-based compensation plans been determined consistent with Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation", the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	Three months ended April 30,		Nine months ended April 30,	
	2005	2004	2005	2004
Net income				
As reported	$ 58,788	$ 62,485	$ 59,572	$ 30,344
Add: stock-based employee compensation expense included in reported net income, net of related tax effects	53	53	220	102
Deduct: total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(769)	(692)	(2,283)	(1,855)
Pro forma	$ 58,072	$ 61,846	$ 57,509	$ 28,591
Basic net income per common share				
As reported	$ 1.64	$ 1.77	$ 1.68	$ 0.86
Pro forma	$ 1.62	$ 1.75	$ 1.62	$ 0.81
Diluted net income per common share				
As reported	$ 1.61	$ 1.77	$ 1.65	$ 0.86
Pro forma	$ 1.59	$ 1.75	$ 1.60	$ 0.81

As a result of changes to the calculation of forfeitures and the period over which pro forma expense would be taken if the fair value method was applied, the presentation of pro forma net income and basic and diluted net income per common share for fiscal 2004 has been changed, resulting in a decrease for the three and nine months ended April 30, 2004 of $0.01 and $0.04 to basic and diluted net income per share, respectively, as compared to the presentation in the Company's previously filed Quarterly Reports on Form 10-Q for those periods.

New Accounting Pronouncements -- In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment", which replaces SFAS No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees". SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the consolidated statements of operations. The accounting provisions of SFAS 123R

are effective for fiscal years beginning after June 15, 2005, with early adoption permitted. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition.

SFAS 123R permits public companies to adopt its requirements using one of two methods. Under the "modified prospective" method, compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. The "modified retrospective" method includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures for either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The Company has yet to determine which method it will use in adopting SFAS 123R.

As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using APB 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R's fair value method will impact the Company's results of operations, although it will have no impact on the Company's overall financial position. The Company is currently evaluating option valuation methodologies and assumptions in light of SFAS 123R pronouncement guidelines and Staff Accounting Bulletin No. 107 related to employee stock options. Current estimates of option values used by the Company in its pro forma disclosure by applying the Black-Scholes method may not be indicative of results from the final methodology the Company elects to adopt for reporting under SFAS 123R guidelines. The Company is evaluating SFAS 123R and has not yet determined the amount of stock option expense which will be recorded upon the adoption of SFAS 123R.

3. Net Income Per Common Share

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 income statement and requires a reconciliation of numerators (net income) 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 available to common shareholders 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 common shares that would then share in the earnings of the Company. Presented below is basic and diluted EPS for the three months ended April 30, 2005 and 2004.

	Three Months Ended April 30,			
	2005		2004	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share amounts)			
Net income per common share:				
Net income	$ 58,788	$ 58,788	$ 62,485	$ 62,485
Weighted-average shares outstanding	35,744	35,744	35,294	35,294
Effect of dilutive securities	--	749	--	77
Total shares	35,744	36,493	35,294	35,371
Net income per common share	$ 1.64	$ 1.61	$ 1.77	$ 1.77

The number of shares issuable on the exercise of common stock options that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 598,000 and 2.5 million for the three months ended April 30, 2005 and 2004, respectively. For the three months ended April 30, 2005 and 2004, the shares were anti-dilutive because their exercise prices were greater than the average share price during the period.

Presented below is basic and diluted EPS for the nine months ended April 30, 2005 and 2004.

	Nine Months Ended April 30,			
	2005		2004	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share amounts)			
Net income per common share:				
Net income	$ 59,572	$ 59,572	$ 30,344	$ 30,344
Weighted-average shares outstanding	35,526	35,526	35,287	35,287
Effect of dilutive securities	--	495	--	58
Total shares	35,526	36,021	35,287	35,345
Net income per common share	$ 1.68	$ 1.65	$ 0.86	$ 0.86

The number of shares issuable on the exercise of common stock options that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 743,000 and 2.5 million for the nine months ended April 30, 2005 and 2004, respectively. For the nine months ended April 30, 2005 and 2004, the shares were anti-dilutive because their exercise prices were greater than the average share price during the period.

4. Long-Term Debt

Long-term debt as of April 30, 2005, July 31, 2004 and April 30, 2004 is summarized as follows (in thousands):

	April 30,	July 31,	April 30,

	Maturity (b)	2005	2004	2004
Industrial Development Bonds	2007-2020	$ 61,700	$ 61,700	$ 61,700
Credit Facility Revolver (a)	2010	--	--	--
Credit Facility Term Loan (a)	2011	--	98,750	99,000
SSV Credit Facility	2006	9,714	13,424	10,857
6.75% Senior Subordinated Notes ("6.75% Notes")	2014	390,000	390,000	390,000
8.75% Senior Subordinated Notes ("8.75% Notes")	2009	--	--	11,247
Discount on 8.75% Notes		--	--	(176)
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
Other	2006-2029	8,538	9,354	9,480
		522,527	625,803	634,683
Less: Current Maturities (c)		2,178	3,159	14,227
		$ 520,349	$ 622,644	$ 620,456

(a) On January 28, 2005, the Company announced the amendment of its senior credit facility ("Credit Facility"). Key modifications to the Credit Facility included, among other things, payoff of the $100 million term loan ("Credit Facility Term Loan"), the expansion of the revolving credit facility ("Credit Facility Revolver") to $400 million from $325 million, extension of the maturity on the Credit Facility Revolver to January 2010 from June 2007, reduced pricing for interest rate margins and commitment fees, and improved flexibility in the Company's ability to make investments and distributions. The Company recorded a $612,000 loss on extinguishment of debt in the nine months ended April 30, 2005 for the remaining unamortized deferred financing costs associated with the pay off of the Credit Facility Term Loan.

The amended credit agreement, the Fourth Amended and Restated Credit Agreement ("Credit Agreement"), is between The Vail Corporation (a wholly owned subsidiary of the Company), Bank of America, N.A., as administrative agent and the Lenders party thereto, and consists of a $400 million revolving credit facility. The Vail Corporation's obligations under the Credit Agreement are guaranteed by the Company and certain of its subsidiaries and are collateralized by a pledge of all of the capital stock of The Vail Corporation, substantially all of its subsidiaries and the Company's interest in SSV. The proceeds of loans made under the Credit Agreement may be used to fund the Company's working capital needs, capital expenditures, acquisitions and other general corporate purposes, including the issuance of letters of credit. The Credit Agreement matures January 2010. Borrowings under the Credit Agreement bear interest annually at the Company's option at the rate of (i) LIBOR plus a margin (4.31% at April 30, 2005) or (ii) the Agent's prime lending rate plus, in certain circumstances, a margin (5.75% at April 30, 2005). The Credit Agreement also includes a quarterly unused commitment fee, which is equal to a percentage determined by the Funded Debt to EBITDA ratio, as defined in the Credit Agreement, times the daily amount by which the Credit Agreement commitment exceeds the total of outstanding loans and outstanding letters of credit. The unused amounts are accessible to the extent that the Funded Debt to Adjusted EBITDA ratio does not exceed the maximum ratio allowed at quarter-ends. The unused amount available for borrowing under the Credit Facility was $331.6 million as of April 30, 2005, net of letters of credit of $68.4 million outstanding under the Credit Facility. Interest rate margins fluctuate based upon the ratio of the Company's Funded Debt to Adjusted EBITDA (as defined in the Credit Agreement) on a trailing twelve-month basis. The Credit Agreement provides for affirmative and negative covenants that restrict, among other things, the Company's ability to incur indebtedness, dispose of assets, make capital expenditures, make distributions and make investments. In addition, the Credit Agreement includes the following restrictive financial covenants: Maximum Funded Debt to Adjusted EBITDA ratio, Maximum Senior Debt to Adjusted EBITDA ratio, Minimum Fixed Charge Coverage ratio, Minimum Net Worth and the Minimum Interest Coverage ratio (each as defined in the Credit Agreement).

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

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

Aggregate maturities for debt outstanding as of April 30, 2005 are as follows (in thousands):

Fiscal 2005	$ 1,300
Fiscal 2006	9,554
Fiscal 2007	4,515
Fiscal 2008	414
Fiscal 2009	15,221
Thereafter	491,523
Total debt	$ 522,527

The Company incurred gross interest expense of $9.3 million and $10.7 million for the three months ended April 30, 2005 and 2004, respectively. The Company incurred gross interest expense of $30.7 million and $36.9 million for the nine months ended April 30, 2005 and 2004, respectively.

5. Supplementary Balance Sheet Information (in thousands)

The composition of accounts payable and accrued expenses follows:

	April 30,	July 31,	April 30,

	2005	2004	2004
Trade payables	$ 61,822	$ 55,858	$ 53,306
Deferred revenue	22,514	25,180	13,149
Deposits	30,308	30,727	14,636
Accrued salaries, wages and deferred compensation	19,859	23,591	16,662
Accrued benefits	22,837	20,541	23,320
Accrued interest	6,573	14,022	8,189
Accrued property taxes	4,381	7,052	4,296
Liabilities to complete real estate projects, short term	7,128	9,063	4,271
Accrued mold remediation costs	956	4,568	7,000
Other accruals	11,971	8,266	11,249
Total accounts payable and accrued expenses	$ 188,349	$ 198,868	$ 156,078

The composition of property, plant and equipment follows:

	April 30, 2005	July 31, 2004	April 30, 2004
Land and land improvements	$ 244,804	$ 242,585	$ 240,491
Buildings and building improvements	627,061	609,682	618,511
Machinery and equipment	401,845	385,334	387,643
Automobiles and trucks	22,293	21,029	22,043
Furniture and fixtures	115,453	115,219	115,267
Construction in progress	48,768	29,283	10,556
	1,460,224	1,403,132	1,394,511
Accumulated depreciation	(481,760)	(434,360)	(418,176)
Property, plant and equipment, net	$ 978,464	$ 968,772	$ 976,335

6. Variable Interest Entities

The Company has determined that it is the primary beneficiary of four entities, Breckenridge Terrace, LLC ("Breckenridge Terrace"), The Tarnes at BC, LLC ("Tarnes"), BC Housing, LLC ("BC Housing") and Tenderfoot Seasonal Housing, LLC ("Tenderfoot"), collectively known as the "Employee Housing Entities", which are Variable Interest Entities ("VIEs"). As a group, as of April 30, 2005, the Employee Housing Entities had total assets of $46.1 million and total liabilities of $63.2 million. The Company's exposure to loss as of April 30, 2005 as a result of its involvement with the Employee Housing Entities is limited to the Company's initial equity investments of $2,000, a $6.7 million note receivable from Breckenridge Terrace, $38.3 million of letters of credit related to the Tranche A interest-only taxable bonds and a $5.1 million letter of credit related to the Breckenridge Terrace Tranche B Housing Bonds. The Company also guarantees debt service on $5.9 million of Tranche B Housing Bonds which expired June 1, 2005. In May 2005, the Company issued $7.5 million incremental letters of credit related to the Tenderfoot and BC Housing Tranche B Housing Bonds. All of the Employee Housing Entities' assets serve as collateral for their Tranche B obligations ($14.8 million as of April 30, 2005). The letters of credit would be triggered in the event that one of the entities defaults on required Tranche A debt service payments. The guarantees on the Tranche B bonds would be triggered in the event that one of the entities defaults on required Tranche B debt service payments. Neither the letters of credit nor the guarantees have default provisions. The Employee Housing Entities have been consolidated by the Company since November 1, 2003.

The Company has determined that it 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 for its corporate headquarters. APII had total assets of $4.2 million and no debt as of April 30, 2005. The Company's maximum exposure to loss as a result of its involvement with APII is limited to its initial equity investment of $2.5 million. APII has been consolidated by the Company since February 1, 2004.

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 and no debt as of April 30, 2005. The Company's maximum exposure to loss as a result of its involvement with the entity is limited to its initial equity investment of $2.5 million. FFT has been consolidated by the Company since February 1, 2004.

The Company, through RockResorts, 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 primarily in resort hotel properties. RockResorts has managed the day-to-day operations of the hotel properties since November 2001. The Company has determined that the entities that own the hotel properties are VIEs, and the management contracts and the note receivable are significant variable interests in these VIEs. The Company has also determined that it is not the primary beneficiary of these entities and, accordingly, is not required to consolidate any of these entities. These VIEs had total assets of approximately $154.7 million and total liabilities of approximately $117.4 million as of April 30, 2005. 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 $1.5 million and the net book value of the intangible asset associated with the management agreements in the amount of $6.2 million at April 30, 2005.

7. Sale of Investment in Bachelor Gulch Resort, LLC

On December 8, 2004, the Company sold its 49% minority equity interest in Bachelor Gulch Resort, LLC ("BG Resort"), the entity that owns The Ritz-Carlton, Bachelor Gulch, for $13.0 million, with net cash proceeds to the Company of $12.7 million. This transaction resulted in a $5.7 million gain on disposal of the investment. In addition, the Company recognized $2.5 million of deferred Real Estate revenue associated with the recognition of the basis difference in land originally contributed to the entity and $369,000 of deferred interest income related to advances previously made to the entity. In conjunction with the sale, the Company has guaranteed payment, if any, of certain contingencies of BG Resort which have reduced the amount of the gain recognized. The Company's interest was acquired by GHR, LLC, a new joint venture between Gencom BG, LLC and Lehman BG, LLC.

Condensed financial data for BG Resort is presented below for the period from August 1, 2004 to December 8, 2004 and for the three and nine months ended April 30, 2004:

	Period from August 1, 2004 through December 8, 2004	Three months ended April 30, 2004	Nine Months ended April 30, 2004
		(in thousands)	
Net revenue	$ 8,006	$ 10,745	$ 24,197
Operating (loss) income	(2,355)	3,462	4,817
Net (loss) income	$ (5,730)	$ 1,645	$ (3,519)

The Company recorded equity investment (losses) income associated with its 49% ownership interest in BG Resort in the accompanying statements of operations of $(2.7) million, $1.1 million and $(1.7) million for the period from August 1, 2004 through December 8, 2004 and for the three and nine months ended April 30, 2004, respectively.

8. Put and Call Options

In November 2004, GSSI LLC ("GSSI"), the minority shareholder in SSV, notified the Company of its intent to exercise its put (the "2004 Put") for 20% of its ownership interest in SSV; in January 2005, the 2004 Put was exercised and settled for a price of $5.8 million. As a result, the Company now holds an approximate 61.7% ownership interest in SSV. The Company and GSSI have the remaining put and call rights with respect to SSV: a) beginning August 1, 2007 and each year thereafter, each of the Company and GSSI shall have the right to call or put 100% of GSSI's ownership interest in SSV during certain periods each year; b) 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 of SSV for the fiscal period ended prior to the commencement of the put period, as EBITDA is defined in the operating agreement.

The Company had determined that the price to settle the 2004 Put should be marked to fair value through earnings. During the nine months ended April 30, 2005, the Company recorded a gain of $612,000 related to the decrease in the estimated fair value of the liability associated with the 2004 Put. The Company recorded a loss of $349,000 and $1.8 million for the three and nine months ended April 30, 2004, respectively, representing the increase in the estimated fair value of the 2004 Put during those periods.

In November 2001, the Company entered into a written put option in conjunction with its purchase of an interest in RockResorts. The minority shareholder in RockResorts ("Olympus") had the option to put to the Company its equity interest in RockResorts at a price based on management fees generated by certain properties under RockResorts management on a trailing twelve month basis. The put option was exercisable between October 1, 2004 and September 30, 2005. If the put option was not exercised, then the Company had a call option on Olympus' equity interest. Olympus notified the Company of its intent to exercise the put option for 100% of its interest in RockResorts in October 2004; however, due to a dispute over the settlement price of the put, the parties did not agree on a settlement price until April 2005. In May 2005, the put was settled for a price of $1.3 million. As a result, the Company now holds a 100% ownership interest in RockResorts. When the put price was settled, the call option no longer had value, and the Company recorded a $1.6 million charge in the three months ended April 30, 2005 to write the value to zero. The Company has marked the put option to fair value through earnings each period. There was no impact on earnings related to this put option for the three and nine months ended April 30, 2005 as the estimated fair market value of the put option did not exceed the book value of the minority shareholder's interest. The Company recorded a loss of $147,000 representing an increase in the estimated fair value of the RockResorts put option during the three and nine months ended April 30, 2004.

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 33% of its interest in RTP to the Company during the period 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. For the three months ended April 30, 2005, the Company recorded a loss of $447,000 representing the increase in estimated fair value of the put option during the period. For the nine months ended April 30, 2005, the Company recorded a gain of $129,000 representing the decrease in estimated fair value of the put option during the period. For the three and nine months ended April 30, 2004, the Company recorded a gain of $63,000 and $199,000, respectively, representing the decrease in estimated fair value of the put option during those periods. As of July 31, 2004, the Company had a 52.1% ownership interest in RTP. In October 2004, the minority shareholder in RTP exercised a portion of its put option for approximately 5.1% of the minority shareholder's remaining ownership interest for a put price of approximately $324,000. As a result, the Company now holds an approximate 54.5% ownership interest in RTP.

Between January 1, 2005 and December 31, 2010, the Company had the right to require the minority shareholder ("SLM") in SRL&S to sell all of its ownership interest in SRL&S. In addition, between January 1, 2005 and December 31, 2010, SLM had the right to require the Company to acquire all of SLM's ownership interest in SRL&S. The Company acquired the 49% minority interest in SRL&S from SLM in May 2005 and now owns 100% of SRL&S; as such, the put and call options expired unexercised.

9. Related Party Transactions

Historically, the Company has paid a fee to Apollo Advisors for management services and expenses related thereto. In fiscal 2004, this fee was $500,000. In connection with the conversion by Apollo Ski Partners, L.P. ("Apollo") of its Class A Common Stock into shares of Common Stock, this arrangement was terminated effective October 1, 2004. The Company recorded $83,000 of expense related to this fee for Fiscal 2005 in the nine months ended April 30, 2005. See Note 11, Class A Common Stock Conversion, for more information regarding this matter.

In August 2004, BG Resort repaid the $4.9 million principal balance note receivable which was outstanding to the Company as of July 31, 2004 from funds obtained by BG Resort in a debt refinancing.

In September 2004, James P. Thompson, former President of VRDC, repaid the $350,000 principal balance note receivable and associated accrued interest which was outstanding to the Company as of July 31, 2004 under a note originally extended to Mr. Thompson and his wife in 1995.

As of April 30, 2005, the Company had outstanding a $1.5 million note receivable from Keystone/Intrawest, LLC ("KRED"), a real estate development venture in which the Company has an equity-method investment. This note is related to the fair market value of the land originally contributed to the partnership, and is repaid as the underlying land is sold to third parties. KRED repaid zero and $1.0 million under this note during the three and nine months ended April 30, 2005. In addition, as of April 30, 2005, the Company had a receivable of approximately $355,000, including accrued interest, from KRED related to advances used for development project funding as necessary. The advances do not have specific repayment terms and are dependent upon the underlying development projects becoming cash flow positive. KRED repaid $24,000 and $269,000 of this receivable, including $12,000 for interest, during the three and nine months ended April 30, 2005, respectively.

In December 2004, Adam Aron, the Chairman of the Board and Chief Executive Officer of the Company, and Ronald Baron, a significant shareholder in the Company, reserved the purchase of condominium units at the planned "Arrabelle" project located in the core of LionsHead. Each of Messrs. Aron and Baron paid a refundable $100,000 deposit for the reservation of the condominium units. In April 2005, Mr. Aron executed a purchase and sale agreement for the purchase of the condominium unit for a total purchase price of $4.6 million. Mr. Aron provided an earnest money deposit totaling $459,500, including the initial reservation deposit. In May 2005, Mr. Baron and his wife executed a purchase and sale agreement for the purchase of the condominium unit for a total purchase price of $14.0 million. Mr. and Mrs. Baron provided an earnest money deposit totaling $1.4 million, including the initial reservation deposit. The earnest money deposits will be held in escrow until commencement of construction, and are refundable in limited circumstances at the discretion of the Company. Construction of the Arrabelle project began in May 2005. Upon notice of commencement of construction, the purchase and sale agreements require Mr. Aron and Mr. and Mrs. Baron to provide an additional "construction deposit" of $229,750 and $700,000, respectively. The construction deposit will not be held in escrow and is refundable in limited circumstances at the Company's discretion. Closing on the condominiums is expected in late 2007 or early 2008. The sale of the condominiums has been approved by the Board of Directors of the Company, in accordance with the Company's related party transactions policy.

10. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances $8.5 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through an $8.6 million letter of credit issued against the Company's bank credit facility. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development, and are to be repaid by revenues generated by Red Sky Ranch Metropolitan District ("RSRMD") through property taxes. The Company has agreed to pay capital improvement fees to 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 $1.9 million, primarily within "Other Long-term Liabilities", at April 30, 2005, July 31, 2004 and April 30, 2004 with respect to the estimated present value of future RSRMD capital improvement fees.

Guarantees

As of April 30, 2005, the Company had various other letters of credit outstanding in the amount of $62.3 million, consisting primarily of $43.4 million in support of the Employee Housing Bonds, $6.1 million related to workers' compensation for Heavenly and Rancho Mirage, a $4.2 million letter of credit issued in support of SSV's credit facility and $8.0 million of construction performance guarantees.

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 Interpretation ("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 and indemnities related to the Company's use of public lands. 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 Delaware law, the Company indemnifies its directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company 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 limits exposure and should enable the Company to recover a portion of any future amounts paid. The Company has not recorded a liability associated with this indemnification as of April 30, 2005 because the Company has assessed the fair market value associated with potential payment obligations under the indemnification to be immaterial.

The Company guarantees the revenue streams associated with selected routes flown by certain airlines into Eagle County Regional Airport; these guarantees are generally capped at certain levels. As of April 30, 2005, the Company has recorded a liability related to the airline guarantees of $1.9 million.

In conjunction with the Company's sale of its ownership interest in BG Resort (See Note 7, Sale of Investment in Bachelor Gulch Resort, LLC), the Company has guaranteed payment, if any, of certain contingencies of BG Resort upon settlement. As of April 30, 2005, the Company has recorded a liability related to these contingencies in the amount of $130,000. The maximum amount that the Company would be required to pay under this agreement is approximately $424,000.

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 balance sheet the underlying liability associated with the guarantee, the guarantee or indemnification existed prior to January 1, 2003 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 de minimus based upon the current facts and circumstances that would trigger a payment under the indemnification clause.

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 Sheets, to complete or fund certain improvements with respect to real estate developments; the Company has estimated such costs to be approximately $8.8 million as of April 30, 2005, and anticipates completion of the majority of these commitments within the next two years.

The Company agreed to install two new chairlifts and related infrastructure at Beaver Creek for the 2004/05 ski season and one chairlift and related infrastructure by the 2005/06 ski season pursuant to agreements with Bachelor Gulch Village Association ("BGVA"), Beaver Creek Resort Company ("BCRC") and Beaver Creek Property Owner Association. In connection with these agreements, BGVA had deposited $5 million, BCRC had deposited $4 million and the Company had deposited $1 million into an escrow account to be used by the Company to fund the construction of the chairlifts. As of April 30, 2005, all of the escrowed funds have been remitted to the Company as reimbursement for construction costs of the chairlifts and related infrastructure. The funds received from BGVA and BCRC reduced the book value of the chairlifts and related infrastructure. The Company completed the chairlifts and related infrastructure as required for the 2004/05 ski season. The estimated net cost to the Company to complete the remaining lift and related infrastructure as of April 30, 2005 is $4.3 million. As of April 30, 2005, the Company has recorded a liability of $1.3 million related to its commitment to build the remaining lift and ancillary improvements.

Self Insurance

The Company is self-insured for medical and worker's compensation under a stop loss arrangement. The self-insurance liability related to workers' compensation is determined actuarially based on claims filed. The self-insurance liability related to medical claims 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. 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.

Gilman Litigation Appeal

As previously disclosed, the Company is appealing an adverse decision by the Eagle County District Court of Colorado, rendered on September 24, 2003, relating to the Company's interest in real property in Eagle County, Colorado commonly known as the "Gilman" property. The Court found, among other things, that the Company was not entitled to any interest in the property. The Company is appealing the decision primarily on the basis that the Court applied the wrong legal standard in deciding the issue. The Company believes, based on the advice of counsel, that it has strong legal grounds to challenge the decision although there can be no guarantee of any particular outcome. Oral arguments on the appeal have been scheduled for late July 2005.

Breckenridge Terrace Employee Housing Construction Defect/Water Intrusion Claims

During fiscal 2004, the Company became aware of mold damage due to water intrusion and condensation problems in the 17 building employee housing facility owned by Breckenridge Terrace, an employee housing entity in which the Company is a member, manager and the primary beneficiary and, as such, consolidates the accounts of Breckenridge Terrace. As a result of the mold damage, the facility was not available for occupancy during the 2003/04 ski season. All buildings at the facility required mold remediation and reconstruction (the "reconstruction") and this work began in the third quarter of fiscal 2004. Breckenridge Terrace recorded a $7.0 million liability in the second quarter of fiscal 2004 for the estimated cost of reconstruction efforts. These reconstruction costs were funded by a loan to Breckenridge Terrace from the Company member of the LLC. As of April 30, 2005, Breckenridge Terrace had a remaining liability of approximately $1.0 million for future remaining reconstruction costs. With the exception of one building which has been kept in its original design and construction for evidentiary purposes (see discussion below), the remaining 16 buildings became available for occupancy in the second quarter of fiscal 2005. The Company anticipates it will incur the remaining amount of reconstruction costs in the first quarter of fiscal 2006.

Forensic construction experts retained by Breckenridge Terrace have determined that the water intrusion and condensation problems are 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, all of whom denied the claims. In June 2004, Breckenridge Terrace filed a demand for binding arbitration. All parties in the matter have agreed to a voluntary, non-binding mediation in early July 2005, and an arbitration hearing has been scheduled for August 2005. Also, Breckenridge Terrace filed claims with the relevant insurance carriers but these claims have been initially denied. Recovery, if any, of a portion of the remediation and reconstruction liability from potentially responsible parties, including recovery from insurance claims, will be recognized as an asset if and when receipt is deemed probable.

Revision of Forest Plan

As previously disclosed, the Record of Decision (the "ROD") approving the new White River National Forest Land Resource Management Plan (the "Forest Plan") was issued by the Forest Service in April of 2002. The Forest Plan regulates recreational, operational and development activities on White River National Forest lands which include the Company's four Colorado ski resorts. The ROD was appealed to the Chief of the Forest Service (the "Chief") by the Company and several other interested parties, including environmental groups holding positions opposite to those of the Company (the "appeals").

The Chief's decision on the appeals was issued on September 22, 2004, and was subsequently modified by the Deputy Under Secretary of the Department of Agriculture in a final decision dated December 2, 2004. In this final decision, the Company prevailed on many issues which are important to the current and future operation of its four Colorado ski resorts.

Any appellant may file an action for judicial review of the final decision in Federal Court. A court would review the final decision based on the administrative record and the agency's conclusions would receive deference. It is impossible at this time to predict whether an action for judicial review will be filed, and if so, whether its resolution would have a material adverse impact on the Company.

SEC Investigation

In February 2003, the SEC informed the Company that it had issued a formal order of investigation with respect to the Company. Since the inception of the SEC's investigation, the SEC has issued several subpoenas to the Company and made voluntary requests to the Company to provide documents and information related to several matters previously restated by the Company in its publicly filed restatements of certain prior years, as well as other items. Certain current and former directors, officers and employees of the Company have appeared for testimony before the SEC pursuant to subpoena. The Company has fully cooperated with the SEC in its investigation, which the Company believes is now substantially complete.

The Company has been informed by the Staff of the Central Regional Office of the SEC that it is considering whether to recommend that the SEC commence a civil proceeding against the Company alleging violations of the federal securities laws with respect to a number of the matters that have been the subject of the SEC investigation. The Company is currently engaged in discussions with the SEC staff about a potential resolution of these matters, and continues to cooperate fully with the SEC in respect of its investigation. The Company is unable to predict whether it will be able to resolve these matters with the Staff in a satisfactory manner, or if the SEC will ultimately determine to initiate an action or what remedies the SEC may seek, including the imposition of fines and penalties. If the SEC determines to initiate an action, it is possible that such action could have a material adverse effect on the Company, including diverting the efforts and attention of management from the business operations and increasing legal expenses associated with the matter.

In connection with the SEC investigation, the Company is currently in discussions with the Office of the Chief Accountant of the SEC regarding whether a portion or all of certain ski infrastructure assets placed in service primarily in the 1990s should have been capitalized as resort assets subject to depreciation as opposed to the historical accounting treatment of including such costs as real estate project costs and expensing these costs when the related real estate was sold. The Company believes that, if any amounts are required to be capitalized as ski infrastructure costs, the effect of such change on its historical financial statements would not be material. In addition, the Company believes that the remaining matters involved in the SEC investigation (excluding any potential monetary fine or penalty) would not otherwise materially affect the Company's reported results of operations for fiscal 2004 or the current fiscal year.

11. Class A Common Stock Conversion

In September 2004, the Company and Apollo Ski Partners, L.P. ("Apollo") entered into a Conversion and Registration Rights Agreement (the "Agreement"). Pursuant to the Agreement, Apollo converted all of its Class A common stock into shares of the Company's Common Stock. Apollo distributed the shares to its partners in proportion to each partner's interest in the partnership. Apollo did not dissolve after this distribution and continues to exist as a partnership. The Company, pursuant to the Agreement, filed a shelf registration statement in November 2004, covering certain of the shares owned by the limited partners of Apollo. Before the conversion, Apollo owned 6.1 million Class A Common shares or 99.9% of the Company's Class A Common Stock.

As a result of the above Agreement, the Company no longer has any Class A Common Stock outstanding and therefore only has one class of directors. Previously, the Class A Common Stock elected the Class 1 directors and the Common Stock elected the Class 2 directors. Additionally, as a result of the above Agreement, as of the date of the agreement, the Company's Consolidated Condensed Balance Sheet no longer presents any Class A Common Stock and the full balance of the Company's common shares outstanding is presented under "Common stock".

12. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 6.75% Senior Subordinated Notes due 2014 (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., RTP, LLC, RT Partners, Inc., SSV, Larkspur Restaurant & Bar, LLC, Timber Trail, Inc., Vail Associates Investments, 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 financial information, but are not considered subsidiaries under the indenture governing the 6.75% Notes.

Presented below is the consolidated financial information of Vail Resorts, Inc. (the "Parent Company"), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for Larkspur Restaurant & Bar, LLC ("Larkspur"), RockResorts and JHL&S, LLC ("JHL&S") are presented separately as the Company owns less than 100% of these Guarantor Subsidiaries. Financial information for the Non-Guarantor subsidiaries is presented in the column titled "Other Subsidiaries". Balance sheet data is presented as of April 30, 2005, July 31, 2004 and April 30, 2004. Statement of operations data are presented for the three and nine months ended April 30, 2005 and statement of cash flows data are presented for the nine months ended April 30, 2005 and 2004.

Investments in subsidiaries are accounted for by the Parent Company and Guarantor Subsidiaries using the equity method of accounting. Net income 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 of the Guarantor and Non-Guarantor Subsidiaries is reflected in Guarantor Subsidiaries and Parent Company as equity in consolidated subsidiaries. The elimination entries eliminate investments in Other Subsidiaries and intercompany balances and transactions for consolidated reporting purposes.

Supplemental Condensed Consolidating Balance Sheet
As of April 30, 2005
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:								
Cash and cash equivalents	$ --	$ 28,126	$ 454	$ 72	$ 93	$ 12,323	$ --	$ 41,068
Restricted cash	--	17,267	442	--	--	--	--	17,709
Receivables, net	4,857	22,883	303	(69)	75	5,444	--	33,493
Inventories, net	--	7,061	107	--	139	23,791	--	31,098
Other current assets	10,564	15,508	149	284	4	1,476	--	27,985
Total current assets	15,421	90,845	1,455	287	311	43,034	--	151,353
Property, plant and equipment, net	1	883,957	26,721	913	560	66,312	--	978,464
Real estate held for sale and investment	--	128,727	--	--	--	11,282	--	140,009
Goodwill, net	--	125,851	1,960	531	--	16,748	--	145,090
Intangible assets, net	--	54,192	--	10,136	--	16,997	--	81,325
Other assets	6,244	17,603	19	--	--	10,178	--	34,044
Investments in subsidiaries and advances to (from) parent	986,811	(510,274)	(19,673)	(3,403)	7	6,430	(459,898)	--
Total assets	$1,008,477	$ 790,901	$ 10,482	$ 8,464	$ 878	$ 170,981	$ (459,898)	$ 1,530,285
Current liabilities:								
Accounts payable and accrued expenses	$ 25,138	$ 135,618	$ 1,961	$ 1,816	$ 133	$ 23,683	$ --	$ 188,349
Long-term debt due within one year	--	587	--	--	--	1,591	--	2,178
Total current liabilities	25,138	136,205	1,961	1,816	133	25,274	--	190,527
Long-term debt	390,000	62,089	--	--	--	68,260	--	520,349
Other long-term liabilities	282	101,582	--	52	--	100	--	102,016
Deferred income taxes	31,895	83,166	--	1,125	--	452	--	116,638
Put option liabilities	--	451	--	--	--	--	--	451
Minority interest in net assets of consolidated subsidiaries	--	--	4,175	3,231	100	31,636	--	39,142
Total stockholders' equity	561,162	407,408	4,346	2,240	645	45,259	(459,898)	561,162
Total liabilities and stockholders' equity	$1,008,477	$ 790,901	$ 10,482	$ 8,464	$ 878	$ 170,981	$ (459,898)	$ 1,530,285

Supplemental Condensed Consolidating Balance Sheet
As of July 31, 2004
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:								
Cash and cash equivalents	$ --	$ 41,486	$ 954	$ 16	$ 171	$ 3,701	$ --	$ 46,328
Restricted cash	--	16,031	--	--	--	--	--	16,031
Receivables, net	5,042	25,231	542	(287)	167	6,262	--	36,957
Inventories, net	--	8,366	128	--	155	22,502	--	31,151
Other current assets	12,081	11,515	89	191	35	1,359	--	25,270
Total current assets	17,123	102,629	1,713	(80)	528	33,824	--	155,737
Property, plant and equipment, net	--	873,447	27,610	765	583	66,367	--	968,772

Real estate held for sale and investment	--	128,130	--	900	--	5,518	--	134,548
Goodwill, net	--	125,851	1,960	531	--	16,748	--	145,090
Intangible assets, net	--	56,802	--	10,869	--	17,532	--	85,203
Other assets	6,773	27,182	11	--	--	10,641	--	44,607
Investments in subsidiaries and advances to (from) parent	874,232	8,540	(19,640)	(2,243)	(359)	(262)	(860,268)	--
Total assets	$ 898,128	$ 1,322,581	$ 11,654	$ 10,742	$ 752	$ 150,368	$ (860,268)	$ 1,533,957
Current liabilities:								
Accounts payable and accrued expenses	$ 16,652	$ 151,955	$ 2,161	$ 1,819	$ 322	$ 25,959	$ --	$ 198,868
Long-term debt due within one year	--	1,548	--	--	--	1,611	--	3,159
Total current liabilities	16,652	153,503	2,161	1,819	322	27,570	--	202,027
Long-term debt	390,000	160,180	--	--	--	72,464	--	622,644
Other long-term liabilities	313	96,906	--	76	--	321	--	97,616
Deferred income taxes	--	78,032	--	1,125	--	588	--	79,745
Put option liabilities	--	3,657	--	--	--	--	--	3,657
Minority interest in net assets of consolidated subsidiaries	--	--	4,652	3,231	100	29,122	--	37,105
Total stockholders' equity	491,163	830,303	4,841	4,491	330	20,303	(860,268)	491,163
Total liabilities and stockholders' equity	$ 898,128	$ 1,322,581	$ 11,654	$ 10,742	$ 752	$ 150,368	$ (860,268)	$ 1,533,957

Supplemental Condensed Consolidating Balance Sheet
As of April 30, 2004
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:								
Cash and cash equivalents	$ --	$ 54,970	$ (26)	$ 15	$ 289	$ 5,483	$ --	$ 60,731
Restricted cash	--	34,138	--	--	--	--	--	34,138
Receivables, net	3,091	22,459	216	--	107	3,582	--	29,455
Inventories, net	--	6,967	99	--	135	22,028	--	29,229
Other current assets	10,809	8,102	147	54	5	1,585	--	20,702
Total current assets	13,900	126,636	436	69	536	32,678	--	174,255
Property, plant and equipment, net	--	879,967	27,965	40	602	67,761	--	976,335
Real estate held for sale and investment	--	113,152	--	900	--	5,518	--	119,570
Goodwill, net	--	125,851	1,960	531	--	16,748	--	145,090
Intangible assets, net	--	57,351	--	11,113	--	17,700	--	86,164
Other assets	7,049	29,900	11	--	--	10,498	--	47,458
Investments in subsidiaries and advances to (from) parent	918,221	5,898	(19,340)	(1,734)	27	32	(903,104)	--
Total assets	$ 939,170	$1,338,755	$ 11,032	$ 10,919	$ 1,165	$ 150,935	$ (903,104)	$1,548,872
Current liabilities:								
Accounts payable and accrued expenses	$ 10,619	$ 120,074	$ 1,464	$ 1,438	$ 473	$ 22,010	$ --	$ 156,078
Long-term debt due within one year	11,073	1,545	--	--	--	1,609	--	14,227
Total current liabilities	21,692	121,619	1,464	1,438	473	23,619	--	170,305
Long-term debt	390,000	160,442	--	--	--	70,014	--	620,456
Other long-term liabilities	415	93,879	--	83	--	254	--	94,631
Deferred income taxes	--	91,480	--	1,125	--	629	--	93,234
Put option liabilities	--	3,520	--	--	--	--	--	3,520
Minority interest in net assets of consolidated subsidiaries	--	--	4,688	3,231	100	31,644	--	39,663
Total stockholders' equity	527,063	867,815	4,880	5,042	592	24,775	(903,104)	527,063
Total liabilities and stockholders' equity	$ 939,170	$1,338,755	$ 11,032	$ 10,919	$ 1,165	$ 150,935	$ (903,104)	$1,548,872

Supplemental Condensed Consolidating Statement of Operations
For the three months ended April 30, 2005
(in thousands of dollars)

	Parent	100% Owned	JHL&S	RockResorts	Larkspur	Other	Eliminating	Consolidated

	Company	Guarantor Subsidiaries				Subsidiaries	Entries	
Total net revenue	$ --	$ 277,913	$ 3,007	$ 1,536	$ 1,416	$ 47,468	$ (3,889)	$ 327,451
Total operating expense	5,148	173,920	2,844	2,925	1,177	36,253	(3,889)	218,378
Income (loss) from operations	(5,148)	103,993	163	(1,389)	239	11,215	--	109,073
Other expense	(6,146)	(1,866)	(258)	--	(2)	(936)	--	(9,208)
Equity investment income, net	--	390	--	--	--	--	--	390
Loss on sale of equity investment	--	(3)	--	--	--	--	--	(3)
Loss on put options, net	--	(447)	--	--	--	--	--	(447)
Minority interest in (income) loss of consolidated subsidiaries, net	--	353	47	--	--	(4,616)	--	(4,216)
Income (loss) before income taxes	(11,294)	102,420	(48)	(1,389)	237	5,663	--	95,589
Benefit (provision) for income taxes	3,775	(40,442)	--	(16)	--	(118)	--	(36,801)
Net income (loss) before equity in income of consolidated subsidiaries	(7,519)	61,978	(48)	(1,405)	237	5,545	--	58,788
Equity in income of consolidated subsidiaries	66,307	--	--	--	--	--	(66,307)	--
Net income (loss)	$ 58,788	$ 61,978	$ (48)	$ (1,405)	$ 237	$ 5,545	$ (66,307)	$ 58,788

Supplemental Condensed Consolidating Statement of Operations
For the three months ended April 30, 2004
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 236,018	$ 2,276	$ 1,033	$ 1,188	$ 46,194	$ 1,766	$ 288,475
Total operating expense	3,942	131,410	2,378	2,066	1,050	36,697	1,766	179,309
Income (loss) from operations	(3,942)	104,608	(102)	(1,033)	138	9,497	--	109,166
Other expense	(7,066)	(2,180)	(185)	--	(3)	(783)	--	(10,217)
Equity investment income, net	--	1,709	--	--	--	--	--	1,709
Loss on put options, net	--	(433)	--	--	--	--	--	(433)
Minority interest in (income) loss of consolidated subsidiaries, net	--	--	140	--	--	(4,318)	--	(4,178)
Income (loss) before income taxes	(11,008)	103,704	(147)	(1,033)	135	4,396	--	96,047
Benefit (provision) for income taxes	1.352	(35,598)	--		--	684	--	(33,562)
Net income (loss) before equity in income of consolidated subsidiaries	(9,656)	68,106	(147)	(1,033)	135	5,080	--	62,485
Equity in income of consolidated subsidiaries	72,141	4,030	--	--	--	--	(76,171)	--
Net income (loss)	$ 62,485	$ 72,136	$ (147)	$ (1,033)	$ 135	$ 5,080	$ (76,171)	$ 62,485

Supplemental Condensed Consolidating Statement of Operations
For the nine months ended April 30, 2005
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ 1	$ 564,912	$ 7,942	$ 5,513	$ 2,847	$ 118,754	$ (10,008)	$ 689,961
Total operating expense	11,117	440,765	8,192	7,747	2,681	101,416	(10,008)	561,910
Income (loss) from operations	(11,116)	124,147	(250)	(2,234)	166	17,338	--	128,051
Other expense	(20,334)	(6,417)	(721)	--	(18)	(2,364)	--	(29,854)
Equity investment loss, net	--	(783)	--	--	--	--	--	(783)
Gain on sale of equity investment	--	5,690	--	--	--	--	--	5,690
Gain on put options, net	--	741	--	--	--	--	--	741
Minority interest in (income) loss of consolidated subsidiaries, net	--	--	476	--	--	(7,456)	--	(6,980)
Income (loss) before income taxes	(31,450)	123,378	(495)	(2,234)	148	7,518	--	96,865
Benefit (provision) for income taxes	12,108	(49,335)	--	(16)	--	(50)	--	(37,293)
Net income (loss) before equity in income of consolidated subsidiaries	(19,342)	74,043	(495)	(2,250)	148	7,468	--	59,572
Equity in income of consolidated subsidiaries	78,914	--	--	--	--	--	(78,914)	--
Net income (loss)	$ 59,572	$ 74,043	$ (495)	$ (2,250)	$ 148	$ 7,468	$ (78,914)	$ 59,572

Supplemental Condensed Consolidating Statement of Operations
For the nine months ended April 30, 2004
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ 50	$ 477,891	$ 6,354	$ 4,007	$ 2,469	$ 141,510	$ 7,229	$ 639,510
Total operating expense	7,836	373,580	7,633	5,952	2,458	109,421	7,229	514,109
Income (loss) from operations	(7,786)	104,311	(1,279)	(1,945)	11	32,089	--	125,401
Other expense	(60,227)	(9,296)	(561)	--	(15)	(1,697)	--	(71,796)
Equity investment loss, net	--	(470)	--	--	--	--	--	(470)
Loss on put options, net	--	(1,739)	--	--	--	--	--	(1,739)
Minority interest in (income) loss of consolidated subsidiaries, net	--	--	902	--	--	(7,083)	--	(6,181)
Income (loss) before income taxes	(68,013)	92,806	(938)	(1,945)	(4)	23,309	--	45,215
Benefit (provision) for income taxes	22,444	(31,498)	--	--	--	(5,817)	--	(14,871)
Net income (loss) before equity in income of consolidated subsidiaries	(45,569)	61,308	(938)	(1,945)	(4)	17,492	--	30,344
Equity in income of consolidated subsidiaries	75,913	14,603	--	--	--	--	(90,516)	--
Net income (loss)	$ 30,344	$ 75,911	$ (938)	$ (1,945)	$ (4)	$ 17,492	$ (90,516)	$ 30,344

Supplemental Condensed Consolidating Statement of Cash Flows
For the nine months ended April 30, 2005
(in thousands of dollars)

	Parent Company	100% Owned Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries	Consolidated
Net cash provided by (used in) operating activities	$ 24,122	$ 136,176	$ (311)	$ (151)	$ 272	$ 18,568	$ 178,676
Cash flows from investing activities:							
Capital expenditures	--	(60,380)	(222)	(952)	16	(6,477)	(68,015)
Investments in real estate	--	(33,739)	--	--	--	(50)	(33,789)
Other investing activities, net	--	13,942	--	--	--	369	14,311
Net cash (used in) provided by investing activities	--	(80,177)	(222)	(952)	16	(6,158)	(87,493)
Cash flows from financing activities:							
Proceeds from borrowings under long-term debt	--	116,901	--	--	--	--	116,901
Payments of long-term debt	--	(215,937)	--	--	--	(4,224)	(220,161)
Advances to (from) affiliates	(34,195)	32,549	33	1,160	(366)	819	--
Other financing activities, net	10,073	(1,773)	--	--	--	(1,483)	6,817
Net cash (used in) provided by financing activities	(24,122)	(68,260)	33	1,160	(366)	(4,888)	(96,443)
Net (decrease) increase in cash and cash equivalents	--	(12,261)	(500)	57	(78)	7,522	(5,260)
Cash and cash equivalents:							
Beginning of period	--	40,387	954	15	171	4,801	46,328
End of period	$ --	$ 28,126	$ 454	$ 72	$ 93	$ 12,323	$ 41,068

Supplemental Condensed Consolidating Statement of Cash Flows
For the nine months ended April 30, 2004
(in thousands of dollars)

	Parent	100% Owned	JHL&S	RockResorts	Larkspur	Other	Consolidated

	Company	Guarantor Subsidiaries			Subsidiaries		
Net cash flows provided by (used in) operating activities	$ 73,661	$ 59,324	$ (429)	$ 5,604	$ 349	$ 18,996	$ 157,505
Cash flows from investing activities:							
Capital expenditures	--	(39,674)	(145)	(1,190)	(13)	(7,039)	(48,061)
Investments in real estate	--	(17,566)	--	--	--	5,976	(11,590)
Other investing activities, net	--	3,167	--	--	--	--	3,167
Net cash used in investing activities	--	(54,073)	(145)	(1,190)	(13)	(1,063)	(56,484)
Cash flows from financing activities:							
Proceeds from the issuance of 6.75% Notes	390,000	--	--	--	--	--	390,000
Proceeds from borrowings under other long-term debt	--	169,316	--	--	--	1,086	170,402
Payment of 8.75% Notes	(348,753)	--	--	--	--	--	(348,753)
Payments of other long-term debt		(223,306)	--	--	--	(11,253)	(234,559)
Payments of tender premium	(22,690)	--	--	--	--	--	(22,690)
Advances to (from) affiliates	(85,251)	100,043	149	(4,399)	(164)	(10,378)	--
Other financing activities, net	(6,967)	(1,958)	--	--	--	1,933	(6,992)
Net cash (used in) provided by financing activities	(73,661)	44,095	149	(4,399)	(164)	(18,612)	(52,592)
Net increase (decrease) in cash and cash equivalents	--	49,346	(425)	15	172	(679)	48,429
Net increase in cash due to adoption of FIN 46R	--	4,428	--	--	--	--	4,428
Cash and cash equivalents:							
Beginning of period	-	1,196	399	--	117	6,162	7,874
End of period	$ --	$ 54,970	$ (26)	$ 15	$ 289	$ 5,483	$ 60,731

13. Subsequent Events

In May 2005, VAMHC, Inc. ("VAMHC"), a subsidiary of the Company, agreed to sell the assets constituting the Vail Marriott Mountain Resort and Spa (the "Vail Marriott") to DiamondRock Hospitality Limited Partnership ("DiamondRock") after DiamondRock expressed its interest in acquiring the Vail Marriott. The purchase price of $62 million is subject to certain adjustments and the transaction is currently expected to close in June 2005, subject to customary closing conditions. The carrying value of the assets to be sold was $56.9 million as of April 30, 2005. Additionally, upon closing, the Company will be required to complete certain capital projects that were part of the Company's 2005 capital plan as well as fund, in certain circumstances, certain other future improvements, the total of which is not expected to exceed $3.8 million. The Company anticipates recording an estimated $2 million loss on the sale of the Vail Marriott assets after consideration of all costs involved. After the sale of the Vail Marriott to DiamondRock, the Company will continue to manage the Vail Marriott pursuant to a 15-year management agreement with DiamondRock.

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

The following 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 for the year ended July 31, 2004 ("Form 10-K") and the Consolidated Condensed Financial Statements as of April 30, 2005 and 2004 and for the three and nine months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding the financial position, results of operations and cash flows of the Company. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. These risks include, but are not limited to, changes in the competitive environment of the mountain and lodging industries, general business and economic conditions, the weather, war, terrorism and other factors discussed elsewhere herein and in the Company's filings with the SEC.

The following analysis includes discussion of financial performance within each of the Company's segments. The Company has chosen to specifically address a non-GAAP measure, Reported EBITDA (defined as segment net revenue less segment operating expense plus gain on transfer of property, as applicable, plus segment equity income). Reported EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America ("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, cash flows generated by operations, 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 is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Reported EBITDA as presented may not be comparable to other similarly titled measures of other companies. The Company believes that Reported EBITDA is an indicative measure of the Company's operating performance, and it is generally used by management to evaluate operating performance and by investors to evaluate companies in the resort and lodging industries. In addition, because of the significance of long-lived assets to the operations of the Company and the level of the Company's indebtedness, the Company also believes that Reported EBITDA is useful in measuring the Company's ability to fund capital expenditures and service debt. The Company utilizes Reported EBITDA targets in determining management bonuses. Refer to the end of the Results of Operations section for a reconciliation of Reported EBITDA to net income.

Overview

Virtually all of the Company's ski operations have been concluded for the fiscal year as of the end of the Company's third fiscal quarter. The 2004/05 ski season was a record year in terms of both revenue and skier visits for the Mountain segment, supported by overall increases in destination visitation and effective ticket prices ("ETP"). The record skier revenue and skier visitation also drove improvement in the Lodging segment for properties proximate to the Company's ski resorts. In addition, management believes that the cost cutting initiatives implemented in fiscal 2004 have been sustained in fiscal 2005. The Company's net income for the quarter ended April 30, 2005 decreased over the prior year period due primarily to lower Real Estate segment Reported EBITDA of $15.1 million, increased depreciation expense of $2.6 million and an increased effective tax rate, which resulted in additional expense of $3.2 million, mostly offset by a significant increase in Reported Resort (the combination of Mountain and Lodging) EBITDA of $17.9 million (all as discussed further below). The Company's net income for the nine months ended April 30, 2005 improved significantly over the same period in the prior year driven primarily by improved Reported Resort EBITDA of $27.0 million, the gain on the sale of BG Resort of $5.7

million, the loss on extinguishment of debt recorded in the prior year of $36.2 million and the mold remediation charges recorded in the prior year of $5.5 million, partially offset by lower Reported Real Estate EBITDA of $25.5 million and an increased effective tax rate which resulted in incremental expense of $5.4 million (all as discussed further below).

Trends, Risks and Uncertainties

Together with those factors identified in the Company's July 31, 2004 Form 10-K, 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:

- As disclosed in Note 7, Sale of Investment in Bachelor Gulch Resort, LLC, of the Notes to Consolidated Condensed Financial Statements, the Company sold its interest in BG Resort, which was the Company's only investment in a hotel property not directly managed by the Company. As a result of this disposition, the Company's Lodging Reported EBITDA for the periods subsequent to the date of the sale will no longer reflect what have historically been equity investment losses from BG Resort. As disclosed in Note 13, Subsequent Events, of the Notes to Consolidated Condensed Financial Statements, the Company entered into a contract to sell the assets constituting the Vail Marriott. After the sale, the Company will continue to manage the Vail Marriott pursuant to a management agreement. If this disposition occurs as contemplated, the Company's Lodging Reported EBITDA for the periods subsequent to the date of the sale will no longer reflect what has historically been positive Reported EBITDA from the Vail Marriott, which will be partially offset by the recognition of management fee revenue for the hotel. The Company's May 2005 acquisition of the 49% minority interest in SRL&S will not directly impact Reported EBITDA for the Company, as this entity has historically been consolidated by the Company. The Company is also exploring the viability of selling the underlying assets of certain of its other lodging properties (although the Company has not committed to a formal plan to sell its lodging properties) with the intent to retain the management of those properties, although no binding agreements have been reached at this time (except as noted above) and there can be no certainty that any such agreements will be made in the future.
- Potential ownership changes of hotels currently under RockResorts management could result in the termination of existing RockResorts management contracts, which could negatively impact the results of operations of the Lodging segment. In May 2005, RockResorts' management agreement for Casa Madrona Hotel and Spa ("Casa Madrona") in Sausalito, California was terminated as the result of an ownership change of the hotel, which resulted in the Company receiving a $417,000 termination fee, but loss of future management fees. The Company recorded management fees of $107,000 for Casa Madrona for the nine months ended April 30, 2005. The Company continues to pursue additional management contracts, and obtained the Lodge & Spa at Cordillera management contract in May 2005.
- GTLC operates three lodging resort properties and related recreation and support services within Grand Teton National Park under a concession contract with the National Park Service that expired on December 31, 2002. This contract was extended twice for a total of three years through December 31, 2005. The new contract for this concession will begin January 1, 2006 and is subject to a competitive bidding process under the rules promulgated to implement the concession provisions of the National Park Omnibus Management Act of 1998. The National Park Service issued the prospectus governing submissions by potential bidders for the concession contract on June 1, 2005, with all offers due by September 28, 2005. The Company cannot predict or guarantee the prospects for success in award of a new contract, although the Company believes GTLC is well positioned to obtain a new concession contract on satisfactory terms. In the event GTLC is not the successful bidder for the new concession contract, under the existing contract GTLC is required to sell to the new concessionaire its "possessory interest" in improvements and its other property used in connection with the concession operations. GTLC would then be entitled to receive compensation from the successful bidder for the value of its "possessory interest" in the assets. Under an amendment to the contract in the summer of 2003, GTLC and the National Park Service agreed upon the possessory interest value and that value is contained in the June 1, 2005 prospectus.
- The Company has received approval from the Vail Town Council for numerous LionsHead development projects and plans to proceed with the projects subject to, among other things, meeting the Company's development pre-sale requirements. The Company generally pre-sells residential units to ensure the economic viability of a development. Pre-sales require the buyer to provide an earnest money deposit to the Company, which is refundable to the buyer should the Company fail to complete the related development. Pre-sale targets are set by management to mitigate the risks of development projects. Generally, the Company strives to meet its pre-sale targets in the period between the commencement of the marketing of a development and the planned commencement of construction. The periods have historically ranged between two and twelve months. As of the date of this filing, the Company has executed purchase and sale agreements for all of the Gore Creek Townhomes units and all of the 67 Arrabelle condominium units. The Company expects to incur between $225 million and $255 million of construction costs on the Gore Creek Townhome and Arrabelle projects (including the construction of related depreciable assets). Primary construction activities for the Arrabelle and Gore Creek Townhome developments commenced in May 2005, and closing on the residential units is expected in the first quarter of fiscal year 2007 for Gore Creek Townhomes and in the second quarter of fiscal 2008 for Arrabelle. Real estate deposits recorded as liabilities on the Company's books were $23.6 million, $23.8 million and $3.8 million as of April 30, 2005, July 31, 2004 and April 30, 2004, respectively. The Company plans to fund the Arrabelle and Gore Creek Townhomes construction with project specific non-recourse financing. The Company announced in June the next project in the LionsHead redevelopment. The project, which will be located adjacent to the Vail Marriott, is planned to include The Ritz-Carlton Residences, Vail, with 108 luxury condominiums, and a proposed new base village high-speed chairlift. In conjunction with this project, the Company will need certain approvals, including certain regulatory approvals for the chairlift.
- Real Estate Reported EBITDA is highly dependent on the timing of closings on real estate under contract. Changes to the anticipated timing of closing on one or more real estate units 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 fiscal 2007 to 2009.
- Remediation of the mold problem at Breckenridge Terrace has been substantially completed and a vast majority of the facility was re-opened in November 2004. The Company's estimated remaining costs are based on currently available data and do not reflect any potential reimbursement from other parties. An arbitration hearing date has been set with other responsible parties for late summer 2005 (see Note 10, Commitments and Contingencies, of the Notes to Consolidated Condensed Financial Statements, for more information regarding this issue).
- Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"), beginning with the Company's Annual Report on Form 10-K for the fiscal year ending July 31, 2005, the Company will be required to furnish a report by its management on its internal control over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not the Company's internal control over financial reporting are effective. This assessment must include disclosure of any material weaknesses in internal control over financial reporting identified by management. Such report will also contain a statement that the Company's independent registered public accounting firm has issued an attestation report on management's assessment of such internal control. If management is unable to assert that the Company's internal control over financial reporting are effective as of July 31, 2005, or if the Company's independent registered accounting firm is unable to attest that the management report is fairly stated or is unable to express an opinion on management's evaluation, this may impact the reliability of the Company's internal control over financial reporting.

The data provided in this section should be read in conjunction with the risk factors identified elsewhere in this document.

Results of Operations

Presented below is more detailed comparative data and discussion regarding the Company's results of operations for the three and nine months ended April 30, 2005 versus the three and nine months ended April 30, 2004.

Mountain Segment

Mountain segment operating results for the three and nine months ended April 30, 2005 and 2004 are presented by category as follows (in thousands, except ETP amounts):

	Three Months Ended April 30,		Percentage Increase (Decrease)
	2005	2004	
Lift tickets	$ 130,213	$ 115,866	12.4%
Ski school	36,727	33,126	10.9%
Dining	25,951	25,093	3.4%
Retail/rental	42,772	39,917	7.2%
Other	21,162	19,398	9.1%
Total Mountain net operating revenue	256,825	233,400	10.0%
Total Mountain operating expense	132,399	125,949	5.1%
Mountain equity income, net	438	654	(33.0)%
Total Mountain Reported EBITDA	$ 124,864	$ 108,105	15.5%
Total skier visits	3,269	3,013	8.5%
ETP	$ 39.83	$ 38.46	3.6%

	Nine Months Ended April 30,		Percentage Increase (Decrease)
	2005	2004	
Lift tickets	$233,269	$212,547	9.8%
Ski school	63,842	58,171	9.8%
Dining	49,353	47,418	4.1%
Retail/rental	105,747	101,991	3.7%
Other	53,273	46,887	13.6%
Total Mountain net operating revenue	505,484	467,014	8.2%
Total Mountain operating expense	329,210	312,728	5.3%
Mountain equity income, net	2,003	1,222	63.9%
Total Mountain Reported EBITDA	$178,277	$155,508	14.6%
Total skier visits	5,933	5,636	5.3%
ETP	$ 39.32	$ 37.71	4.3%

Certain reclassifications have been made to the Mountain segment operating results for the three and nine months ended April 30, 2004 to conform to the current period presentation.

The end of the third quarter marks the end of substantially all of the Company's ski operations. Heavenly is the Company's only ski resort that has operations continuing into May.

Lift revenues for the quarter and nine months are up due to a 3.6% and 4.3% increase in ETP, respectively, and an 8.5% and 5.3% increase in skier visits, respectively, with all five of the Company's ski resorts posting increased lift revenue year-over-year. The increase in ETP, which is lift revenue divided by skier visits, is a function of increased absolute pricing for both lift tickets and season passes, which was supported by substantial new capital improvements, including new high speed lifts, and expanded grooming and snowmaking efforts. Additionally, the Company experienced a higher mix of destination, including international, visitors, favorably impacting skier visits and ETP, as destination visitors tend to pay premium prices for lift tickets and also tend to spend more on ancillary services such as ski school and dining. Ancillary businesses including ski school, mountain dining and retail/rental increased consistent with the increase in lift ticket revenues for both the quarter and nine months ended April 30, 2005. Other factors impacting revenue were: the timing of Easter, which fell in March in the current fiscal year and April in the prior fiscal year, enabling the company to maximize pricing for Easter visitors in its peak month of March; an unseasonably warm month of March in the prior fiscal year; and, for the nine month period, the loss of an extra day of peak season operations as a result of the Leap Year in fiscal 2004 and the timing of the Christmas and New Year's holidays, which both fell on Saturday in fiscal 2005.

The increase in other revenue for the three months ended April 30, 2005 versus the same period in fiscal 2004 is due primarily to increased private club dues revenue from increased memberships and pricing and increased employee housing revenue due to the re-opening of a facility that closed in fiscal 2004 and expanded operations. In addition to these factors, other revenue for the nine months ended April 30, 2005 increased versus the same period in the prior year as a result of the distribution of certain commercial leasing operations from KRED in December 2003.

In November 2003, the Company began consolidating the Employee Housing Entities under FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*" ("FIN 46R"). The consolidation of these entities under FIN 46R created an increase to Mountain revenue and Mountain operating expense of $382,000 and $513,000, respectively, for the nine months ended April 30, 2005 versus the same period last year, and consolidation of these entities also resulted in the elimination of associated depreciation and interest expense related to these entities from the Mountain segment because these entities were formerly included as a component of Mountain equity income. Additionally, in February 2004, the Company began consolidating APII, which created an increase to Mountain revenue and Mountain operating expense of $1.1 million and $358,000, respectively, in the nine months ended April 30, 2005 versus the same period last year.

Mountain operating expense is generally not expected to increase commensurate with an increase in revenue due to the primarily fixed-cost nature of the business. However, new initiatives to expand grooming and snowmaking caused an increase in variable costs including labor, utilities and fuel. Corporate allocations increased due to higher legal, SOX 404 compliance costs and operating costs associated with the re-opening of Breckenridge Terrace, which was closed for the entire ski season last year. Mountain equity income for the three months ended April 30, 2005 decreased due to the timing of real estate brokerage entity transactions. Mountain equity income for the nine months ended April 30, 2005 increased due to the timing of real estate brokerage entity transactions as a result of the continually improving real estate market.

Lodging Segment

Lodging segment operating results for the three and nine months ended April 30, 2005 and 2004 are presented by category as follows (dollars in thousands except ADR):

	Three Months Ended April 30,		Percentage Increase
	2005	**2004**	**(Decrease)**
Total Lodging net operating revenue	$56,285	$50,910	10.6%
Total Lodging operating expense	43,164	39,521	9.2%
Lodging equity income, net	--	567	(100.0)%
Total Lodging Reported EBITDA	$13,121	$11,956	9.7%
Average Daily Rate ("ADR")	$ 238.16	$ 224.05	6.3%

	Nine Months Ended April 30,		Percentage Increase
	2005	**2004**	**(Decrease)**
Total Lodging net operating revenue	$145,148	$133,943	8.4%
Total Lodging operating expense	127,282	120,578	5.6%
Lodging equity loss, net	(2,679)	(2,384)	12.4%
Total Lodging Reported EBITDA	$ 15,187	$ 10,981	38.3%
Average Daily Rate ("ADR")	$ 208.26	$ 200.08	4.1%

Certain reclassifications have been made to the Lodging segment operating results for the three and nine months ended April 30, 2004 to conform to the current period presentation.

Lodging Reported EBITDA for the three months ended April 30, 2004 includes $567,000 of equity investment income, related to the Company's investment in BG Resort, which was sold on December 8, 2004. The Company recorded $2.7 million and $2.2 million in equity investment losses related to BG Resort for the nine months ended April 30, 2005 and 2004, respectively.

Lodging Reported EBITDA has improved significantly in fiscal 2005 as a result of improved ADR and paid occupancy while controlling related variable expenses. The Lodging segment's Colorado properties, which are all proximate to the Company's ski resorts, have also benefited from the increase in skier visits and increased destination guests, and have also experienced an increase in group business (primarily within the Vail and Beaver Creek properties). Management believes the increase in group business is the result of an increased focus on this business coupled with improvements in the overall lodging industry related to economic rebound and decreased travel-related concerns. The Company's non-Colorado lodging properties also performed favorably in fiscal 2005. SRL&S has improved significantly compared to last year, primarily as a result of increased room rates, expanded property management operations and increased visitation at Jackson Hole Mountain Resort (the hotel is at the ski area's base). Rancho Mirage achieved substantially improved food and beverage operations through an increase in banquet revenues associated with groups and better cost management. GTLC, which is only open from May to October, had improved operating performance that favorably impacted the Company's first fiscal quarter, due largely to two incremental days of operation. As noted above, variable expenses were controlled in the Lodging segment as a result of management focus; however, the Lodging segment was unfavorably impacted by the same increased corporate allocation items noted in the Mountain segment discussion.

The Lodging equity loss is primarily associated with the operations of BG Resort. While hotel operations at BG Resort have improved markedly over last year, the equity loss on a year-to-date basis was unfavorably impacted as a result of debt extinguishment charges incurred by the entity in the first quarter of fiscal 2005. See Note 7, Sale of Investment in Bachelor Gulch Resort, LLC, in the Notes to Consolidated Condensed Financial Statements for information on the sale of the Company's investment in BG Resort in December 2004.

The consolidation of the Employee Housing Entities as of November 1, 2003 also caused a $63,000 and a $101,000 increase in Lodging operating revenue and Lodging operating expense, respectively, in the Company's first quarter of fiscal 2005 versus the same period last year, and consolidation of these entities also resulted in the elimination of associated depreciation and interest expense related to these entities from the Lodging segment because these entities were formerly included as a component of Lodging equity income.

Real Estate Segment

Real Estate segment operating results for the three and nine months ended April 30, 2005 and 2004 are presented by major project categories as follows (dollars in thousands):

	Three Months Ended April 30,		Percentage Increase
	2005	2004	(Decrease)
Single family land sales	$ 3,636	$ 435	735.9%
Multi-family land sales	262	1,703	(84.6)%
Residential and commercial condominiums	--	1,552	(100.0)%
Parking unit sales	10,150	--	100.0%
Other	293	475	(38.3)%
Total Real Estate net operating revenue	14,341	4,165	244.3%
Total Real Estate operating expense	16,165	(8,578)	(288.4)%
Real Estate equity (loss) income, net	(48)	488	(109.8)%
Total Real Estate Reported EBITDA	$(1,872)	$13,231	(114.1)%

	Nine Months Ended April 30,		Percentage Increase
	2005	2004	(Decrease)
Single family land sales	$ 24,436	$ 4,812	407.8%
Multi-family land sales	4,169	20,348	(79.5)%
Residential and commercial condominiums	--	5,879	(100.0)%
Parking unit sales	10,150	--	100.0%
Other	574	7,514	(92.4)%
Total Real Estate net operating revenue	39,329	38,553	2.0%
Gain on transfer of property	--	2,147	(100.0)%
Total Real Estate operating expense	32,939	9,610	242.8%
Real Estate equity (loss) income, net	(107)	692	(115.5)%
Total Real Estate Reported EBITDA	$ 6,283	$ 31,782	(80.2)%

Fiscal 2005 Real Estate revenue for the three months ended April 30, 2005 primarily includes $10.2 million associated with the sale of parking spaces in the new Founders' Garage in Vail Village and revenue recognition associated with single-family homesite sales at Jackson Hole Golf & Tennis development, Bachelor Gulch and Red Sky Ranch. Real Estate revenue for the nine months ended April 30, 2005 also included incremental closings on single-family homesites at Jackson Hole Golf & Tennis, Bachelor Gulch and Red Sky Ranch as well as recognition of a previously deferred $2.5 million land gain associated with the sale of BG Resort in December 2004 and recognition of $2.3 million of contingent gains associated with a development parcel sold in the prior year. Fiscal 2004 Real Estate revenue included the sale of a major development parcel in Bachelor Gulch in the first fiscal quarter, the sale of a development parcel in Arrowhead, single-family lot closings at Breckenridge's Timber Trail, and closings on Mountain Thunder Lodge condominiums. In addition, in the nine months ended April 30, 2004, the Company recorded a $2.1 million gain on transfer of real property associated with the transfer of property to the Company's Chief Executive Officer and the former president of the real estate division in accordance with compensation arrangements.

Real Estate operating expense consists primarily of the cost of sales and related selling expenses associated with sales of real estate, and also includes general and administrative expenses associated with real estate operations and an allocation of corporate selling, general and administrative expenses. In the third quarter of fiscal 2004, a $15.1 million liability associated with capital improvement fees for Smith Creek Metropolitan District ("SCMD") was relieved as a result of Bachelor Gulch Metropolitan District's bond issuance in the third quarter of fiscal 2004, the proceeds of which were used to completely pay off all of SCMD's outstanding bonds, resulting in the elimination of a subsidy liability thereby reducing Real Estate operating expense.

Other Items

In addition to segment operating results, the following material items contributed to the Company's overall financial position.

Gain on sale of equity investment. The Company recorded a $5.7 million gain in the nine months ended April 30, 2005 associated with the sale of the Company's interest in BG Resort (see Note 7, Sale of Investment in Bachelor Gulch Resort, LLC, in the Notes to Consolidated Condensed Financial Statements).

Depreciation and amortization. Depreciation and amortization expense for the quarter and year to date has increased primarily as a result of the acceleration of depreciation for certain assets which are being retired in advance of their previously estimated useful lives as a result of redevelopment and capital project improvements as well as an increased fixed asset base due to normal capital expenditures; the nine months ended April 30, 2005 also includes a full nine months of depreciation and amortization for the Employee Housing Entities, which were consolidated under FIN 46R as of November 1, 2003. The average annualized depreciation rate for the three and nine months ended April 30, 2005 was 8.4% and 7.8%, respectively, as compared to an average annualized depreciation rate for the three and nine months ended April 30, 2004 of 7.6% and 7.7%, respectively.

Impairment charge. The Company recorded a $1.6 million asset impairment charge in the three months ended April 30, 2005 associated with the intangible asset related to the RockResorts call option (see Note 8, Put and Call Options, in the Notes to Consolidated Condensed Financial Statements).

Interest expense. The Company's primary sources of interest expense are the Credit Facility, the Industrial Development Bonds and the Senior Subordinated Notes. The decrease in interest expense for the three and nine months ended April 30, 2005 versus the same periods in the prior year is due to the replacement of the 8.75% Notes with the 6.75% Notes, reduced pricing on the Credit Facility Term Loan, extinguishment of the Credit Facility Term Loan in January 2005, improved pricing for interest rate margins and commitment fees due to the Credit Facility refinancing in January 2005 as well as an improved Funded Debt to Adjusted EBITDA ratio (as defined in the Credit Agreement) and, for the nine months ended April 30, 2005, lower average borrowings on the Credit Facility Revolver. These reductions are partially offset by the consolidation of the Employee Housing Entities under FIN 46R. The decrease in interest expense related to the replacement of the 8.75% Notes with the 6.75% Notes was

approximately $593,000 for the quarter and approximately $3.9 million year to date. Average borrowings under the Credit Facility Revolver were $6.2 million for the three and nine months ended April 30, 2005. Average borrowings under the Credit Facility Revolver were $67,000 and $30.5 million for the three and nine months ended April 30, 2004, respectively.

Loss on extinguishment of debt. The Company recorded a $36.2 million debt extinguishment charge in the second quarter of fiscal 2004 in connection with the tender for the 8.75% Notes. The charge included a tender premium of $65.06 per $1,000 principal amount of 8.75% Notes, which accounts for $22.7 million of the total charge. Other costs included in the charge include transaction fees, the write-off of unamortized issuance costs and unamortized original issue discount on the 8.75% Notes, and other costs such as legal and printing fees. The Company issued the 6.75% Notes in January 2004 and used the proceeds to repurchase the 8.75% Notes, and pay associated premiums, fees and expenses.

The Company recorded a $612,000 debt extinguishment charge in January 2005 in connection with the refinancing of the Company's Credit Facility. The debt extinguishment charge is related to the write-off of unamortized issuance costs associated with the Credit Facility Term Loan, which was completely paid off.

Gain/loss on put option. The value of put options fluctuates based on the estimated fair market value of the put options as of the end of each period. The net loss in the three months ended April 30, 2005 was related to the increase in the estimated fair market value of the liability associated with the RTP put option. The net gain in the nine months ended April 30, 2005 was primarily related to the decrease in the estimated fair market value of the liabilities associated with the SSV and RTP put options. The net loss for the three and nine months ended April 30, 2004 was primarily due to an increase in the estimated fair market value of the liabilities associated with the SSV and RockResorts put options offset slightly by a decrease in the estimated value of the RTP put option liability. See Note 8, Put and Call Options, of the Notes to Consolidated Condensed Financial Statements, for more information regarding the Company's put options.

Income taxes. The effective tax rate for the three months ended April 30, 2005 was 38.5% compared to 34.9% for the same period last year. The effective tax rate for the nine months ended April 30, 2005 was 38.5% compared to 32.8% for the same period last year. The interim period effective tax rate for the current and prior year is primarily driven by the anticipated pre-tax book income for the full fiscal year and an estimate of the amount of non-deductible items for tax purposes. The lower prior year tax rate was primarily a result of costs associated with debt extinguishment and a mold remediation charge.

Reconciliation of non-GAAP measures

The following table reconciles from segment Reported EBITDA to net income (in thousands):

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2005	2004	2005	2004
Mountain Reported EBITDA	$ 124,864	$ 108,105	$ 178,277	$ 155,508
Lodging Reported EBITDA	13,121	11,956	15,187	10,981
Real Estate Reported EBITDA	(1,872)	13,231	6,283	31,782
Total Reported EBITDA	136,113	133,292	199,747	198,271
Depreciation and amortization expense	(25,039)	(22,406)	(69,387)	(65,340)
Asset impairment charge	(1,573)	--	(1,573)	(933)
Mold remediation charge	--	--	--	(5,500)
Loss on disposal of fixed assets	(38)	(11)	(1,519)	(1,567)
Investment income, net	141	445	1,443	1,338
Interest expense	(9,349)	(10,664)	(30,734)	(36,930)
Loss on extinguishment of debt	--	--	(612)	(36,195)
(Loss) gain on sale of equity investment	(3)	--	5,690	--
(Loss) gain on put options, net	(447)	(433)	741	(1,739)
Other income (expense), net	--	2	49	(9)
Minority interest in income of consolidated subsidiaries, net	(4,216)	(4,178)	(6,980)	(6,181)
Income before provision benefit for income taxes	95,589	96,047	96,865	45,215
Provision for income taxes	(36,801)	(33,562)	(37,293)	(14,871)
Net income	$ 58,788	$ 62,485	$ 59,572	$ 30,344

SEC Investigation

In February 2003, the SEC informed the Company that it had issued a formal order of investigation with respect to the Company. Since the inception of the SEC's investigation, the SEC has issued several subpoenas to the Company and made voluntary requests to the Company to provide documents and information related to several matters previously restated by the Company in its publicly filed restatements of certain prior years, as well as other items. Certain current and former directors, officers and employees of the Company have appeared for testimony before the SEC pursuant to subpoena. The Company has fully cooperated with the SEC in its investigation, which the Company believes is now substantially complete.

The Company has been informed by the Staff of the Central Regional Office of the SEC that it is considering whether to recommend that the SEC commence a civil proceeding against the Company alleging violations of the federal securities laws with respect to a number of the matters that have been the subject of the SEC investigation. The Company is currently engaged in discussions with the SEC staff about a potential resolution of these matters, and continues to cooperate fully with the SEC in respect of its investigation. The Company is unable to predict whether it will be able to resolve these matters with the Staff in a satisfactory manner, or if the SEC will ultimately determine to initiate an action or what remedies the SEC may seek, including the imposition of fines and penalties. If the SEC determines to initiate an action, it is possible that such action could have a material adverse effect on the Company, including diverting the efforts and attention of management from the business operations and increasing legal expenses associated with the matter.

In connection with the SEC investigation, the Company is currently in discussions with the Office of the Chief Accountant of the SEC regarding whether a portion or all of certain ski infrastructure assets placed in service primarily in the 1990s should have been capitalized as resort assets subject to depreciation as opposed to the historical accounting treatment of including such costs as real estate project costs and expensing these costs when the related real estate was sold. The Company believes that, if any amounts are required to be capitalized as ski infrastructure costs, the effect of such change on its historical financial statements would not be material. In addition, the

Company believes that the remaining matters involved in the SEC investigation (excluding any potential monetary fine or penalty) would not otherwise materially affect the Company's reported results of operations for fiscal 2004 or the current fiscal year.

Liquidity and Capital Resources

The Company has historically provided for operating expenditures, debt service, capital expenditures and acquisitions through a combination of cash flow from operations (including sales of real estate) and short-term and long-term borrowings.

Cash flows from operations for the nine months ended April 30, 2005 were $178.7 million versus $157.5 million for the nine months ended April 30, 2004. The $21.2 million increase in fiscal 2005 operating cash flows for the nine months ended April 30, 2005 is primarily driven by: 1) a $26.5 million increase in net operating revenues in excess of operating expenses for the Mountain and Lodging segments as a result of improved operating performance, 2) $6.2 million in interest cost savings, 3) the prior year transfer of $11.2 million to restricted cash for the subsequent payoff of the remainder of the 8.75% Notes, 4) the prior year establishment of $4.6 million of compensating balances for certain depository accounts, 5) the prior year increase of $2.7 million in cash reserves required for workers' compensation and 6) a $2.2 million increase associated with the release of cash previously restricted for capital improvements to the Vail Marriott. These increases are partially offset by: 1) payment of $7.4 million of fiscal 2004 management bonuses in the first quarter of fiscal 2005, 2) the collection in the prior year of $8.8 million of receivables related to income taxes, 3) a $7.1 million decrease in accrued interest due to a change in timing of scheduled interest payments resulting from the retiring of the Senior Subordinated Notes, 4) collection in fiscal 2004 of a $2.8 million installment payment related to private club initiation fees and 5) general timing of disbursements within accounts payable and other accruals.

Net cash used in investing activities in the nine months ended April 30, 2005 increased $31.0 million as compared to the nine months ended April 30, 2004 due primarily to increased investments in real estate of $22.2 million in fiscal 2005 resulting from the Company's heightened real estate development activity, increased non-real estate related capital expenditures of $20.0 million in fiscal 2005 due to the timing of expenditures versus the prior year as well as investments in depreciable assets resulting from new real estate activity, and cash paid in fiscal 2005 upon the exercise of a put option for the acquisition of an additional equity interest in SSV of $5.8 million. These increases were offset by proceeds of $12.7 million from the sale of the investment in BG Resort and a $4.1 million increase in distributions received from KRED.

The Company spent $68.0 million for capital expenditures during the nine months ended April 30, 2005; significant projects included the installation of two new high-speed chairlifts and related infrastructure at Beaver Creek, net of contributions made by BGVA and BCRC (see Note 10, Commitments and Contingencies, in the Notes to Condensed Financial Statements), a new high-speed chairlift and restaurant upgrades at Heavenly, initial payments for three new chairlifts at Beaver Creek, Heavenly and Breckenridge to be constructed in the summer of 2005, expansion of the grooming fleet at all five resorts and the continued renovation of Rancho Mirage, as well as expenditures for depreciable assets being constructed as a result of real estate development activity.

Investments in real estate were $33.8 million during the nine months ended April 30, 2005, consisting primarily of development activities associated with the LionsHead redevelopment, Vail's "Front Door" development and planning and development activities for projects in and around each of the Company's resorts.

During the nine months ended April 30, 2005, financing activities consisted primarily of the complete payoff of $98.8 million principal under the Credit Facility Term Loan, net repayments of $4.5 million under other long-term debt and payment of $1.8 million of debt issuance costs, partially offset by $10.1 million received from the exercise of stock options. During the nine months ended April 30, 2004, the Company used $52.6 million in its financing activities consisting primarily of $22.9 million in net long-term debt payments (including a $348.8 million principal payment on the 8.75% Notes related to the tender offer, payment of a $25.0 million note associated with the purchase of Rancho Mirage and the payment of $14.0 million of debt assumed in the KRED distribution offset by proceeds from the issuance of the 6.75% Notes of $390.0 million), payment of a $22.7 million tender premium and payment of $7.0 million of debt issuance costs. Due to amendment of the Credit Facility at the end of second quarter of fiscal 2005, the Company recognized in the third quarter of fiscal 2005 the cost benefits of the reduction in interest and commitment fees resulting from reduced pricing and the payoff of the Credit Facility Term Loan.

Capital Structure

On January 28, 2005, the Company announced the amendment of its Credit Facility. Key modifications to the Credit Facility included, among other things, payoff of the $100 million Credit Facility Term Loan, the expansion of the Credit Facility Revolver commitments to $400 million from $325 million, extension of the maturity on the Credit Facility Revolver to January 2010 from June 2007, improved pricing for interest rate margins and commitment fees, and improved flexibility in the Company's ability to make investments and distributions. See Note 4, Long-Term Debt, in the accompanying Notes to Condensed Consolidated Financial Statements for more information on this transaction. The Company utilized cash on hand and borrowings under the Credit Facility Revolver of approximately $25 million to pay off the Credit Facility Term Loan. As a result of this transaction and improved results of operations, the Company's ratio of total debt to Reported EBITDA has improved substantially.

In September 2004, the Company and Apollo entered into a Conversion and Registration Rights Agreement (the "Agreement"). Pursuant to the Agreement, Apollo converted all of its Class A common stock into the Company's common shares. Apollo distributed the shares to its partners in proportion to each partner's interest in the partnership. Apollo did not dissolve after this distribution and continues to exist as a partnership. The Company, pursuant to the Agreement, filed a shelf registration statement in November 2004 covering certain of the shares to be owned by the limited partners of Apollo. As a result of this agreement, the Company now has only one class of directors. Previously, the Class A common stock elected the Class 1 directors and the common stock elected the Class 2 directors.

Liquidity Needs

Management believes the Company is in a position to satisfy its current working capital, debt service and capital expenditure requirements for at least the next twelve months with cash flows from operations and availability under the Credit Facility; the Company also plans to utilize alternative financing arrangements for certain real estate projects. The Company's debt service requirements can be impacted by changing interest rates. As of April 30, 2005, the Company had $62.3 million of variable-rate debt outstanding. Based on the variable-rate borrowings outstanding as of April 30, 2005, a 100-basis point change in LIBOR would cause the Company's monthly interest expense to change by approximately $52,000. The fluctuation in the Company's debt service requirements, in addition to interest rate changes, may be impacted by future borrowings under its Credit Facility or other alternative financing arrangements it may enter into. The Company's long term liquidity needs are dependent upon operating results which impact its availability under its Credit Facility, which can be mitigated by adjustments to capital expenditures, flexibility of investment activities and the ability to obtain favorable future financing. The Company manages changes in the business and economic environment by managing its capital expenditures and real estate development activities.

The Company's Board of Directors recently authorized approximately $65.4 million of Resort-related capital expenditures for calendar 2005, plus approximately $2.9 million of "rollover" capital, which was budgeted but not completed in calendar 2004. This capital investment will allow the Company to maintain its high quality standards, as well as provide for incremental discretionary resort improvements at the Company's five ski resorts and throughout its hotels. Highlights of these expenditures include three new high-speed chairlifts at the Beaver Creek, Breckenridge and Heavenly ski resorts; snowmaking upgrades at the Vail, Beaver Creek, Breckenridge and Keystone resorts; ski trail enhancements at Vail, Heavenly, Keystone and Breckenridge; restaurant and/or hotel renovations at Vail, Beaver Creek and Keystone; and upgrades to the central reservations, marketing database and e-commerce booking systems, among other projects. Of this calendar 2005 budget, the Company expects to incur approximately $10 million to $20 million in capital expenditures for Resort operations during the remainder of fiscal 2005. The Company plans to primarily utilize cash flows from operations and, if necessary, borrowings under the Credit Facility to fund these capital expenditures.

The Company expects to spend approximately $138 million in calendar 2005 for real estate development activity, primarily for the Arrabelle and Gore Creek Townhome projects in LionsHead and the Jackson Hole Golf & Tennis development. However, the Company expects that net cash used by real estate development activity will be substantially less, as the Company plans to fund approximately $51 million of these real estate capital expenditures with project specific non-recourse financing. Additionally, the Company expects to benefit from the generation of anticipated cash flows from real estate deposits and planned land sales. The real estate capital expenditures include approximately $44 million of costs for assets which will ultimately be capitalized as fixed assets. Based on the status of several specific real estate projects, the Company will continue to invest significant amounts in real estate capital expenditures over the next several years, which the Company expects to fund using the same sources noted above. Significant cash receipts from real estate closings in LionsHead, Vail Village and other real estate activity are anticipated starting in fiscal 2007. Completion of planned projects may be dependent upon necessary regulatory approval.

Covenants and Limitations

The Company must abide by certain restrictive financial covenants in relation to its bank credit facilities and Senior Subordinated Notes. The most restrictive of those covenants include the Funded Debt to Adjusted EBITDA ratio, Senior Debt to Adjusted EBITDA ratio, Minimum Fixed Charge Coverage ratio, Minimum Net Worth and the Interest Coverage ratio (as defined in the underlying credit facilities). In addition, the Company's financing arrangements limit its ability to incur certain indebtedness, make certain restricted payments, make certain investments, make certain affiliate transfers and may limit its ability to enter into certain mergers, consolidations or sales of assets. The Company's borrowing availability under the Credit Facility is primarily determined by the Funded Debt to Adjusted EBITDA ratio, which is based on the Company's segment operating performance, as defined in the Credit Agreement.

The Company was in compliance with all relevant covenants in its debt instruments as of April 30, 2005. The Company expects it will meet all applicable quarterly financial tests in its debt instruments, including the Funded Debt to Adjusted EBITDA ratio, in fiscal 2005. However, there can be no assurance that the Company will meet its financial covenants. If such covenants are not met, the Company would be required to seek a waiver or amendment from the banks participating in the Credit Facility. While the Company anticipates that it would obtain such waiver or amendment, if any were necessary, there can be no assurance that such waiver or amendment would be granted, which could have a material adverse impact on the liquidity of the Company.

Contractual Obligations

As part of its ongoing operations, the Company enters into arrangements that obligate the Company to make future payments under contracts such as lease agreements and debt agreements. Debt obligations, which total $522.5 million as of April 30, 2005, are currently recognized as liabilities in the Company's Consolidated Condensed Balance Sheet. Operating lease and service agreement obligations, which total $46.7 million as of April 30, 2005, are not recognized as liabilities in the Company's Consolidated Condensed Balance Sheet, which is in accordance with accounting principles generally accepted in the United States of America. A summary of the Company's contractual obligations as of April 30, 2005 is as follows:

	Payments Due by Fiscal Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Long-Term Debt[(1)]	$ 522,527	$ 1,300	$ 14,069	$ 15,635	$ 491,523
Operating Leases and Service Contracts	46,715	2,934	17,876	10,813	15,092
Purchase Obligations[(2)]	247,175	236,396	10,762	17	-
Other Long-Term Obligations [(3)]	1,928	1,928	-	-	-
Total Contractual Cash Obligations	$ 818,345	$242,558	$ 42,707	$ 26,465	$ 506,615

(1) Interest payments associated with Long-Term Debt have not been included in the table above. Assuming that long-term debt as of April 30, 2005 is held to maturity and utilizing interest rates in effect at April 30, 2005 for variable-rate debt, the Company anticipates that its annual interest payments (including commitment fees and letter of credit fees) on long-tem debt as of April 30, 2005 will be in the range of $33 million to $37 million for at least the next five years. In addition, given the long range maturities of the majority of the Company's long-term debt (see Note 4, Long-Term Debt, of the Notes to Consolidated Condensed Financial Statements), the Company anticipates that annual interest payments will continue at or slightly below this level beyond five years. The future annual interest obligations noted herein are estimated only in relation to debt outstanding as of April 30, 2005, and do not reflect interest obligations on potential future debt, such as non-recourse financing associated with real estate development. Furthermore, the estimates do not attempt to predict future fluctuations in revolving credit facility balances, rather, future annual interest rate payments associated with these facilities are based on debt outstanding under those facilities as of April 30, 2005.

(2) Purchase obligations include amounts which are classified as trade payables, accrued payroll and benefits, accrued fees and assessments, accrued interest, and liabilities (including advances) to complete real estate projects on the Company's Consolidated Condensed Balance Sheet as of April 30, 2005 and other obligations for goods and services not yet recorded.

(3) Other long-term obligations include amounts which become due based on deficits in underlying cash flows of the metropolitan district as described in Note 10, Commitments and Contingencies, of the Notes to Consolidated Condensed Financial Statements. This amount has been recorded as a liability of the Company; however, the specific time period of performance is currently unknown. For presentation purposes only, the entire amount has been included in "Less than 1 year".

Off Balance Sheet Arrangements

The Company does not have off balance sheet transactions that are expected to have a material effect on the Company.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment", which replaces Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees". SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the consolidated statements of operations. The accounting provisions of SFAS 123R are effective for fiscal years beginning after June 15, 2005, with early adoption permitted. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition.

SFAS 123R permits public companies to adopt its requirements using one of two methods. Under the "modified prospective" method, compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. The "modified retrospective" method includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures for either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The Company has yet to determine which method it will use in adopting SFAS 123R.

As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using APB 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R's fair value method will have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The Company is currently evaluating option valuation methodologies and assumptions in light of SFAS 123R pronouncement guidelines and Staff Accounting Bulletin No. 107 related to employee stock options. Current estimates of option values used by the Company in its pro forma disclosure by applying the Black-Scholes method may not be indicative of results from the final methodology the Company elects to adopt for reporting under SFAS 123R guidelines. The Company is evaluating SFAS 123R and has not yet determined the amount of stock option expense which will be recorded upon the adoption of SFAS 123R.

Cautionary Statement

Statements in this Form 10-Q, other than statements of historical information, are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as "may", "will", "expect", "plan", "intend", "anticipate", "believe", "estimate", and "continue" or similar words. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such risks and uncertainties include, but are not limited to:

- *the existing SEC formal investigation of us;*
- *economic downturns;*
- *terrorist acts upon the United States;*
- *threat of or actual war;*
- *our ability to obtain financing on terms acceptable to us to finance our capital expenditure and growth strategy;*
- *our ability to develop our resort and real estate operations;*
- *competition in our Mountain and Lodging businesses;*
- *loss of hotel management contracts;*
- *our reliance on government permits or approvals for our use of federal land or to make operational improvements;*
- *our ability to integrate and successfully operate future acquisitions;*
- *adverse consequences of current or future legal claims;*
- *adverse changes in the real estate market; and*
- *weather.*

Readers are also referred to the uncertainties and risks identified in the Company's Registration Statement on Form S-3 (Commission File No. 333-119687) and the Company's Annual Report on Form 10-K for the year ended July 31, 2004.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. The Company's exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate indebtedness. At April 30, 2005, the Company had $62.3 million of variable rate indebtedness, representing 11.9% of total debt outstanding, at an average interest rate during the nine months ended April 30, 2005 of 4.8%, including commitment fees on the Credit Facility Revolver. Based on the variable-rate borrowings outstanding as of April 30, 2005, a 100 basis-point change in LIBOR would have caused the Company's monthly interest expense to change by approximately $52,000.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Management of the Company, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. The term "disclosure controls and procedures" means controls and other procedures established by the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of the Company's disclosure controls and procedures, the CEO and the CFO concluded that the disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

The Company, including its CEO and CFO, does not expect that the Company's internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in internal controls. There were no changes in the Company's internal controls over financial reporting during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are either filed herewith or, if so indicated, incorporated by reference to the documents indicated in parentheses, which have previously been filed with the Securities and Exchange Commission.

Exhibit Number	Description	Sequentially Numbered Page
3.1	Amended and Restated Certificate of Incorporation of Vail Resorts, Inc. dated January 5, 2005.	
3.2	Amended and Restated By-Laws. (Incorporated by reference to Exhibit 3.1 on Form 8-K of Vail Resorts, Inc. filed on September 30, 2004.)	
4.1(a)	Purchase Agreement, dated as of January 15, 2004 among Vail Resorts, Inc., the guarantors named on Schedule I thereto, Banc of America Securities LLC, Deutsche Banc Securities, Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., Piper Jaffray & Co. and Wells Fargo Securities LLC. (Incorporated by reference to Exhibit 4.2(c) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
4.1(b)	Supplemental Purchase Agreement, dated as of January 22, 2004 among Vail Resorts, Inc., the guarantors named thereto, Banc of America Securities LLC, Deutsche Banc Securities, Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., Piper Jaffray & Co. and Wells Fargo Securities LLC. (Incorporated by reference to Exhibit 4.2(d) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
4.2(a)	Indenture, dated as of January 29, 2004, among Vail Resorts, Inc., the guarantors therein and the Bank of New York as Trustee. (Incorporated by reference to Exhibit 4.1 on Form 8-K of Vail Resorts, Inc. dated as of February 2, 2004.)	
4.3(b)	Form of Global Note (Included in Exhibit 4.2(c) by reference to Exhibit 4.1 on Form 8-K of Vail Resorts, Inc. dated as of February 2, 2004.)	
4.4	Registration Rights Agreement dated as of January 29, 2004 among Vail Resorts, Inc., the guarantors signatory thereto, Banc of America Securities LLC, Deutsche Banc Securities, Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., Piper Jaffray & Co. and Wells Fargo Securities LLC. (Incorporated by reference to Exhibit 4.5(c) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
10.1	Management Agreement by and between Beaver Creek Resort Company of Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.2	Forest Service Term Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.3	Forest Service Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.3 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.4	Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 10.4 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.5*	1993 Stock Option Plan of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.20 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.6(a)*	Employment Agreement dated October 30, 2001 by and between RockResorts International, LLC and Edward Mace. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2002.)	
10.6(b)*	Addendum to the Employment Agreement dated October 30, 2001 by and between RockResorts International, LLC and Edward Mace. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2002.)	
10.7(a)*	Employment Agreement dated July 29, 1996 between Vail Resorts, Inc. and Adam M. Aron. (Incorporated by reference to Exhibit 10.21 of the report on Form S-2/A of Vail Resorts, Inc. (Registration # 333-5341) including all amendments thereto.)	
10.7(b)*	Amendment to the Employment Agreement dated May 1, 2001 between Vail Resorts, Inc. and Adam M. Aron. (Incorporated by reference to Exhibit 10.14(b) of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2001.)	
10.7(c)*	Second Amendment to Employment Agreement of Adam M. Aron, as Chairman of the Board and Chief Executive Officer of Vail Resorts, Inc. dated July 29, 2003. (Incorporated by reference to Exhibit 10.14(c) on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2003.)	
10.8*	Amended and Restated Employment Agreement of Jeffrey W. Jones, as Chief Financial Officer of Vail Resorts, Inc. dated September 29, 2004. (Incorporated by reference to Exhibit 10.9 on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2004.)	
10.9(a)*	Employment Agreement of William A. Jensen as Senior Vice President and Chief Operating Officer - Breckenridge Ski Resort dated May 1, 1997. (Incorporated by reference to Exhibit 10.9(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2004.)	
10.9(b)*	First Amendment to the Employment Agreement of William A. Jensen as Senior Vice President and Chief Operating Officer - Vail Ski Resort dated August 1, 1999. (Incorporated by reference to Exhibit 10.9(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2004.)	
10.9(c)*	Second Amendment to the Employment Agreement of William A. Jensen as Senior Vice	

	President and Chief Operating Officer - Vail Ski Resort dated July 22, 1999. (Incorporated by reference to Exhibit 10.9(c) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2004.)	
10.10*	Employment Agreement and Addendum of Roger McCarthy as Senior Vice President and Chief Operating Officer - Breckenridge Ski Resort dated July 17, 2000. (Incorporated by reference to Exhibit 10.10 on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2004.)	
10.11*	1996 Stock Option Plan (Incorporated by reference from the Company's Registration Statement on Form S-3, File No. 333-5341).	
10.12*	2002 Long Term Incentive and Share Award Plan. (Incorporated by reference to Exhibit 10.17 on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
10.13(a)	Sports and Housing Facilities Financing Agreement between the Vail Corporation (d/b/a "Vail Associates, Inc.") and Eagle County, Colorado, dated April 1, 1998. (Incorporated by reference to Exhibit 10 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1998.)	
10.13(b)	Trust Indenture dated as of April 1, 1998 securing Sports and Housing Facilities Revenue Refunding Bonds by and between Eagle County, Colorado and U.S. Bank, N.A., as Trustee. (Incorporated by reference to Exhibit 10.1 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1998.)	
10.14	Fourth Amended and Restated Credit Agreement dated as of January 28, 2005 among The Vail Corporation (d/b/a Vail Associates, Inc.), as borrower, Bank of America, N.A., as Administrative Agent, U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Syndication Agents, Deutsche Bank Trust Company Americas and LaSalle Bank National Association as Co-Documentation Agents and the Lenders party thereto. (Incorporated by reference to Exhibit 10.1 on Form 8-K of Vail Resorts, Inc. dated January 28, 2004.)	
10.15*	Vail Resorts, Inc. 1999 Long Term Incentive and Share Award Plan. (Incorporated by reference to the Company's registration statement on Form S-8, File No. 333-32320.)	
10.16*	Vail Resorts Deferred Compensation Plan effective as of October 1, 2000. (Incorporated by reference to Exhibit 10.23 of the report on Form 10-K of Vail Resorts, Inc. for the fiscal year ended July 31, 2000.)	
10.17	Conversion and Registration Rights Agreement between Vail Resorts, Inc. and Apollo Ski Partners, L.P. dated as of September 30, 2004. (Incorporated by reference to Exhibit 10.1 on Form 8-K of Vail Resorts, Inc. dated as of September 30, 2004).	
10.18(a)	Purchase and Sale Agreement by and between VAHMC, Inc. and DiamondRock Hospitality Limited Partnership, dated May 3, 2005.	20
10.18(b)	First Amendment to Purchase and Sale Agreement by and between VAHMC, Inc. and DiamondRock Hospitality Limited Partnership, dated May 10, 2005.	79
31	Certifications of Adam M. Aron and Jeffrey W. Jones Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	89
32	Certifications of Adam M. Aron and Jeffrey W. Jones Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	91
99.1	Forest Service Unified Permit for Heavenly ski area. (Incorporated by reference to Exhibit 99.13 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 2002.)	
99.2(a)	Forest Service Unified Permit for Keystone ski area. (Incorporated by reference to Exhibit 99.2(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.2(b)	Amendment to Forest Service Unified Permit for Keystone ski area. (Incorporated by reference to Exhibit 99.2(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.3(a)	Forest Service Unified Permit for Breckenridge ski area. (Incorporated by reference to Exhibit 99.3(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.3(b)	Amendment to Forest Service Unified Permit for Breckenridge ski area. (Incorporated by reference to Exhibit 99.3(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.4(a)	Forest Service Unified Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 99.4(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.4(b)	Exhibits to Forest Service Unified Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 99.4(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.5(a)	Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 99.5(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.5(b)	Exhibits to Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 99.5(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.5(c)	Amendment to Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 99.5(c) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
99.6	Termination Agreement, dated as of October 5, 2004, by and among Vail Resorts, Inc., Ralcorp Holdings, Inc. and Apollo Ski Partners, L.P. (Incorporated by reference to Exhibit 99.6 on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2004.)	
99.7	Purchase and Sale Agreement between VR Holdings, Inc. as Seller and GHR, LLC as Purchaser dated December 8, 2004. (Incorporated by reference to Exhibit 99.2 on Form 8-K of Vail Resorts, Inc. dated December 8, 2004).	

*Management contracts and compensatory plans and arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on June 9, 2005.

Vail Resorts, Inc.

By: /s/ Jeffrey W. Jones
Jeffrey W. Jones
Senior Vice President and
Chief Financial Officer

Dated: June 9, 2005

EXHIBITS

Exhibit V - Reserves

Exhibit W - Form of Seller's Guaranty

Exhibit X - Form of Purchaser's Guaranty

Exhibit Y - List of Excluded FF&E

Exhibit Z-1 - Description of Penthouses

Exhibit Z-2 - Penthouse Documents

Exhibit AA - Intentionally Omitted

Exhibit BB - Form of Agreement Regarding Density Allocation

Exhibit CC - Intentionally Omitted

Exhibit DD - Intentionally Omitted

Exhibit EE - Intentionally Omitted

Exhibit FF - Hotel Contracts Consents and Termination Fees

Exhibit GG - Capital Leases

Exhibit HH - Property Improvement Plan

Exhibit II Concession Agreement

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PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

VAMHC, INC.,
as Seller

AND

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP,
as Purchaser

Premises:

Vail Marriott Mountain Resort and Spa
715 West Lionshead Circle
Vail, Colorado

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "**Agreement**") is dated as of May 3, 2005 (the "**Effective Date**"), between VAMHC, INC., a Colorado corporation, having an office at c/o Vail Associates, Inc., 137 Benchmark Road, Avon, Colorado 81620 ("**Seller**"), and DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP, a Delaware limited partnership, having an office at c/o DiamondRock Hospitality Company, 10400 Fernwood Road, Suite 300, Bethesda, Maryland 20817 ("**Purchaser**").

PRELIMINARY STATEMENT

A. Seller owns certain real and personal property comprising the Vail Marriott Mountain Resort and Spa more particularly described herein (collectively, the "**Hotel**") located at 715 West Lionshead Circle, Vail, Colorado.

B. Seller desires to sell to Purchaser Seller's interest in the Hotel and Purchaser desires to purchase the same on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing preliminary statements, and for other good and valuable consideration, the receipt and sufficiency of which are conclusively acknowledged, the parties hereto hereby covenant and agree as follows:

DEFINITIONS

Definitions. For the purpose of this Agreement, the following terms shall have the respective meanings indicated in this Article with respect thereto:

"**Adjacent Lots**" - Lots 2 and 3, West Day Subdivision, according to the plat recorded March 10, 2005 at Reception No. 908760, County of Eagle, State of Colorado, located adjacent to the Land and currently owned by Guarantor or one or more of Guarantor's Affiliates.

"**Affiliate**" - As defined in **Section 17.11** hereof.

"**Agreement**" - As defined in the **Preamble** hereof.

"**Agreement Regarding Density Allocation**" - As defined in **Section 17.8.2** hereof.

"**Allocation Statement**" - As defined in **Section 8.4** hereof.

"**Apportionment Time**" - As defined in **Section 9.1** hereof.

"**Appurtenant Interests**" - means all easements, rights of way, privileges, appurtenances and other rights appertaining to the Real Property.

"**Assignment and Assumption Agreement**" - As defined in **Section 8.2.1(c)** hereof.

"**Assignment and Assumption of Assumed Obligations**" - As defined in **Section 8.2.1** hereof.

"**Assumed Obligations**" - means the obligations of Seller to be assumed by Purchaser pursuant to the Assignment and Assumption of Assumed Obligations and identified as an exhibit thereto.

"**Audited Financial Statements**" - As defined in **Section 4.2(f)** hereof.

"**Bookings**" - means the contracts or reservations for the use or occupancy of guest rooms and/or the meeting, banquet, spa, restaurant or other facilities of the Hotel, other than property subject to Space Leases, for the period from and after the Apportionment Time.

"**Business Day(s)**" - means any day except Saturday or Sunday or any other day which commercial banks in the States of New York or Colorado are closed or permitted to be closed.

"**Casualty**" - As defined in **Section 13.1.1** hereof.

"**Casualty Notice**" - As defined in **Section 13.1.1** hereof.

"**Closing**" - As defined in **Section 8.1** hereof.

"**Closing Date**" - As defined in **Section 8.1** hereof.

"**Common Elements**" - means Seller's 69.63% interest in the Common Elements (as defined in the Declaration) with respect to the Unit, as described in the Declaration.

"**Concession Agreement**" - means that Concession Agreement between New Liquor Licensee and Purchaser Tenant Entity in the form attached hereto as **Exhibit II**.

"**Condominium**" - means The Mark/Lodge, a condominium established under the laws of the State of Colorado on March 21, 1974.

"**Condominium Association**" - means The Mark-Lodge Condominium Association, Inc., a Colorado nonprofit corporation.

"**Condominium Documents**" - As defined in **Section 6.1.12** hereof.

"**Consumables**" - means all maintenance and housekeeping supplies and inventory, including, without limitation, soap, toiletries, cleaning materials and matches, stationery, pencils and other supplies of all kinds, whether used, unused, or held in reserve storage for future use in connection with the maintenance and operation of the Hotel, which are owned by Seller and on hand on the date hereof, subject to such depletion and including such resupplies as shall occur and be made in the normal course of business, excluding, however, (i) Food and Beverage, (ii) Operating Equipment, (iii) items which are in use in the Hotel rooms as of the Apportionment Time, and (iv) all items of property owned by Space Lessees, Hotel guests, employees, or other persons furnishing goods or services to the Hotel.

"Cooperation and Easement Agreement" - As defined in **Section 8.2.1** hereof.

"**Cure Cap Amount**" - means the amount of $1,000,000, which shall be the maximum amount that Seller shall be required to expend in the aggregate for all instances in this Agreement in which Seller is required to expend up to the Cure Cap Amount to cure or otherwise

remedy or address a particular issue.

"**Damage Cap**" - As defined in **Section 17.5.2** hereof.

"**Declaration**" - means that certain Amended Declaration of Condominium for The Mark/Lodge dated as of July 25, 1978, together with all amendments thereto, as further described on **Exhibit B** attached hereto.

"**Deed**" - As defined in **Section 8.2.1(a)** hereof.

"**Deposit**" - As defined in **Section 3.1** hereof.

"**Designated Representatives**" - As defined in **Article 6** hereof.

"**DRHC**" - means DiamondRock Hospitality Company, a Maryland corporation.

"**Due Diligence Materials**" - As defined in **Section 4.1** hereof.

"**Due Diligence Period**" - means the period from March 8, 2005 through and including May 4, 2005.

"**Effective Date**" - As defined in the introductory paragraph.

"**Emergency**" - shall mean any situation where the applicable Person, in its reasonable judgment, concludes that a particular action (including, without limitation, the expenditure of funds) is necessary (i) to avoid material damage to property, or (ii) to protect any person from harm.

"**Encroachment Agreement**" - As defined in **Section 7.4.2** hereof.

"**Environmental Laws**" - means all federal, state and local laws, statutes, rules, ordinances and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including, without limitation, laws, statutes, rules, ordinances and regulations relating to emissions, discharges, releases of hazardous substances or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous substances including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 *et seq.*; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 *et seq.*; the Toxic Substance Control Act, 15 U.S.C. Section 2601 *et seq.*; the Water Pollution Control Act (also known as the Clean Water Act) 33 U.S.C. Section 1251 *et seq.*; the Clean Air Act, 42 U.S.C. Section 7401 *et seq.*; and the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 *et seq*., as the same may be amended or modified prior to the Closing Date.

"**Environmental Reports**" - means, collectively, Report of Phase I Environmental Site Assessment & Asbestos Survey dated August 22, 1994; Asbestos Assessment Survey dated April 22, 1991; Asbestos Inspection Activities dated March 31, 1995; Asbestos Abatement Report dated July 3, 1995; Asbestos Update Letter dated December 2, 2000; Phase I dated June 8, 2001; AG Wasenaar Letter dated April 18, 2005; AG Wasenaar Lab Report dated April 28, 2005; and, AG Wasenaar Letter dated April 28, 2005

"**Escrow Agent**" - As defined in **Article 14** hereof.

"**Escrow Agreement**" - As defined in **Article 14** hereof.

"**Excess Violations**" - As defined in **Section 5.1.3** hereof.

"**Excluded Permits**" - means (i) the non-transferable permits and licenses held by Seller or Operating Tenant in connection with the Hotel and those licenses, certificates and permits held by Seller that are not exclusively used in or relate to the ownership, occupancy or operation of any part of the Hotel, (ii) the zoning rights that Purchaser is relinquishing pursuant to the Agreement Regarding Density Allocation and (iii) those rights with respect to the Adjacent Lots arising from the West Day Plat.

"**Excluded Trademarks**" - means those trademarks, tradenames, copyrights and logos used by Guarantor or its affiliates with respect to the resort and ski area commonly known as "Vail Resorts", including those trademarks, tradenames, copyrights and logos used generally in combination with, or as part of the marketing or promotion with, "Marriott." Excluded Trademarks do not include those trademarks, copyrights and logos which are used solely with respect to the "Vail Marriott Mountain Resort and Spa."

"**Existing Liquor License**" - As defined in **Section 17.2** hereof.

"**FF&E**" - means all personal property, fixtures, furniture, furnishings, fittings, equipment, machinery, apparatus, appliances and all other articles of tangible personal property owned by Seller and located on the Real Property on the date hereof and used or usable in connection with any part of the Hotel, including, without limitation, all food and beverage service equipment, cleaning service equipment and laundry and dry cleaning equipment, and subject to such depletion and including such resupplies as shall occur and be made in the normal course of business, but excluding, however (i) Consumables, (ii) Food and Beverage, (iii) Operating Equipment, (iv) equipment and property leased pursuant to Hotel Contracts, (v) property owned by Space Lessees, guests, employees, Franchisor or other Persons furnishing goods or services to the Hotel, and (vi) property and equipment owned by Seller and listed on **Exhibit Y** attached hereto, which in the ordinary course of business of the Hotel is not used exclusively for the business, operation or management of the Hotel.

"**Financial Statements**" - As defined in **Section 6.1.17** hereof.

"**Food and Beverage**" - means all food and beverage (alcoholic and non-alcoholic) which are owned by Seller and on hand on the date hereof, subject to such depletion and including such resupplies as shall occur and be made in the normal course of business, whether issued

to the food and beverage department or held in reserve storage, and is in unopened boxes (but including opened alcoholic beverage containers and wine bottles) or is located in the minibars in the Hotel rooms.

"**Franchise Agreement**" - means the Marriott Hotel Franchise Agreement, dated as of July 23, 2001, between Franchisor and Seller, as amended by that certain letter agreement dated July 12, 2001 and by that certain First Amendment to Marriott Hotel Franchise Agreement, dated as of January 16, 2002, between Franchisor and Seller.

"**Franchisor**" - means Marriott International, Inc.

"**Franchisor Estoppel and Consent**" - As defined in**Section 7.6** hereof.

"**Guarantor**" - means The Vail Corporation, a Colorado corporation.

"**Guest Ledger Receivables**" - As defined in **Section 9.1.1** hereof.

"**Hotel**" - means the hotel referred to in **Paragraph A** of the Preliminary Statement and all of its facilities.

"**Hotel Books and Records**" - means all books, records, ledgers, files, information and data which are transferable and are in the possession of Seller relating to the ownership and operation of the Property, excluding, however, information that is subject to the attorney-client or attorney work products privileges, or is confidential and proprietary with respect to the operation, financial condition or finances of Seller's affiliates (as compared to the Hotel itself).

"**Hotel Contracts**" - means all service, maintenance, purchase order, reservation and telephone equipment and system contracts, and other contracts and/or leases where Seller is employer, lessee or purchaser, as the case may be, with respect to the ownership, maintenance, operation, provisioning or equipping of the Hotel (including, without limitation, those identified on **Exhibit L** hereto), any contracts and leases entered into between the date hereof and Closing in accordance with **Section 12.1** hereof and any warranties and guaranties relating to any of such leases or contracts, but excluding, however (i) Bookings, (ii) Space Leases, (iii) the Condominium Documents, (iv) the Penthouse Documents, (v) the Franchise Agreement, (vi) insurance policies, (vii) the Settlement Agreement and (viii) the Operating Lease.

"**Hotel Name**" - means the name of the Hotel or any trademarks or tradenames, logos and designs associated therewith.

"**Hotel Renovations**" - means the work described on **Exhibit T** attached hereto.

"**Hotel Renovations Contracts**" - As defined in **Section 17.12** hereof.

"**Improvements**" - means Seller's interest in and to all improvements located on the Land, Unit or Common Elements.

"**Indemnitor**" - As defined in **Section 17.5.4** hereof.

"**IRC**" - As defined in **Section 8.2.1(e)** hereof.

"**Land**" - means the real property more particularly described on **Exhibit A-1** attached hereto.

"**Liquor Authority**" - means, collectively, the Colorado Liquor Enforcement Division and Town of Vail, Colorado.

"**Losses**" - means any and all claims (including third party claims), demands, liabilities, and out-of-pocket damages (including, without limitation damages, on account of personal injury or death, property damage or damage to natural resources), penalties, interest, liens, costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, but excluding consequential, punitive and special damages or lost profits.

"**New Liquor Licensee**" - means Vail Hotel Management Company, LLC.

"**Management Agreement**" - As defined in **Section 8.2.1(n)** hereof.

"**Manager**" - means Vail Hotel Management Company, LLC.

"**Miscellaneous Hotel Assets**" - means all transferable or assignable surveys, warranties and items of intangible Personal Property relating to the ownership, use, occupancy or operation of the Hotel and owned by, and in possession or control of, Seller (including, for example, telephone numbers to the extent of Seller's interest therein, listings and directories), excluding, however, (i) Hotel Contracts; (ii) Bookings; (iii) Space Leases; (iv) the Condominium Documents and the Declaration; (v) the Penthouse Documents; (vi) the Franchise Agreement and the Property of Franchisor specified therein; (vii) Permits and Excluded Permits; (viii) cash or other funds, whether in petty cash or house banks, on deposit in bank accounts or in transit for deposit (except to the extent they are transferred to Purchaser and Seller receives a credit on the Settlement Statement for any such prepaid item); (ix) Hotel Books and Records; (x) receivables (except to the extent they are transferred to Purchaser and Seller receives a credit on the Settlement Statement for any such prepaid item); (xi) refunds, rebates or other claims, or any interest thereon for periods or events occurring prior to the Apportionment Time (except to the extent they are transferred to Purchaser and Seller receives a credit on the Settlement Statement for any such prepaid item); (xii) utility and similar deposits (except to the extent they are transferred to Purchaser and Seller receives a credit on the Settlement Statement for any such prepaid item); (xiii) prepaid insurance or other prepaid items (except to the extent they are transferred to Purchaser and Seller receives a credit on the Settlement Statement for any such prepaid item); (xiv) prepaid license and Permit fees (except to the extent they are transferred to Purchaser and Seller receives a credit on the Settlement Statement for any such prepaid item); (xv) Excluded Trademarks; and (xvi) the items set forth on **Exhibit O** hereto.

"**New Liquor License**" - As defined in **Section 17.2** hereof.

"**New Objection Period**" - As defined in **Section 7.4.2** hereof.

"**New Title Objections**" - As defined in **Section 7.4.2** hereof.

"**New Violations Period**" - As defined in **Section 5.1.3** hereof.

"**Non-Material Hotel Contracts**" - As defined in **Section 6.1.16** hereof.

"**Notice**" - As defined in **Section 15.1** hereof.

"**Operating Equipment**" - means all china, glassware, linens, silverware and uniforms, whether in use or held in reserve storage for future use in connection with the operations of the Hotel, which are owned by Seller and are on hand on the date hereof, subject to such depletion and including such resupplies as shall be made in the normal course of business and in accordance with **Section 12.1**.

"**Operating Lease**" - means that certain Lease, effective as of December 17, 2001, between Seller and Operating Tenant.

"**Operating Tenant**" - means Vail Food Services, Inc., a Colorado corporation.

"**Penthouse Documents**" - As defined in **Section 6.1.13** hereof.

"**Penthouse Estoppels**" - As defined in **Section 7.7** hereof.

"**Penthouses**" - means those certain estates above surface located above the surface of the Land and more particularly described on **Exhibit Z-1** hereto.

"**Permanent Liquor License**" - As defined in **Section 17.2.2** hereof.

"**Permits**" - means all licenses, certificates and permits held by Seller or Operating Tenant and used in or relating to the ownership, occupancy or operation of any part of the Hotel.

"**Permitted Exceptions**" - As defined in **Section 7.4.2** hereof.

"**Person**" or "**Persons**" - means any individual, limited partnership, limited liability company, general partnership, association, joint stock company, joint venture, estate, trust (including any beneficiary thereof), unincorporated organization, government or any political subdivision thereof, governmental unit or authority or any other entity.

"**Personal Property**" - means all of the Property other than Real Property and the Appurtenant Interests.

"**Planned Condominiums**" - means the condominium units, parking structure, estates above surface and other facilities and improvements that Seller (and/or one of more of its affiliates) intends to develop, construct and sell to the public on certain real property located adjacent to the Hotel and legally described as Lot 2, West Day Subdivision, according to the plat recorded March 10, 2005 at Reception No. 908760, County of Eagle, State of Colorado.

"**Preliminary Title Report**" - As defined in **Section 7.1** hereof.

Prohibited Person" - means any of the following: (a) a Person that is listed in the Annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing (effective September 23, 2001) (the "**Executive Order**"); (b) a Person owned or controlled by, or acting for or on behalf of any Person that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (c) a Person that is named as a "specially designated national" or "blocked person" on the most current list published by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") at its official website, http://www.treas.gov/offices/enforcement/ofac; (d) a Person that is otherwise the target of any economic sanctions program currently administered by OFAC; or (e) a Person that is controlled, controlled by or under common control with, directly or indirectly, with of any person or entity identified in clause (a), (b), (c) and/or (d) above.

"**Property**" - As defined in **Section 2.1** hereof.

"**Property Condition Reports**" - means, collectively, Property Evaluation Report prepared by Claris Services dated August 4, 1994; Monroe & Newell engineering report dated May 22, 2001; Encompass engineering report dated May 17, 2001; John E. McGovern engineering report dated May 16, 2001; Encompass engineering report dated July 3, 2001; Dave Thorpe Consulting Services report dated June 12, 2001; Riviera Electric report dated April 15, 1998; Robinson Mechanical report dated April 15, 1998; Koechlein Consulting Engineers Soils Test Report; and, Elevator Inspection Certificates Expiring 10/31/05.

"**Purchase Price**" - As defined in **Section 3.1** hereof.

"**Purchaser**" - As defined in the **Preamble** hereto.

"**Purchaser's Consultants**" - As defined in **Section 4.1** hereof.

"**Purchaser Indemnified Parties**" - As defined in **Section 17.5.2** hereof.

"**Purchaser's Claims**" - As defined in **Section 17.5.2** hereof.

"**Purchaser's Guaranty**" - means a guarantee in the form attached hereto as **Exhibit X**, pursuant to which DiamondRock Hospitality Limited Partnership shall guarantee the performance by any assignee of DiamondRock Hospitality Limited Partnership's interest in this

Agreement of Purchaser's obligations hereunder (and the other documents executed at Closing other than the (i) Cooperation and Easement Agreement and (ii) Parking Easement Agreement).

"**Purchaser Tenant Entity**" - means DiamondRock Vail Tenant, LLC.

"**Real Property**" - means the Land, Unit, Common Elements and Improvements.

"**Reserves**" - means any existing FF&E replacement reserves and/or other cash reserves related to the operation of the Hotel in the name of or for the benefit of Seller.

"**ROFR Waiver and Release**" - As defined in **Section 8.1.1** hereof.

"**Seller**" - As defined in the **Preamble** hereto.

"**Seller Indemnified Parties**" - As defined in **Section 17.5.1** hereof.

"**Seller's Claims**" - As defined in **Section 17.5.1** hereof.

"**Seller's Express Representations**" - As defined in **Section 6.1** hereof.

"**Seller's Guaranty**" - means a guarantee in the form attached hereto as **Exhibit W**, pursuant to which Guarantor shall guarantee Seller's performance of its obligations hereunder (and the other documents executed at Closing other than the (i) Cooperation and Easement Agreement and (ii) Parking Easement Agreement).

"**Seller's Property Representations**" - means Seller's Express Representations made in **Section 6.1.8** through and including **Section 6.1.27**.

"**Seller's Representations**" - means Seller's Express Representations and the representations of Seller set forth in **Section 17.3**.

"**Settlement Agreement**" - As defined in **Section 11.1** hereto.

"**Settlement Statement**" - As defined in **Section 8.2.1(q)** hereto.

"**Shared Permit**" - means the West Day Plat.

"**Space Leases**" - means the leases identified on **Exhibit M** hereto.

"**Space Lessee**" - means any person or entity entitled to occupancy of any portion of the Hotel under a Space Lease.

"**Survey**" - As defined in **Section 7.2** hereof.

"**Survival Period**" - As defined in **Section 17.5.2** hereof.

"**Tenant Estoppels**" - As defined in **Section 7.8** hereof.

"**Third-Party Reports**" - means any reports, studies or other information prepared or compiled for Purchaser by any of Purchaser's Consultants or other third-parties in connection with Purchaser's investigation of the Property.

"**Title Company**" - means Land Title Guarantee Company.

"**Title Report**" - As defined in **Section 7.1** hereof.

"**Threshold**" - As defined in **Section 17.5.2(a)** hereof.

"**True-Up**" - As defined in **Section 9.2** hereof.

"**Unit**" - means the condominium unit designated as the "Lodge Unit" in the Condominium and more particularly described on **Exhibit A-2** attached hereto.

"**West Day Plat**" - means that certain Final Plat, West Day Subdivision, recorded March 10, 2005 at Reception No. 908760, with the Clerk and Recorder of Eagle County, Colorado.

References. Except as otherwise specifically indicated, all references in this Agreement to Article and Section numbers refer to Article and Sections of this Agreement, and all references to Exhibits refer to the Exhibits attached hereto. Unless otherwise expressly stated, the words "herein", "hereof", "hereby", "hereunder", "hereinafter", and words of similar import refer to this Agreement as a whole and not to any particular Article or Section hereof. Any of the terms defined herein may, unless the content otherwise requires, be used in the singular or the plural depending on the reference. All words or terms used in this Agreement, regardless of the number or gender in which they are used, shall include any other number or gender, as the context may require. References to contracts, agreements and other contractual instruments shall be deemed to include all subsequent amendments, supplements and other modifications thereto, but only to the extent such amendments, supplements and other modifications are not prohibited by the terms of this Agreement. The terms "including" shall mean "including, without limitation", except where the context otherwise requires. The terms "law", "laws", "provisions of law", "requirements of law", and words of similar import shall mean all laws, statutes, ordinances, codes (including building and fire codes), rules, regulations, requirements, judgments, arbitration awards or decisions, rulings, decrees, executive, judicial and other orders and directives of any or all of the federal, state, county and city and local governments and all agencies, authorities, bureaus, courts,

departments, subdivisions, or offices thereof, and of any other governmental, public or quasi-public authorities (including board of fire underwriters or other insurance body) having jurisdiction and the direction of any public officer pursuant to law, and all amendments and supplements thereto effective prior to the Closing Date. References to specific statutes include (i) any and all amendments and modifications thereto in effect at the time in question, (ii) successor statutes of similar purpose and import and (iii) all rules, regulations and orders promulgated thereunder. The captions and paragraph headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope or meaning of any part of this Agreement.

Construction. The parties acknowledge that they are sophisticated parties, that their respective attorneys have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or Exhibits hereto.

SALE AND PURCHASE

Sale and Purchase. Upon and subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell, assign or otherwise transfer to Purchaser, and Purchaser hereby agrees to purchase, accept and assume from Seller, all of Seller's right, title and interest, if any, in and under the following (herein collectively called the "**Property**"):

the Land;

the Unit;

the Common Elements;

the Improvements;

the Appurtenant Interests;

the FF&E;

the Consumables;

the Food and Beverage;

the Operating Equipment;

the Permits (other than Excluded Permits and the Shared Permit);

the Hotel Books and Records;

subject to **Section 17.10**, the Assumed Obligations and the Condominium Documents;

the Bookings, Hotel Contracts, Space Leases, Penthouse Documents and Declaration; and

the Miscellaneous Hotel Assets.

PURCHASE PRICE AND DEPOSIT

Purchase Price. The Purchase Price for the Property shall be an amount equal to $62,000,000 (the "Purchase Price"), subject to apportionment as provided in **Article 9** below or as otherwise provided under this Agreement, payable as follows:

On the date hereof, Purchaser shall deliver to Escrow Agent, in immediately available funds, an amount equal to $3,000,000 (such amount, together with any interest thereon, and as the same may be further increased pursuant to **Section 8.1** hereof, the "**Deposit**");

At the Closing, Purchaser shall deliver the balance of the Purchase Price to Seller, as adjusted pursuant to **Article 9** hereof or as otherwise provided under this Agreement, in immediately available funds.

SUBMITTALS TO AND INSPECTION BY PURCHASER

Deliveries to Purchaser. Seller agrees that, subject to the confidentiality provisions hereof, Seller will make available at the Hotel, pursuant to **Section 4.2** hereof, to Purchaser, Purchaser's prospective lenders, and Purchaser's and Purchaser's prospective lenders' inspectors, appraisers, contractors, engineers and employees (collectively, "**Purchaser's Consultants**"), upon request, any documents reasonably requested by Purchaser with respect to the Hotel which are in Seller's or its affiliate's possession or located at the Hotel (such materials, together with any other documents and information with respect to the Hotel delivered or made available by Seller to Purchaser, the "**Due Diligence Materials**"), excluding, however, documents that are subject to the attorney-client or attorney work products privileges, or are confidential and proprietary with respect to the operation, financial condition or finances of Seller's affiliates (as compared to the Hotel itself).

Inspections.

Subject to the provisions of **Section 4.2(b)** and the confidentiality provisions hereof, Seller shall permit Purchaser and Purchaser's Consultants to inspect the Property and review the Due Diligence Materials, including Hotel Books and Records.

Any physical inspections of, or otherwise performed by Purchaser at, the Hotel shall be conducted at reasonable times, during normal business hours, without interfering with the management, operation, use or maintenance of any portion of the Property by the Seller Indemnified Parties. Seller shall be entitled to have a representative present at all times during each such inspection. Purchaser shall notify Seller not less than 2 Business Days in advance of scheduling any physical inspection of, or other inspection at, the Hotel hereunder. In making any inspection hereunder, Purchaser will treat, and Purchaser will cause Purchaser's Consultants to treat, all information obtained by Purchaser or any of them pursuant to or as a result of any inspection of the Property, Hotel Books and Records and Due Diligence Materials made hereunder as strictly confidential in accordance with the terms and provisions of **Section 17.9** hereof. All inspection fees, appraisal fees, engineering fees and other costs and expenses of any kind incurred by Purchaser relating to such inspections of the Property will be the sole expense of Purchaser. Neither Purchaser nor any of Purchaser's Consultants shall be permitted to conduct borings or any other physically invasive tests or inspections or any Phase II environmental audit without Seller's prior written consent, which may be given or withheld in Seller's sole discretion. No consent by Seller to any such activity shall be deemed to constitute a waiver by Seller or assumption of liability or risk by Seller.

Purchaser shall maintain and cause its third party consultants to maintain (i) casualty insurance and comprehensive public liability insurance with coverages of not less than $1,000,000 for injury or death to any one person and $1,000,000 with respect to property damage, and (ii) worker's compensation insurance for all of their respective employees in accordance with the law of the state of Colorado. Purchaser shall request from each of Purchaser's Consultants and use commercially reasonable efforts to deliver proof of the insurance coverage required pursuant to this **Section 4.2(c)** to Seller (in the form of a certificate of insurance) prior to Purchaser's or Purchaser's Consultant's entry onto the Real Property.

Purchaser agrees to indemnify, hold harmless and defend (with counsel approved by Seller, such approval not be unreasonably withheld, delayed or conditioned) the Seller Indemnified Parties harmless from and against any and all Losses to the extent arising out of Purchaser's or Purchaser's Consultants' entry onto the Real Property, or any inspections or other matters performed by Purchaser or Purchaser's Consultants with respect to the Real Property (including from entry and inspections performed prior to the Effective Date); provided, however, that Purchaser shall not be required to indemnify, hold harmless or defend the Seller Indemnified Parties from and against any Loss to the extent arising out of any pre-existing condition at the Property if Purchaser promptly ceases its activity upon the discovery of such condition and promptly notifies Seller of the discovery, and if such Loss was not otherwise caused by the negligence or willful misconduct of Purchaser or Purchaser's Consultants. Such indemnity, hold harmless and agreement to defend shall survive the Closing or termination of this Agreement.

Purchaser may terminate this Agreement for any reason whatsoever prior to the expiration of the Due Diligence Period. If Purchaser elects to terminate this Agreement pursuant to this paragraph, this Agreement shall be deemed null and void (except for those obligations which expressly survive termination), the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser.

At no cost to Seller, Seller shall cooperate in good faith to assist Purchaser in Purchaser's obtaining (at Purchaser's sole cost and expense) audited financial statements in accordance with generally accepted accounting principles, consistently applied, for the operation of the Hotel for the 3-year period ending on December 31, 2004 (the "**Audited Financial Statements**") prepared by KPMG LLP or another so-called "Big Four" accounting firm. Purchaser's obligation to pay for the Audited Financial Statements shall survive termination of this Agreement or the Closing.

CONDITION OF THE PROPERTY

Condition of the Property. PURCHASER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT:

SUBJECT ONLY TO SELLER'S OBLIGATIONS PURSUANT TO **SECTION 17.12** HEREOF, IT IS PURCHASING THE PROPERTY "AS IS, WHERE IS AND WITH ALL FAULTS";

EXCEPT FOR "SELLER'S EXPRESS REPRESENTATIONS", PURCHASER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, FROM SELLER OR ANY PARTNER, DIRECTOR, SHAREHOLDER, MEMBER, MANAGER, OFFICER, EMPLOYEE, AFFILIATE, ATTORNEY, AGENT, ADVISOR OR BROKER THEREOF, AS TO ANY MATTER CONCERNING THE PROPERTY, OR SET FORTH, CONTAINED OR ADDRESSED IN ANY DUE DILIGENCE MATERIALS (INCLUDING WITHOUT LIMITATION, THE COMPLETENESS THEREOF), INCLUDING WITHOUT LIMITATION:

the quality, nature, habitability, merchantability, use, operation, value, marketability, adequacy or physical condition of the Property or any aspect or portion thereof, including, without limitation, structural elements, foundation, roof, appurtenances, access, landscaping, electrical, mechanical, HVAC, plumbing, sewage, water and utility systems, and facilities and appliances;

the zoning or other legal status of the Property or the existence of any other public or private restrictions on the use of the Property;

the compliance of the Property or its operation with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions of any governmental authority or of any other person or entity (including, without limitation, the Americans with Disabilities Act of 1990, as amended);

the presence, absence, condition or compliance of any hazardous materials, mold or wetlands on, in, under, above or about the Property or neighboring property or the compliance of the Property with Environmental Laws;

the quality of any labor or materials used in the Improvements;

any leases, permits, warranties, service contracts or any other agreements affecting the Property or the intentions of any party with respect to the negotiation and/or execution of any lease or contract with respect to the Property; or

the economics of, or the income and expenses, revenue or expense projections or other financial matters, relating to the operation of the Property;

It is taking the Property subject to all violations of any federal, state or local law, including, without limitation, those violations (a) disclosed in the Title Report or violations searches, or (b) contained in the Permits. If any actual, existing violations are noted or issued by any federal, state or local governmental authority between the date hereof and the day immediately preceding the Closing Date (the "**New Violations Period**"), then Purchaser shall be obligated to close the transaction contemplated under this Agreement and shall receive a credit against the Purchase Price for the cost to cure such violations; provided, however, that if such violations are incapable of being cured or the cost to cure such violations is greater than the Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement) (such violations, "**Excess Violations**"), Purchaser shall not be obligated to close the transaction contemplated hereby and may terminate this Agreement, unless Seller, at its sole option, provides Purchaser an additional credit against the Purchase Price to cure such violations. Seller shall notify Purchaser within 5 Business Days after Seller learns of any Excess Violations of the cost to cure such violations and whether it elects to provide an additional credit to Purchaser to cure the Excess Violations. If Seller notifies Purchaser that it is unable to cure the Excess Violations or is unwilling to provide an additional credit to Purchaser to cure the Excess Violations, then Purchaser shall provide written notice to Seller within 3 Business Days after notice from Seller (but in no event later than the Closing Date) whether (x) Purchaser agrees to waive such violations, in which event the transactions contemplated under this Agreement shall close as scheduled with no adjustment to the Purchase Price, other than the reasonable cost to cure all Excess Violations up to the Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement), or (y) that Purchaser is unwilling to waive such violations, in which event this Agreement shall terminate and be deemed null and void (except for those obligations which expressly survive termination), the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser;

Seller shall not be liable or bound in any manner by any express or implied warranties, guaranties, promises, statements, representations or information pertaining to the Property made or furnished by any real estate broker, dealer, agent, employee, financial advisor or other person representing or purporting to represent Seller;

That its obligations under this Agreement shall not be subject to any financing contingency; and

Purchaser represents and warrants that, as of the date hereof and as of the Closing Date, it has and shall have reviewed and conducted such independent analyses, studies (including, without limitation, environmental studies and analyses concerning the presence of lead, mold, asbestos, PCBs and radon in and about the Property), reports, investigations and inspections as it deems appropriate in connection with the Property.

Purchaser agrees that if Seller provides or has provided any documents, summaries, opinions or work product of consultants, surveyors, architects, engineers, title companies, governmental authorities or any other Person with respect to the Property, including, without limitation, the Environmental Reports and Property Condition Reports, Seller has done so or shall do so only for the convenience of both parties, and the reliance by Purchaser upon any such documents, summaries, opinions or work product shall not create or give rise to any liability of or against the Seller Indemnified Parties, except to the extent related to any fraud committed by such Seller Indemnified Party. Absent fraud, Purchaser shall rely only upon any title insurance obtained by Purchaser with respect to title to the Real Property.

Other than Seller's Representations, Seller makes no representation or warranty, express, written, oral, statutory, or implied, and all such representations and warranties are hereby expressly excluded and disclaimed. Any Due Diligence Materials are for informational purposes only and, together with all Third-Party Reports (to the extent Purchaser is not legally prohibited in its reasonable judgment from delivering such materials to Seller), shall be returned by Purchaser to Seller promptly following the return of the Deposit to Purchaser (if Purchaser is otherwise entitled to such Deposit pursuant to the terms of this Agreement) if this Agreement is terminated for any reason. Except for Seller's Express Representations, Purchaser shall not in any way be entitled to rely upon the accuracy of such Due Diligence Materials. Purchaser recognizes and agrees that the Due Diligence Materials may not be complete or constitute all of such documents which are in Seller's possession or control, but are those that are readily available to Seller and its affiliates after reasonable inquiry to ascertain their availability. Purchaser understands that, although Seller will use commercially reasonable efforts to locate and make available the Due Diligence Materials and other documents required to be delivered or made available by Seller pursuant to this Agreement, Purchaser will not, except as expressly provided in any Seller's Express Representation, rely on such Due Diligence Materials or other documents as being a complete and accurate source of information with respect to the Property, and will instead in all instances rely exclusively on its own inspections and consultants with respect to all matters which it deems relevant to its decision to acquire, own and operate the Property.

Purchaser acknowledges that the Declaration provides for a right of first refusal with regard to a portion of the Hotel. Other than the ROFR Waiver and Release, Purchaser acknowledges that Seller has made no representation, warranty, covenant or agreement whatsoever with respect to the right of first refusal set forth in the Declaration.

Purchaser acknowledges that Seller has not made, and Seller affirmatively disclaims, any representations or warranties regarding the acts or omissions, including construction activities, of any owner of record of any unit in the Condominium (other than Seller in its capacity as the owner of record of the Unit and then only to the extent set forth in Seller's Express Representations or any other express representations, if any, made by Seller, to Purchaser, in Seller's capacity as the owner of record of the Unit in the Assignment and Assumption of Assumed Obligations (if executed)).

This **Section 5.1** shall survive the Closing or termination of this Agreement.

REPRESENTATIONS AND WARRANTIES

Seller's Representations and Warranties. Seller makes the following representations and warranties as of the date hereof ("**Seller's Express Representations**").

Organization and Power. Seller is a corporation, duly organized, validly existing and authorized to do business and is in good standing under the laws of the State of Colorado. Seller has all requisite corporate powers and authorizations to carry on its business as now conducted and to enter into and perform its obligations hereunder and under any document or instrument executed and delivered on behalf of Seller hereunder.

Bankruptcy. Seller is not the subject debtor under any federal, state or local bankruptcy or insolvency proceeding, or any other proceeding for dissolution, liquidation or winding up of its assets.

Authorization and Execution. This Agreement has been duly authorized by all necessary action on the part of Seller, has been duly executed and delivered by Seller, constitutes the valid and binding agreement of Seller and is enforceable in accordance with its terms, and the documents or instruments contemplated hereby have been duly authorized by all necessary action on the part of Seller, will be duly executed and delivered by Seller, and when so executed and delivered will constitute, the valid and binding agreements of Seller, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting enforcement of creditor's rights generally and by general principles of equity (whether applied in a proceeding at law or equity). Each person executing this Agreement and the other documents contemplated hereby on behalf of Seller has (or will have at the time of such execution) the authority to do so.

Non-contravention. Except as set forth on **Exhibit FF**, the execution and delivery of, and the performance by Seller of its obligations under, this Agreement, the Cooperation and Easement Agreement and the Parking Easement Agreement do not and will not contravene, or constitute a default under, any provision of applicable law or regulation or any agreement, judgment, injunction, order, decree or other instrument binding upon Seller or to which the Property is subject, or result in the creation of any lien or other encumbrance on any asset of Seller.

Seller Is Not a "Foreign Person". Seller is not a "foreign person" within the meaning of Section 1445 of the IRC, as amended (i.e., Seller is not a foreign corporation, foreign partnership, foreign trust, foreign estate or foreign person as those terms are defined in the IRC and regulations promulgated thereunder).

No Approvals. Other than pursuant to the Franchise Agreement, as disclosed in the Title Report or documents provided therewith, filings with the Liquor Authority, routine transfers of local business licenses and the payment of fees and taxes related thereto, and as set forth on **Exhibit FF** attached hereto, no governmental authority or third-party filings, approvals or consents are required for Seller's execution and delivery of, or performance of its obligations under, this Agreement, the Cooperation and Easement Agreement and the Parking Easement Agreement, and Seller's execution, delivery and performance of this Agreement, the Cooperation and Easement Agreement and the Parking Easement Agreement, do not and will not violate, and are not restricted by, any other contractual obligation or any federal, state or local laws, statutes or ordinances to which Seller is a party or by which Seller or any of the Property is bound.

Prohibited Person. Seller is not a Prohibited Person. To Seller's knowledge, none of its controlling investors, nor any brokers or other agents (if any) acting or benefiting in any capacity in connection with this Agreement, is a Prohibited Person. The assets Seller will transfer to Purchaser under this Agreement are not the property of, nor is any controlling interest therein beneficially owned, directly or indirectly, by a Prohibited Person.

Compliance with Existing Laws. Seller has to its knowledge received no uncorrected notice of violation of any laws binding upon Seller or to which the Property is subject. Seller further represents that to its knowledge no written notice from any governmental authority has been received by Seller revoking, canceling, denying renewal of, or threatening any such action with respect to any authorization.

Employees. Seller has not entered into any employment contracts or labor union contracts and has not established any retirement, health insurance, vacation, pension, profit sharing or other benefit plans relating to the operation or maintenance of the Property for which Purchaser shall have any liability or obligation. Seller has no employees.

Condemnation Proceedings. There is no condemnation or eminent domain proceeding pending or to the knowledge of Seller, threatened, against the Real Property or any part thereof.

Actions or Proceedings. Except as set forth in **Exhibit I**, there is no action, suit or proceeding pending or known to Seller to be threatened against or affecting Seller or the Property in any court, before any arbitrator or before or by any governmental authority.

Declaration and Condominium Documents. To Seller's knowledge, upon full execution of the Settlement Agreement, satisfaction of the Consent Condition (as defined in the Settlement Agreement), and completion of all action items set forth in Sections 2.1 and 2.2 of the Settlement Agreement, the only documents governing or affecting the Condominium will be the Declaration and Exhibits C, D and E of the Settlement Agreement (the "**Condominium Documents**") and any other documents agreed to or executed in connection with the Settlement Agreement.

Penthouse Documents. **Exhibit Z-2** identifies all restrictive easement agreements and other equivalent documents governing the Penthouses, including all amendments or modifications thereto (collectively, the "**Penthouse Documents**"), copies of which have been delivered to Purchaser. The Penthouse Documents are, to Seller's knowledge, in full force and effect and to Seller's knowledge there are no defaults or events that with notice or lapse of time or both which constitute a default by Seller under the Penthouse Documents and, to Seller's knowledge, by any other party thereto.

Franchise Agreement. The Franchise Agreement is in full force and effect and to Seller's knowledge there are no material defaults or events that with notice or lapse of time or both which constitute a material default by Seller under the Franchise Agreement and, to Seller's

knowledge, by Franchisor.

Hazardous Substances. Other than as set forth in the Environmental Reports:

Seller has received no written notice from any governmental authority of any actual or potential violation of or failure to comply with any Environmental Laws with respect to the Real Property which remains uncorrected, or of any actual or threatened obligation to undertake or bear the cost of any clean-up, removal, containment, or other remediation under any Environmental Law with respect to the Real Property which remains unperformed.

There are no pending or, to Seller's knowledge, threatened actions arising under or pursuant to any Environmental Laws with respect to or affecting the Real Property.

To Seller's knowledge, other than (i) hazardous substances used in the ordinary course of maintaining and cleaning the Property in commercially reasonable amounts or used during the Renovation Project in accordance with applicable Environmental Laws, and (ii) hazardous substances used as fuels, lubricants or otherwise in connection with vehicles, machinery and equipment located at the Property in commercially reasonable amounts, no hazardous substances are present on or in the Property. To Seller's knowledge, the hazardous substances described in the foregoing clauses (i) and (ii) are being used and disposed of in compliance with all Environmental Laws.

Contracts. To Seller's knowledge, there are no Hotel Contracts or Space Leases that will affect the Property following the Closing Date, except as set forth on **Exhibit L and Exhibit M** or as otherwise permitted under this Agreement. If there exists any Hotel Contract that is not shown on **Exhibit L**, the foregoing representation shall not be deemed to be incorrect to the extent (a) amounts paid under such Hotel Contract are reflected on the Financial Statements, (b) amounts paid under such Hotel Contract are not reflected on the Financial Statements but such Hotel Contract requires payments in the aggregate after the Closing Date of $25,000 or less per year, (c) such Hotel Contract is entered into after the date hereof in accordance with **Section 12.1**, (d) such Hotel Contract is a contract for the rental of a Hotel room, suite, banquet or meeting room or convention facilities, (e) such Hotel Contract is a purchase order for Consumables, Operating Equipment or Food and Beverage, or (f) such Hotel Contract is terminable by Purchaser without penalty on not more than 60 days prior notice (the Hotel Contracts identified in subsections (b), (d), (e) and (f) collectively may be referred to as "**Non-Material Hotel Contracts**"). To Seller's knowledge, each Space Lease and Hotel Contract (other than Non-Material Hotel Contracts) are in full force and effect and to Seller's knowledge there are no defaults or events that with notice or lapse of time or both which constitute a default by Seller under such Space Leases or Hotel Contracts (other than Non-Material Hotel Contracts) and, to Seller's knowledge, by any other party thereto. With respect to those Hotel Contacts identified on **Exhibit FF** attached hereto, Seller's execution, delivery and performance of this Agreement and the closing of the transactions contemplated do not and will not trigger the payment of any termination or similar fees except to the extent identified on such **Exhibit FF**.

Financial Information. Seller has provided to Purchaser a copy of a balance sheet as of March 31, 2005 and as of December 31, 2004 and income statements and a statement of cash flows for the three-month period ending March 31, 2005 and for the fiscal year ending December 31, 2004 (collectively, "**Financial Statements**"). The Financial Statements are (a) are true, complete and correct in all material respects, and (b) accurately represent the financial condition and results of operations of Seller or the Property, as applicable, as of the date of such reports.

Insurance. **Exhibit N** is a true, correct and complete list of the insurance policies maintained by Seller or on Seller's behalf for the Property. Seller has not received written notice from any insurance company that any such insurance policy has been terminated.

Sufficiency of Assets. The Personal Property is sufficient in quality and amounts as are appropriate for the operation of the Hotel as a full service Marriott Resort and Hotel.

Title. Seller owns the Personal Property free and clear of liens, other than the Permitted Exceptions to the extent applicable to the Personal Property. All Bookings are held in Seller's name.

Property Tax Appeals. Except as otherwise set forth on **Exhibit Q**, there are no pending ad valorem property tax appeals that have been filed by Seller or its affiliates with respect to the Property.

Permits. To Seller's knowledge, all Permits maintained by Seller for the operation of the Hotel are (i) set forth on **Exhibit R-1** to this Agreement, and (ii) in full force and effect. Except as otherwise disclosed to Purchaser in said **Exhibit R-1**, to Seller's knowledge, as of the date hereof, Seller has not received written notice of any material violations of any Permit. **Exhibit R-2** sets forth a list of Excluded Permits.

Right of First Refusal. To Seller's knowledge, there do not exist any rights of first refusal to acquire any part of the Hotel, other than as set forth in the Franchise Agreement or in the Title Report or documents provided therewith (including, without limitation, the Declaration).

[INTENTIONALLY OMITTED]

Reserves. **Exhibit V** is a true, correct and complete schedule of all current Reserves (as of the Effective Date) held in the name of or for the benefit of Seller.

Trademarks. Neither Seller nor any of its affiliates own any trademarks, trade names, logos or designs used solely with respect to the Hotel.

Scope of Due Diligence Materials. The non-disclosure of any Due Diligence Materials to Purchaser because such materials are subject to the attorney-client or attorney work products privileges, or are confidential and proprietary with respect to the operation, financial condition or finances of Seller's affiliates (as compared to the Hotel itself), does not, to Seller's knowledge, result in the available Due Diligence Materials and Financial Statements inaccurately representing in a material way the condition of the Hotel or its current operations.

Designated Representatives. The Designated Representatives are in positions likely to have actual knowledge regarding the scope of any of Seller's representations and warranties.

Any representations and warranties made "to Seller's knowledge" (or similar variations) shall not be deemed to imply any duty of inquiry. For purposes of this Agreement, the term Seller's "knowledge" shall mean and refer only to actual knowledge of the Designated Representatives of Seller and shall not be construed to refer to the knowledge of any other partner, officer, director, agent, employee or representative of Seller, or any affiliate of Seller, or to impose upon such Designated Representatives any duty to investigate the matter to which such actual knowledge or the absence thereof pertains, or to impose upon such Designated Representatives any individual personal liability. As used herein, the term "**Designated Representatives**" shall refer to Marla Steele, David L. Pease and Raymond L. Scott, Jr.

It shall be an express condition precedent to Purchaser's obligation to close the acquisition of the Property that all of Seller's Representations be true and accurate as of Closing in all material respects. Seller shall update the representations and warranties at Closing to the extent of matters for which Seller shall obtain actual knowledge prior to Closing. Should Seller have actual knowledge that any of Seller's Representations are not true as of the date hereof in all material respects, or subsequently become materially untrue, Seller shall use commercially reasonable efforts to cure or correct the underlying circumstances as necessary to eliminate the adverse effect on Purchaser of any breaches or inaccuracies of such representations and warranties, which commercially reasonable efforts shall be limited to the expenditure in aggregate of up to the Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement) for the cure or correction of all such breaches or inaccuracies and/or mitigation of the adverse effect on Purchaser arising therefrom to the extent that it is possible to effect such cure or correction through the expenditure of funds; provided, however, that (i) such Cure Cap Amount limitation shall not apply to Seller's obligation to make any payment necessary to cure or mitigate any intentional act undertaken or intentional omission (where there is a duty to act) by Seller after the Effective Date up to and including the Closing Date in order to intentionally cause a default under this Agreement, the Hotel Contracts, Space Leases, Declaration (to the extent effective prior to the Closing Date), Condominium Documents (to the extent effective prior to the Closing Date), Settlement Agreement (to the extent effective prior to the Closing Date), Penthouse Documents or Franchise Agreement; (ii) Seller shall not be obligated to expend any amount to cure or mitigate any breach or inaccuracy to the extent caused by the passage and effectiveness between the Effective Date and the Closing Date of any amendments or supplements to applicable laws (including, without limitation, Environmental Laws); and (iii) Seller shall not be obligated to spend any money to settle any litigation filed against Seller after the Effective Date if the outcome of such litigation will not affect either the Hotel or Purchaser post-Closing. Notwithstanding anything else in this Agreement, the scheduled Closing hereunder shall be extended, but not more than 30 days, in order to provide to Seller sufficient time to effect such cure, correction or mitigation. If notwithstanding commercially reasonable efforts, Seller is unable to cure a Seller's Representation or mitigate the adverse effect on Purchaser arising from a breach thereof, or the cost to cure one or more of Seller's Representations or to mitigate the adverse effect on Purchaser arising from a breach thereof is greater than the Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement), as Purchaser's sole and exclusive remedy, Purchaser shall be entitled either to waive the same and close this transaction, in which event the transactions contemplated under this Agreement shall close as scheduled with no adjustment to the Purchase Price, other than the reasonable cost to cure Seller's Representations and/or mitigate the adverse effect on Purchaser arising from the breach of Seller's Representations up to a maximum of the Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement) (other than with respect to any matter described in item (i) above, as to which the amount of such adjustment shall be uncapped, and matter described in items (ii) and (iii) above, as to which Purchaser shall not be entitled to any adjustment of the Purchase Price) or to terminate this Agreement. If Purchaser elects to terminate this Agreement pursuant to this paragraph, Escrow Agent shall return the Deposit to Purchaser and Seller shall reimburse Purchaser up to $300,000 of Purchaser's documented, reasonable out of pocket expenses incurred by Purchaser in connection with this transaction (such amount shall not be in addition to, or duplicative of, the amount for cost reimbursement set forth in the **Section 16.2**, it being the intent of the parties that Purchaser is capped at $300,000 for all such costs and expenses to be recovered from Seller), and neither party to this Agreement shall thereafter have any further rights or liabilities under this Agreement except as otherwise provided herein.

Notwithstanding anything in this Agreement to the contrary, Purchaser shall be required to give Seller prompt written notice of any matter of which the Purchaser has actual knowledge prior to the Closing for which Purchaser reasonably concludes indicates that Seller has breached any of its representations or warranties made by Seller under this Agreement. In furtherance thereof, Seller shall have no liability with respect to any of the foregoing representations and warranties or any representations and warranties made in any other document executed and delivered by or on behalf of Seller to Purchaser, to the extent that, on or before the Closing, Seller demonstrates (i) that Purchaser obtained actual knowledge (from whatever source, including, without limitation, information provided in Due Diligence Materials, including the Title Report and documents related thereto, as a result of Purchaser's own due diligence tests, investigations and inspections of the Property, or disclosure by Seller or any of Seller's agents and employees) or (ii) otherwise is contained in any Due Diligence Materials delivered or made available to Purchaser, the Title Report and documents related thereto, or the results of any of Purchaser's own due diligence tests, investigations and inspections of the Property, that contradicts the applicable representations and warranties, or renders the applicable representations and warranties untrue or incorrect, and Purchaser nevertheless consummates the transaction contemplated by this Agreement.

Purchaser's Representations and Warranties. Purchaser hereby makes the following representations and warranties to Seller, each of which (i) shall survive Closing and delivery of the Deed for a period of 36 months, (ii) is true as of the date hereof except for the representation set forth in the second sentence of Section 6.2.1, and (iii) shall be true in all respects at Closing, other than any untruth or inaccuracy as to which the reasonably anticipated cost to cure and/or adverse effect on Seller arising therefrom does not exceed $1,000,000.

Organization and Power. Purchaser is a limited partnership, duly organized, validly existing and authorized to do business under the laws of the State of Delaware. Purchaser is duly qualified to do business and is in good standing under the laws of the State of Colorado. Purchaser has all requisite limited partnership powers and authorizations to carry on its business as now conducted and to enter into and perform its obligations hereunder and under any document or instrument executed and delivered on behalf of Purchaser hereunder.

Authorization and Execution. This Agreement has been duly authorized by all necessary action on the part of Purchaser, has been duly executed and delivered by Purchaser, constitutes the valid and binding agreement of Purchaser and is enforceable in accordance with its terms, and the documents or instruments contemplated hereby have been duly authorized by all necessary action on the part of Purchaser, will be duly executed and delivered by Purchaser, and when so executed and delivered will constitute, the valid and binding agreements of Purchaser, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting enforcement of creditor's rights generally and by general principles of equity (whether applied in a proceeding at law or equity). Each person executing this Agreement and the other documents contemplated hereby on behalf of Purchaser has (or will have at the time of such execution) the authority to do so.

Non-contravention. The execution and delivery of, and the performance by Purchaser of its obligations under, this Agreement, the Cooperation and Easement Agreement and the Parking Easement Agreement, do not and will not contravene, or constitute a default under, any provision of applicable law or regulation or any agreement, judgment, injunction, order, decree or other instrument binding upon Purchaser.

No Approvals. Other than those filings required with the Liquor Authorities, routine transfers of local business licenses and the payment of fees and taxes related thereto, and for Purchaser to obtain a State of Colorado sales tax permit, no governmental authority or third-party filings, approvals or consents are required for Purchaser's execution and delivery of, or performance of its obligations under, this Agreement, the Cooperation and Easement Agreement and the Parking Easement Agreement, and Purchaser's execution, delivery and performance of this Agreement, the Cooperation and Easement Agreement and the Parking Easement Agreement, do not and will not violate, and are not restricted by, any other contractual obligation or any federal, state or local laws, statutes or ordinances to which Purchaser is a party or by which Purchaser is bound.

Prohibited Person. Purchaser is not a Prohibited Person. To Purchaser's knowledge, none of its controlling investors, nor any brokers or other agents (if any) acting or benefiting in any capacity in connection with this Agreement, is a Prohibited Person. The funds or other assets Purchaser will transfer to Seller under this Agreement are not the property of, and no controlling interest therein is beneficially owned, directly or indirectly, by a Prohibited Person. The funds or other assets Purchaser will transfer to Seller under this Agreement are not the proceeds of specified unlawful activity as defined by 18 U.S.C. Section 1956(c)(7).

TITLE AND SURVEY MATTERS

Title Report. Seller has heretofore delivered to Purchaser a current preliminary title report (the "**Preliminary Title Report**", and together with any update thereof, the "**Title Report**") issued by the Title Company, indicating that fee simple title to the Real Property is, as of the date of the Preliminary Title Report, vested in the name of Seller, subject to the exceptions listed therein.

Survey. Purchaser acknowledges that Seller has delivered to Purchaser the survey of the Real Property (the "**Survey**").

[Intentionally Deleted]

Curing Title Objections.

Purchaser acknowledges that it shall not be entitled to object to, and shall be deemed to have approved, all matters set forth on **Exhibit K** attached hereto.

If, after the date hereof and prior to the Closing Date, new title exceptions that were not previously reported in the Preliminary Title Report or shown on the Survey are disclosed on an update of the Preliminary Title Report or Survey, Purchaser will notify Seller, within 5 days after its knowledge thereof or by the Closing Date (whichever is sooner) (the "**New Objection Period**"), of any reasonable objections that Purchaser may have to such new exceptions (the "**New Title Objections**"); provided, however, that Purchaser shall not be entitled to object to, and shall be deemed to have approved, any title exceptions (i) over which the Title Company is willing to insure at no additional cost (or, if there is additional cost, if Seller will pay the cost), or (ii) against which the Title Company is willing to provide affirmative insurance against collection from the Property and interference with the current use of the Hotel**.** To the extent Purchaser fails to notify Seller within the New Objection Period of any New Title Objections, all matters set forth in the update of the Preliminary Title Report or on the Survey shall be deemed Permitted Exceptions. Likewise, to the extent Purchaser does notify Seller within the New Objection Period of New Title Objections, all matters set forth in the update of the Preliminary Title Report or on the Survey that are not included as New Title Objections shall be deemed Permitted Exceptions.

If Purchaser does so notify Seller of New Title Objections within the New Objection Period, Seller, upon written notice to Purchaser within 5 days after receipt of Purchaser's notice of New Title Objections, shall use commercially reasonable efforts to attempt to cure such New Title Objections if Seller reasonably deems them curable, by eliminating them or having them modified to the reasonable satisfaction of Purchaser, and Seller shall have the earlier of (i) ten (10) days from the date that it receives notice from Purchaser of New Title Objections, or (ii) the date the Purchaser's mortgage commitment is scheduled to expire, to attempt to cure such New Title Objections, and the Closing Date shall be extended accordingly; provided, however, that Seller shall have no obligation to bring any action or proceeding or otherwise to incur any expense whatsoever to eliminate or modify New Title Objections that arise after the Effective Date and that would in the aggregate cost more than Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement). If Purchaser notifies Seller within the New Objection Period of the New Title Objections and Seller is unable to eliminate or modify the New Title Objections to the reasonable satisfaction of Purchaser on or before the Closing Date (as it may be extended pursuant hereto), then all obligations hereunder shall terminate, unless Purchaser waives such New Title Objections, in writing, within 5 days after notice from Seller of its inability to eliminate or satisfactorily modify the New Title Objections, in which event, the transfer contemplated hereby shall close as scheduled with no adjustment to the Purchase Price, other than the cost to cure the New Title Objections up to a maximum of the Cure Cap Amount (or, if less, so much of the Cure Cap Amount as remains to be expended pursuant to the terms of this Agreement). Notwithstanding the foregoing, Seller shall, on or prior to the Closing Date, pay, discharge or cause to be paid or discharged, and deliver the appropriate documents to the Title Company, to cause the Title Company to remove of record, at

Seller's sole cost and expense, any liens or encumbrances (other than Permitted Exceptions) that Seller has caused to be placed on the Property after the date hereof or arise out of the acts of Seller after the date hereof. The matters set forth on **Exhibit K** attached hereto and in any update of the Preliminary Title Report and/or Survey which are approved by Purchaser, waived by Purchaser or deemed approved by Purchaser shall collectively constitute "**Permitted Exceptions**" for all purposes under this Agreement. In addition, in order to address an encroachment by the Improvements onto the adjacent "Antler's" property owned by a third party, Seller may execute an encroachment agreement prior to the Closing as long as the same shall address only existing encroachments and not have a material and adverse effect on the ownership, use or operation of the Hotel as currently owned, used and operated (the "**Encroachment Agreement**"). Further, Seller may, prior to Closing, execute and record the "Pedestrian Easement" referenced in **Section 3(c)** of the Cooperation and Easement Agreement. Purchaser agrees that the Encroachment Agreement and "Pedestrian Easement" shall be Permitted Exceptions for all purposes hereunder.

All costs incurred for title searches and preparation of the title commitment and Title Report, and all title premiums for an extended coverage title policy (including costs of endorsements approved by Seller to cure any title defects, but excluding any endorsements otherwise requested by Purchaser) and survey costs, shall be paid by Seller. This payment obligation shall survive the Closing or termination of this Agreement.

In the event of a termination of this Agreement under this **Section 7.4**, this Agreement shall be deemed null and void (except for those obligations which expressly survive Closing), the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser.

Intentionally Omitted.

Franchisor Estoppel and Consent. Seller shall use commercially reasonable efforts to obtain from Franchisor a written estoppel statement and consent in the form attached hereto as **Exhibit G-2**, subject to immaterial changes reasonably acceptable to Purchaser (the "**Franchisor Estoppel and Consent**"), dated no earlier than the date hereof. The certifications made under the Franchisor Estoppel and Consent shall be for the benefit of Purchaser, its lender and their respective successors and assigns. Seller's obtaining the Franchisor Estoppel and Consent shall not be a condition to Closing.

Penthouse Owners' Estoppel. Seller shall use commercially reasonable efforts to obtain from each of the owners of a Penthouse a written estoppel statement in the form attached hereto as **Exhibit G-3**, subject to immaterial changes reasonably acceptable to Purchaser (collectively, the "**Penthouse Estoppels**"), dated no earlier than the date hereof. The certifications made under the Penthouse Estoppels shall be for the benefit of Purchaser, its lender and their respective successors and assigns. Seller's obtaining the Penthouse Estoppels shall not be a condition to Closing.

Tenant Estoppels. Seller shall use commercially reasonable efforts to obtain from each of the Space Lessees a written estoppel statement in the form attached hereto as **Exhibit G-4**, subject to immaterial changes reasonably acceptable to Purchaser (collectively, the "**Tenant Estoppels**"), dated no earlier than the date hereof. The certifications made under the Tenant Estoppels shall be for the benefit of Purchaser, its lender and their respective successors and assigns. Seller's obtaining the Tenant Estoppels shall not be a condition to Closing.

Liens. Seller shall cause any mechanics', laborers' or materialmen's lien that is filed against the Real Property or Parking Easement Property or any part thereof for work attributable thereto (other than arising by, through or under Purchaser or any of Purchaser's Consultants) during the period prior to the Closing Date to be discharged by payment, bonding or as otherwise provided by law within 30 Business Days after Seller receives notice that such lien was filed (or such earlier time as may be required pursuant to **Section 7.4.2(b)** hereof). Any amounts expended by Seller to comply with this **Section 7.9** will not count toward or be subject to the Cure Cap Amount set forth in this Agreement.

THE CLOSING

Closing. The closing of the transaction contemplated hereby (the "**Closing**") shall take place in escrow with the Title Company on May 31, 2005 (the "**Closing Date**"). Provided that Purchaser is not in default under the terms of this Agreement, Purchaser shall be permitted a one-time 30-day extension of the Closing Date specified in the first sentence of this **Section 8.1** by (a) delivering written notice to Seller no later than 10 days prior to the scheduled Closing Date, and (b) simultaneously with such notice to Seller, delivering to Escrow Agent the amount of $2,000,000, which amount when received by Escrow Agent shall be added to the Deposit hereunder, shall be non-refundable (except as otherwise expressly provided herein with respect to the Deposit), and shall be held, credited and disbursed in the same manner as provided hereunder with respect to the Deposit.

Deliveries at Closing.

Seller's Closing Documents. At the Closing, Seller shall deliver, or cause to be delivered, to Purchaser the following:

A duly executed and acknowledged deed (the "**Deed**") conveying, selling and transferring to Purchaser all of Seller's right, title and interest in and to the Real Property, substantially in the form of **Exhibit C**;

A duly executed bill of sale substantially in the form attached hereto as **Exhibit D**, transferring to Purchaser all of Seller's right, title and interest in and to the FF&E, Food and Beverage, Consumables and Operating Equipment;

A duly executed assignment and assumption agreement in the form attached hereto as **Exhibit E-1** (the "**Assignment and Assumption Agreement**"), conveying and transferring to Purchaser all of Seller's right, title and interest in, to and under the Declaration, Condominium Documents, Penthouse Documents, Bookings, the Hotel Contracts, the Space Leases, the Permits (other than Excluded Permits), the Hotel Books and Records, the Miscellaneous Hotel Assets and any other obligations for which Purchaser shall receive a credit on the Settlement Statement (other than the Assumed Obligations);

The originals, or, if not reasonably available, copies of all Permits (other than Excluded Permits) and material governmental approvals in the possession of Seller, if any, including, without limitation, the current certificates of occupancy for the Improvements. The location of such items at the Hotel on the Closing Date shall constitute delivery to Purchaser;

An affidavit certifying that Seller is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended (the "**IRC**"), that the transaction contemplated hereby does not constitute a disposition of a United States real property interest by a foreign person, and that, at Closing, Seller will not be subject to the withholding requirements of Section 1445 of the IRC;

Such evidence as Purchaser may reasonably request confirming Seller's authority to execute and deliver the documents required of it and to consummate the transactions contemplated hereby;

Originals (and to the extent not reasonably available, copies) of the Declaration, Condominium Documents, Penthouse Documents, Hotel Contracts, Hotel Books and Records, Space Leases and other Miscellaneous Hotel Assets (to the extent not specifically referred to above and to the extent the same are of a nature that are capable of being physically delivered at Closing) which are in Seller's possession; provided, however, that the existence of such contracts and leases at the Hotel on the Closing Date shall constitute delivery of Purchaser, provided Purchaser is advised of the location thereof;

A notice to the counter-parties to the Hotel Contracts, Settlement Agreement, Penthouse Documents, Space Leases and to all parties required under the Condominium Documents and documents provided with the Title Report, in accordance with the Hotel Contracts, Settlement Agreement, Penthouse Documents, Space Leases, Condominium Documents and documents provided with the Title Report, respectively, advising of the Closing and directing all future communications be sent to Purchaser, with a copy to Manager;

A duly executed Concession Agreement by New Liquor Licensee;

To the extent received by Seller, an original Franchisor Estoppel and Consent executed by Franchisor, in the form of **Exhibit G-2** attached hereto, and original copies of any Penthouse Estoppels and/or Tenant Estoppels received by Seller;

As soon as practicable after the Closing, Seller shall deliver to Purchaser (if not then located in the Improvements) all combinations to safes, keys, codes and passcards relating to the operation of the Hotel and forming part of the Personal Property;

A Parking Easement Agreement in a form reasonably agreed to by the parties (the "**Parking Easement Agreement**") and duly executed and acknowledged by the owner of property identified on **Exhibit A-3** burdened by the Parking Easement Agreement (the "**Parking Easement Property**");

A duly executed Management Agreement in the form attached hereto as **Exhibit P** (the "**Management Agreement**") executed by Manager;

A Cooperation and Easement Agreement in a form reasonably agreed to by the parties (the "**Cooperation and Easement Agreement**") and duly executed and acknowledged by Seller;

Subject to **Section 17.10**, a resignation by each of Richard D. MacCutcheon, Marla K. Steele (Mr. MacCutcheon and Ms. Steele referred to herein as the "**Seller-Appointed Managers**") and Jack Hunn (Mr. Hunn referred to herein as the "**At-Large Manager**") of their seats on the Board of Managers of the Condominium Association and as officers of the Condominium Association (provided, however, that the At-Large Manager's resignation shall be effective only upon election of such At-Large Manager's successor as contemplated pursuant to **Section 17.6**), and evidence of the appointment of two persons designated by Purchaser ("**Purchaser-Appointed Managers**") to replace the Seller-Appointed Managers on the Board of Managers of the Condominium Association;

A duly executed Seller's Guaranty, executed by Guarantor;

A duly executed Settlement Statement reflecting adjustments and proportions as required under this Agreement (the "**Settlement Statement**");

A duly executed and acknowledged waiver and release of all present and future rights to exercise the right of first refusal provided for in Section 37 of the Declaration in the form attached hereto as **Exhibit J** (the "**ROFR Waiver and Release**"); and

Subject to **Section 17.10**, a duly executed assignment and assumption agreement in the form attached hereto as **Exhibit E-2** (the "**Assignment and Assumption of Assumed Obligations**"), pursuant to which Seller transfers to Purchaser the Assumed Obligations and Purchaser assumes the obligation to perform the Assumed Obligations from and after the Closing Date.

Seller and Purchaser (or Purchaser's assignee pursuant to **Section 17.11** hereof) will prepare and execute such additional instruments, affidavits, certificates, assignments and other assurances as are reasonably requested by either party hereto or by the Title Company and are customary for similar transactions in order to convey, assign and transfer all of Seller's right, title and interest in and to the Property to Purchaser (or to Purchaser's assignee pursuant to **Section 17.11** hereof).

Purchaser's Closing Obligations. At the Closing, Purchaser shall deliver, or cause to be delivered, the following to Seller, at its sole cost and expense:

The balance of the Purchase Price pursuant to **Sections 3.1(ii) and 10.1(a)** hereof;

A duly executed Assignment and Assumption Agreement.

Such evidence as Seller may reasonably request confirming Purchaser's authority to execute and deliver the documents required of it and to consummate the transactions contemplated hereby;

A duly executed and acknowledged Parking Easement Agreement;

A duly executed Management Agreement executed by Purchaser Tenant Entity;

A Purchaser's Guaranty, duly executed by DiamondRock Hospitality Limited Partnership;

A duly executed Settlement Statement;

A duly executed and acknowledged Cooperation and Easement Agreement;

Subject to **Section 17.10**, a duly executed Assignment and Assumption of Assumed Obligations;

A duly executed and acknowledged Agreement Regarding Density Allocation;

Such documents as may be required by the Board of Managers of the Condominium Association (including, without limitation, a duly executed Unit Owner's Power of Attorney); and

A duly executed Concession Agreement executed by Purchaser Tenant Entity.

Closing Costs. Seller shall pay any recording, documentary and filing fees in connection with the recordation of the ROFR Waiver and Release, Agreement Regarding Density Allocation, Encroachment Agreement and Cooperation and Easement Agreement. Purchaser shall pay any recording, documentary and filing fees in connection with the recordation of the Deed and the Parking Easement Agreement and any other instruments executed in connection with the Closing. Any fees and expenses of the Escrow Agent shall be paid in equal shares by Purchaser and Seller.

Sales and Transfer Taxes. At the Closing, Seller and Purchaser shall execute, acknowledge, deliver and file all such returns as may be necessary to comply with the tax laws of the State of Colorado, County of Eagle, and Town of Vail, and the regulations applicable thereto, as the same may be amended from time to time, with Purchaser being obligated to pay the same. Without limiting the foregoing, Purchaser will pay, when due, any and all state and local sales, transfer, use or other taxes payable in connection with the transfer of the Property; provided, however, if required by applicable law, Purchaser shall pay the same to Seller for Seller to pay the appropriate authorities if required by applicable law. Attached hereto as **Exhibit S** is a written statement containing the value of the Real Property, the Personal Property and the goodwill being transferred to Purchaser pursuant to the terms of this Agreement as reasonably determined by Seller and Purchaser (the "**Allocation Statement**"). The sales taxes paid by Purchaser in connection with the transfer of such Personal Property shall be based on the value of the Personal Property set forth in the Allocation Statement; provided, however, that the parties hereto acknowledge that the value of the Personal Property between the date hereof and the Closing Date may change and if, in the reasonable determination of Seller and Purchaser, the value of the Personal Property has changed as of the Closing Date, the parties shall cooperate in good faith to modify the Allocation Statement accordingly. Any filings made by the parties hereto shall be consistent with the final Allocation Statement agreed upon as of the Closing Date.

Order of Recording. Notwithstanding anything in this Agreement to the contrary, the Deed, Cooperation and Easement Agreement and Parking Easement Agreement shall be recorded prior to any financing or other liens or encumbrances imposed upon the Real Property by Purchaser after its acquisition. The provisions of this **Section 8.5** shall survive the Closing.

ADJUSTMENTS AND PRORATIONS; CLOSING STATEMENTS

Adjustments and Prorations. The following matters and items pertaining to the Property shall be apportioned between the parties hereto or, where applicable, credited in total to a particular party, as of 12:01 a.m. on the Closing Date (the "**Apportionment Time**"). Net credits in favor of Purchaser shall be deducted from the balance of the Purchase Price at the Closing and net credits in favor of Seller shall be paid by Purchaser to Seller in cash at the Closing. Notwithstanding the provisions of this **Section 9.1**, Seller may, in its sole discretion, choose to retain certain assets and liabilities on its own books in lieu of the adjustment by proration as set forth in this **Section 9.1**. If Seller elects to maintain any such assets or liabilities, Seller shall notify Purchaser of such election and the assets and liabilities to be retained no later than three (3) business days prior to Closing. With respect to such assets and liabilities to be retained, no proration shall be made hereunder. Subject to the foregoing, and unless otherwise indicated below, Purchaser shall receive a credit against the Purchase Price for any of the following items to the extent the same are accrued but unpaid as of the Apportionment Time (whether or not due, owing or delinquent as of the Apportionment Time) and to the extent Purchaser has assumed the obligations for the same, and Seller shall receive a credit (and thereby be entitled to a payment from Purchaser) with respect to any of the following items which shall have been paid prior to the Closing Date to the extent the payment thereof relates to any period of time after the Apportionment Time:

Guest Ledger. Guest ledger receivables (i.e., amounts, including, without limitation, room charges and charges for food and beverages, accrued to the accounts of guests and other customers of the Hotel as of the Apportionment Time) ("**Guest Ledger Receivables**") shall be prorated between Purchaser and Seller. Seller shall receive a credit for all guest ledger receivables for all room nights and other charges up to but not including the room night during which the Apportionment Time occurs, and Purchaser shall be entitled to the amounts of guest ledger receivables for the room nights and other charges after the Apportionment Time. The final night's room revenue (revenue from rooms occupied on the evening preceding the Closing Date), any taxes thereon, and any in-room telephone, movie and similar charges for such night, shall be allocated 50% to Seller and 50% to Purchaser (and Seller and Purchaser shall each bear 50% of the credit card charges, travel company charges and similar commissions payable with respect to such revenue). All revenues from restaurants, bars and lounge facilities for the night during which the Apportionment Time occurs shall belong to Seller and Seller shall bear all expenses related to such revenues, including but not limited to, payroll and food and beverage costs.

Taxes and Assessments. Seller shall be solely responsible for any taxes due in respect of its income, net worth or capital, if any, and any privilege, sales, transient occupancy tax, due or owing to any governmental entity in connection with the operation of the Property for any

period of time prior to the Apportionment Time, and Purchaser shall be solely responsible for all such taxes for any period from and after the Apportionment Time, and provided further that any income tax arising as a result of the sale and transfer of the Property by Seller to Purchaser shall be the sole responsibility of Seller. All ad valorem taxes, special or general assessments, real property taxes, water and sewer rents, rates and charges, vault charges, and any municipal permit fees shall be prorated as of the Apportionment Time between Purchaser and Seller. Seller shall also provide Purchaser with a credit at Closing for real estate taxes attributable to the period from January 1, 2005 to the Closing Date, payable in 2006, such credit to be calculated based upon the most recent valuation and real property tax assessments applicable to the Real Property.

Utilities; Telephone. Telephone and telex charges and charges for the supply of heat, steam, electric power, gas, lighting, cable television and any other utility service shall be prorated as of the Apportionment Time between Purchaser and Seller. Seller shall receive a credit for all deposits, if any, made by Seller as security under any such public service contracts if the same are transferable and provided such deposits remain on deposit for the benefit of Purchaser. Where possible, cutoff readings will be secured for all utilities as of the Apportionment Time. To the extent cutoff readings are not available, the cost of such utilities shall be apportioned between the parties on the basis of the latest actual (not estimated) bill for such service.

Hotel Contracts, Franchise Agreement, Declaration, Condominium Documents and Space Leases; Trade Payables and Receivables. Any amounts prepaid or payable under any Hotel Contracts, Space Leases, the Declaration, the Condominium Documents, the Penthouse Documents, the Franchise Agreement (but, with respect to the Franchise Agreement, only with respect to those items as to which Purchaser will receive an economic benefit from following the Closing) and any other trade payables and receivables shall be prorated as of the Apportionment Time between Purchaser and Seller. All amounts known to be due under Hotel Contracts, Space Leases, the Condominium Documents, the Penthouse Documents and the Franchise Agreement with reference to periods prior to the Closing Date shall be paid by Seller or credited to Purchaser. Any additional amounts not known or not available at the Closing will be part of the post closing adjustments contemplated in **Section 9.2**.

Permits. Fees paid for Permits (other than Excluded Permits) shall be prorated as of the Apportionment Time between Purchaser and Seller.

Bookings. Purchaser shall receive a credit for advance payments and deposits, if any, under Bookings.

Gift Certificates. Purchaser shall receive a credit for the face value of all unredeemed gift certificates issued by Seller or Existing Manager as of the Apportionment Time.

Vending Machines; ATMs. Vending machine and ATM monies will be removed by Seller as of the Apportionment Time for the benefit of Seller.

Cash Accounts. All funds held in any accounts maintained by or for the benefit of Seller at the Apportionment Time will be removed by Seller as of the Apportionment Time for the benefit of Seller.

House Banks. Notwithstanding the provisions of **Section 9.1.9** Seller shall receive a credit for the cash held in the Hotel house banks and any petty cash at the Hotel.

Security Deposits. Purchaser shall be entitled to a credit for all unapplied security and other deposits, if any, held by Seller as of the Apportionment Time with respect to Hotel Contracts and Space Leases.

Prepaid Expenses; Deposits. Seller shall receive a credit for prepaid expenses directly or indirectly allocable to any period from and after the Closing Date, including, without limitation, prepaid rents under any equipment lease, annual permit and inspection fees, fees for licenses, trade association dues and trade subscriptions, all security or other deposits paid by or on behalf of Seller to third parties to the extent the same are transferable and remain on deposit for the benefit of Purchaser, and all inventories of Consumables and Food and Beverage. With the exception of prepaid advertising which has not been published, mailed or aired, the Seller will receive no credit for prepaid advertising costs.

Insurance. Insurance premiums will not be prorated and Purchaser shall not assume, and Seller shall not assign, any insurance policies, Purchaser hereby acknowledging its obligation to obtain its own insurance related to or for the Property.

City Ledger Receivables. Seller shall receive a credit for, and Purchaser shall purchase from Seller, all city ledger accounts receivable that are less than 120 days old. Such credit shall equal the amount of the accounts receivable, less 2% (representing historic reserves and/or write offs for bad debt under 120 days old for uncollectible amounts.)

Other Accounts Receivable. Except as set forth in **Sections 9.1.1 and 9.1.14**, all accounts receivable for all periods prior to the Apportionment Time shall remain the property of Seller. From Closing until the date which is six (6) months after the Closing Date, Purchaser shall use commercially reasonable efforts to collect in the ordinary course of business all such accounts receivable (other than accounts receivable from credit card companies that shall be collected directly by Seller). Periodically (but no less frequently than monthly), Purchaser shall submit to Seller all amounts received in respect of such accounts receivable, together with an itemization of such accounts receivable. If Purchaser receives any amounts in respect of such accounts receivable after such date, Purchaser shall promptly remit the same to Seller.

Assumed Obligations. Any amounts prepaid or payable with respect to the Assumed Obligations shall be prorated as of the Apportionment Time between Purchaser and Seller. All amounts known to be due and payable by Seller on or before the Closing with respect to the Assumed Obligations shall be paid by Seller or credited to Purchaser. Any additional amounts not known or not available at the Closing will be part of the post closing adjustments contemplated in **Section 9.2**.

Capital Leases. At Closing, Purchaser will assume the obligations related to the capital leases identified on **Exhibit GG** without adjustment or proration.

Other Items. Such other items as are provided for in this Agreement or as are normally prorated and adjusted in the sale of real property or of a Hotel shall be prorated as of the Apportionment Time in accordance with local custom in the jurisdiction in which the Hotel is located. Notwithstanding the foregoing or anything in the Agreement to the contrary, all Reserves shall be retained by Seller and not prorated or assigned to Purchaser.

Closing Statement; True-Up. Seller and Purchaser shall jointly prepare a proposed closing statement containing the parties' reasonable estimate of the items requiring prorations and adjustments in this Agreement. Subsequent final adjustments and payments (the "**True-Up**") shall be made in cash or other immediately available funds as soon as practicable, but no more than 120 days after the Closing Date (except with respect to ad valorem property taxes which shall be adjusted within 30 days after receipt of the final tax bill), based upon an accounting performed by Seller and acceptable to Purchaser. If the parties have not agreed with respect to the adjustments required to be made pursuant to **Section 9.1**, upon application by either party, a certified public accountant reasonably acceptable to the parties shall determine any such adjustments which have not theretofore been agreed to between the parties. (If the parties cannot agree on a certified public accountant within 30 days after the request by either party, the JAMS located in Denver, Colorado shall appoint a certified public accountant.) The charges of such accountant (and JAMS, if applicable) shall be borne equally by the parties. All adjustments to be made as a result of the final results of the True-Up shall be paid to the party entitled to such adjustment within 30 days after the final determination thereof.

Access. Purchaser and Seller shall have the right to have their representatives present (i) before the Closing Date for the purpose of observing the taking of any inventories by Seller's designee (including the counting of house funds), the review of receivables, or any other matters to be performed pursuant to this **Article 9**, and (ii) after the Closing Date for the purpose of review of receivables or any other post-closing adjustments provided for in this Agreement, and such representatives shall be given reasonable access to the Hotel Books and Records which are relevant to the preparation of the proposed closing statement and the Settlement Statement.

Calculations. All prorations shall be made on the basis of the actual number of days of the year, or month, as applicable, which shall have elapsed as of the Closing Date.

Survival. The provisions of this **Article 9** shall survive the Closing and delivery of the Deed.

CONDITIONS TO SELLER'S OBLIGATIONS

Conditions to Seller's Obligations. Seller's obligation to close the transaction contemplated by this Agreement and to deliver the documents and instruments required under **Article 8** hereof is subject to satisfaction of the following conditions (any of which may be waived by Notice from Seller):

Purchaser shall have paid the Purchase Price, plus or minus prorations and adjustments as provided for herein, by wire transfer of Federal same-day funds as directed by Seller;

Purchaser shall have completed all of the deliveries required of Purchaser under **Article 8** hereof, and all such documents and instruments shall be in form and substance reasonably satisfactory to Seller and its counsel; and

All of the representations, covenants and agreements of Purchaser contained herein shall be true and correct and/or shall have been paid and performed, as the case may be, in all material respects.

If the transfers contemplated by this Agreement shall not close because the conditions described in paragraphs (a), (b) or (c) above have not been fulfilled, then Purchaser shall be deemed to be in default under this Agreement, and Seller shall have the right to retain the Deposit, in accordance with the provisions of **Section 16.1** hereof.

CONDITIONS TO PURCHASER'S OBLIGATIONS

Conditions to Purchaser's Obligations. Purchaser's obligation to consummate the transfers contemplated by this Agreement and to deliver the balance of the Purchase Price and the other documents and instruments required under **Article 8** hereof is subject to satisfaction of the following conditions (any of which may be waived by Notice from Purchaser):

Seller shall have completed all of the deliveries required of Seller under **Article 8** hereof, and all such documents and instruments shall be in form and substance reasonably satisfactory to Purchaser and its counsel;

Purchaser shall have received the Audited Financial Statements and the financial condition and results of operations of the Property as represented by such Audited Financial Statements shall not materially deviate from the financial condition and results of operations of the Property as represented by the Financial Statements provided, however, that Purchaser agrees in all instances to exercise its right to terminate this Agreement for failure of the condition to Closing described in this **Section 11.1(b)** within 5 Business Days after Purchaser's receipt of the Audited Financial Statements (or such right to terminate shall be deemed waived).

Seller shall have delivered an original executed ROFR Waiver and Release;

Any Hotel Renovations that have been performed prior to Closing shall have been performed in accordance with the requirements of **Section 17.12** hereof;

Purchaser and Franchisor shall have entered into a new franchise agreement for the Hotel; provided, however, if Franchisor is willing to execute its standard Franchise Agreement, but Purchaser is unwilling to do so, then Purchaser shall have waived its right to terminate this

Agreement based on the failure of the condition set forth in this **Section 11.1(e)**;

The Title Company shall be irrevocably committed to issue a title policy (i) in conformance with the Title Report, subject only to the Permitted Exceptions and (ii) which insures Purchaser's easement estates granted to Purchaser pursuant to the Parking and Easement Agreement materially consistent with the "Schedule B-2 Exceptions" set forth in the Title Commitments VC50009652 and VC50009653 issued by Title Company;

Purchaser's Board Members shall have been appointed members of the Board of Managers of the Condominium Association;

Subject to **Section 17.5.2(b)** hereof, a Settlement Agreement in substantially the form previously delivered to Purchaser by Seller and currently available on Seller's online due diligence datasite as "MARK-LODGE SETTLEMENT AGREEMENT 04-08-05.RED) (the "**Settlement Agreement**") between Seller and the Residential Owners (as such term is defined in the Settlement Agreement) and that certain Easement Amendment (as such term in defined in the Settlement Agreement) shall each have been executed, the Consent Condition thereunder shall have been satisfied and all action items set forth in Sections 2.1 and 2.2 of the Settlement Agreement shall have been completed;

Permanent (as opposed to temporary) certificates of occupancy shall have been issued with respect to the entire Hotel;

Seller shall have terminated the Operating Lease and delivered to Purchaser written evidence of such termination;

New Liquor Licensee shall have obtained the New Liquor License; and

Subject to the second to last paragraph of **Article 6**, all of the representations, covenants and agreements of Seller contained herein shall be true and correct and/or shall have been paid and performed, as the case may be, in all material respects.

ACTIONS AND OPERATIONS PENDING CLOSING

Actions and Operations Pending Closing.

Seller agrees that, between the date hereof and the Closing Date, if this Agreement has not been terminated by Purchaser pursuant to **Section 11.1** hereof:

the Hotel will continue to be operated and maintained substantially in accordance with the present standards;

Seller will not, without the prior written consent of Purchaser, which may be granted or withheld in Purchaser's reasonable discretion, enter into any contracts or commitments with respect to the Hotel involving any capital expenditures or material construction; provided, however, that the consent of Purchaser shall not be required (w) with respect to execution and delivery of the Settlement Agreement and all documents contemplated thereby (including, without limitation, the Easement Amendment, which shall be a Permitted Exception for all purposes hereunder), (x) in the event of a Casualty or an Emergency, (y) with respect to Hotel Renovations pursuant to **Section 12.1(b)**, or (z) with respect to matters set forth on Seller's calendar year 2005 capital construction budget.

Seller will not, without the prior written consent of Purchaser, which may be granted or withheld in Purchaser's reasonable discretion, (x) sell, pledge or transfer any of its interest in any of the Property other than in the ordinary course of business, (y) enter into any (A) new Hotel Contracts or (B) new licenses or permits or (z) cancel, materially modify or renew any of the existing Hotel Contracts (other than a Non-Material Hotel Contract) or Space Leases, the Franchise Agreement, the Penthouse Documents, the Declaration or the Condominium Documents (except as contemplated by the Settlement Agreement) or accept any rent or other payment under any Space Lease or the Penthouse Documents for more than one month in advance; provided, however, that Seller may, without Purchaser's prior consent, enter into (I) Non-Material Contracts, (II) purchase orders for FF&E, Food and Beverage, Consumables and/or Operating Equipment in the ordinary course of business, and (III) applications to obtain or renew Permits used in the ordinary course of business or required for the continued operation of the business of the Hotel or the transfer contemplated hereby;

notwithstanding the provisions of **Section 12.1(a)(iii)** above, Seller shall have the right, without giving Notice to or receiving the consent of Purchaser, to make (and accept cancellations of) Bookings in the ordinary course of business;

Seller will execute and Purchaser, where necessary, will join in the execution of, all applications and instruments reasonably requested by Purchaser which are required in connection with the transfer of all transferable Permits (other than Excluded Permits) in order to transfer the benefits of such Permits to Purchaser on the Closing Date; provided, however, no such transfer shall be effective unless and until the Closing occurs. Purchaser shall be responsible for, and pay immediately upon Seller's request, all costs related to such applications and instruments. Seller, subject to the next succeeding sentence, shall use commercially reasonable efforts to preserve in force all existing Permits and to cause all those expiring during the period between the date hereof and the Closing to be renewed prior to the Closing Date. If any such Permit (other than Excluded Permits, but inclusive of the Existing Liquor License) shall be suspended or revoked, Seller shall promptly so notify Purchaser and shall use commercially reasonable efforts to cause the reinstatement of such Permit without any additional limitation or condition;

During the 7 day period prior to the Closing Date, Purchaser shall be entitled to have up to 2 representatives at the Hotel, at reasonable times and under reasonable circumstances, to observe the operations of the Hotel, provided (a) Purchaser makes arrangements with Hotel management prior to sending such representative(s) to the Hotel and (b) such representative(s) do not interfere with Hotel management or employees or any of the operations of the Hotel; and

to the extent maintained by a prudent owner of comparable properties that are similarly situated to the Hotel, Seller will maintain in effect all policies of insurance for the Hotel which are in effect as of the date hereof, or similar policies of insurance, with no less than the limits

of coverage now carried with respect to the Hotel.

Pursuant to **Section 17.12** of this Agreement, between the date hereof and the Closing Date, Seller will be performing the Hotel Renovations in accordance with the requirements of **Section 17.12** hereunder. Notwithstanding anything to the contrary contained herein, Purchaser's consent shall not be required for Seller to perform the Hotel Renovations or enter into any agreements or contracts necessary to perform the Hotel Renovations, provided the same are performed in accordance with the requirements of **Section 17.12** hereunder and so long as (i) the work performed and the materials installed are performed and installed in the same manner as was employed by Seller prior to the date hereof, and (ii) Purchaser shall not have any liability with respect to such Hotel Renovations.

Between the date hereof and the Closing Date, Seller will use commercially reasonable efforts to cause the Encroachment Agreement to be entered into prior to the Closing.

Between the date hereof and the Closing Date, Seller will use commercially reasonable efforts to cause (x) all parties to the Settlement Agreement to execute the same, (y) the Consent Condition thereunder to be satisfied and (z) all action items set forth in Sections 2.1 and 2.2 of the Settlement Agreement to be completed.

If Purchaser's consent is required pursuant to this **Article 12**, Purchaser shall respond to Seller within 5 Business Days after Seller's request for consent. If Purchaser fails to respond to Seller within such 5-Business Day period, Purchaser shall be deemed to have consented to the requested action.

CASUALTIES AND TAKINGS

Casualties.

Notice. If any substantial damage to the Real Property and/or Parking Easement Property shall occur on or before the Closing Date by reason of fire or other casualty (a "**Casualty**"), Seller will give Purchaser Notice (a "**Casualty Notice**") of such event upon the earlier of the Closing Date or 5 Business Days following such Casualty.

Restoration. If the cost to repair and restore the Real Property and/or Parking Easement Property, as the case may be, exceeds $4,000,000 (as reasonably estimated by an independent and disinterested architect or registered professional engineer competent to make such estimate and selected by Seller no later than 15 Business Days following such Casualty), then Purchaser shall have the option to terminate this Agreement by giving Seller Notice to such effect within 5 Business Days after the receipt of the report of the architect or engineer referred to above. If Purchaser elects to terminate this Agreement pursuant to this **Section 13.1**, this Agreement shall be deemed null and void (except for those obligations which expressly survive termination), the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser. If Purchaser does not timely elect to terminate this Agreement as hereinabove provided, or if Purchaser is obligated to close because the cost to repair or restore the Casualty (as reasonably estimated by the independent and disinterested architect or registered professional engineer described above) does not exceed the amount set forth above, then the Closing shall take place as herein provided without adjustment of the Purchase Price, and, subject to **Section 13.1.3** hereof, Seller shall, at the Closing, pay or assign to Purchaser (by written instrument in the case of any assignment, but without recourse, representation or warranty) the proceeds from all fire and other casualty insurance paid or payable to Seller and/or the owner of the Parking Easement Property with respect to the Casualty.

To the extent that Seller, in accordance with this Agreement, elects to commence any repair, replacement or restoration of the Property prior to Closing, then Seller shall be entitled to receive and apply available insurance proceeds to any portion of such repair, replacement or restoration completed or installed prior to Closing, with Purchaser being responsible for completion of such repair, replacement or restoration after Closing from the balance of any available insurance proceeds. The provisions of this **Section 13.1.3** shall survive the Closing and delivery of the Deed to Purchaser.

Taking. If Seller has knowledge of the actual or threatened taking of all or any part of the Real Property and/or Parking Easement Property by exercise of right of eminent domain, Seller will give Purchaser prompt written notice (a "**Condemnation Notice**") of such event. If, on or before the Closing Date, all of the Real Property and/or Parking Easement Property shall be taken or threatened to be taken by exercise of right or eminent domain, or there shall be taken or threatened to be taken so material a part thereof that, in the reasonable judgment of Purchaser, the taking does or, in the case of a threatened taking, will, materially interfere with the use of the Hotel, then Purchaser may elect to terminate this Agreement by giving Seller Notice to such effect by the earlier to occur of (a) the Closing Date or (b) 15 days after Seller has given Purchaser the Condemnation Notice. If Purchaser elects to terminate this Agreement pursuant to this **Section 13.2**, this Agreement shall be deemed null and void (except for those obligations which expressly survive termination), the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser. If Purchaser does not timely elect to terminate this Agreement or if Purchaser is obligated to close because the condemnation does not materially interfere with the use of the Hotel, then the Closing shall take place as herein provided without any abatement of the Purchase Price, and Seller shall, by written instrument at the Closing, assign to Purchaser all of Seller's and/or the Parking Easement Property owner's right, title and interest in and to any condemnation award. For purposes of this **Section 13.2**, the term "taking" shall include temporary takings in excess of 15 days within a 365-day period as well as permanent takings.

ESCROW ARRANGEMENTS

Escrow Agent/Escrow Agreement. Purchaser and Seller shall enter into an agreement (the "**Escrow Agreement**") with the Title Company ("**Escrow Agent**") substantially in the form attached hereto as **Exhibit H**, to act as escrow agent with respect to the Deposit paid pursuant to this Agreement.

NOTICES

Notices by Parties. Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (any of the same a "**Notice**", herein collectively called "**Notices**") required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and shall be hand delivered, sent by nationally recognized overnight courier or transmitted by facsimile (with hard copy confirmation by overnight courier; provided, that, receipt of a hard copy confirmation by overnight courier shall not be required for notice to be effective), addressed to the party to be so notified as follows:

If to Purchaser to:

DiamondRock Hospitality Limited Partnership

c/o DiamondRock Hospitality Company

10400 Fernwood Road, suite 300

Bethesda, Maryland 20817

Attention: Michael Schecter, General Counsel

Telephone: (301) 380-6012

Telecopy: (301) 380-6850

with a copy to:

Willkie Farr & Gallagher LLP

787 Seventh Avenue

New York, New York 10019

Attention: Steven D. Klein, Esq.

Telephone: (212) 728-8000

Telecopy: (212) 728-8111

If to Seller to:

VAMHC, Inc.

c/o Vail Associates, Inc.

137 Benchmark Road

Avon, Colorado 81620

Attention: General Counsel

Telephone: (970) 845-2927

Telecopy: (970) 845-2928

with a copy to:

Brownstein Hyatt & Farber, P.C.

410 17th Street, 22nd Floor

Denver Colorado 80202

Attention: Gary M. Reiff

Telephone: (303) 223-1114

Telecopy: (303) 223-1111

A Notice shall be effective on the earlier of (x) actual receipt or (y) hand delivery or the following Business Day after sent by overnight courier for next Business Day delivery as the case may be. Either party may at any time change the address for Notices to such party by giving a Notice as aforesaid.

DEFAULT BY PURCHASER OR SELLER

Default by Purchaser. If (i) Purchaser shall default in the payment of the Purchase Price or if Purchaser shall default in the performance of any of its other material obligations to be performed on the Closing Date, or (ii) Purchaser shall default in the performance of any of its material obligations to be performed prior to the Closing Date and, with respect to any default under this clause (ii) only, such default shall continue for 5 days after notice to Purchaser, **THEN SELLER'S SOLE REMEDY BY REASON THEREOF SHALL BE TO TERMINATE THIS AGREEMENT AND, UPON SUCH TERMINATION, NEITHER PARTY HERETO SHALL HAVE ANY FURTHER OBLIGATIONS HEREUNDER EXCEPT FOR THOSE THAT ARE EXPRESSLY PROVIDED IN THIS AGREEMENT TO SURVIVE THE TERMINATION HEREOF AND SELLER SHALL RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES FOR PURCHASER'S DEFAULT HEREUNDER, IT BEING AGREED THAT THE DAMAGES BY REASON OF PURCHASER'S DEFAULT ARE DIFFICULT, IF NOT IMPOSSIBLE, TO ASCERTAIN.** Nothing contained in this **Section 16.1** is intended to or shall be construed in any way to limit or restrict the rights and remedies of Seller for a breach of any of Purchaser's covenants, agreements and obligations contained in **Sections 4.2, 17.3, 17.4, 17.5.1 and 17.8.4** of this Agreement. SELLER AND PURCHASER FURTHER AGREE THAT THIS **SECTION 16.1** IS INTENDED TO AND DOES LIMIT THE AMOUNT OF DAMAGES DUE SELLER AND THE REMEDIES AVAILABLE TO SELLER, AND, ABSENT FRAUD AND EXCEPT AS EXPRESSLY SET FORTH IN **SECTIONS 17.3, 17.4, 17.5.1 AND 17.8.4**, SHALL BE SELLER'S EXCLUSIVE REMEDY AGAINST PURCHASER, BOTH AT LAW AND IN EQUITY, ARISING FROM OR RELATED TO A BREACH BY PURCHASER OF ITS REPRESENTATIONS, WARRANTIES, OR COVENANTS OR ITS OBLIGATION TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS CONTRACT. UNDER NO CIRCUMSTANCES MAY SELLER SEEK OR BE ENTITLED TO RECOVER ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR INDIRECT DAMAGES, ALL OF WHICH SELLER SPECIFICALLY WAIVES, FROM PURCHASER FOR ANY BREACH BY PURCHASER, OF ITS REPRESENTATIONS, WARRANTIES OR COVENANTS OR ITS OBLIGATIONS UNDER THIS AGREEMENT.

Default by Seller. If (i) Seller shall default in any of its material obligations to be performed on the Closing Date or (ii) Seller shall default in the performance of any of its material obligations to be performed prior to the Closing Date and, with respect to any default under this clause (ii) only, such default shall continue for 5 days after notice to Seller, then Purchaser as its SOLE AND EXCLUSIVE REMEDY by reason thereof (in lieu of prosecuting an action for damages or proceeding with any other legal course of conduct, the right to bring such actions or proceedings being expressly and voluntarily waived by Purchaser, to the extent legally permissible, following and upon advice of its counsel) shall have the right, subject to the other provisions of this **Section 16.2**, (i) to seek to obtain specific performance of Seller's obligations hereunder or (ii) to receive from Seller a return of the Deposit and up to $300,000 for Purchaser's reasonable, documented out-of-pocket costs and expenses actually and directly incurred by Purchaser in the negotiation of this Agreement and Purchaser's diligence investigation (such amount shall not be in addition to, or duplicative of, the amount for cost reimbursement set forth in the second to last paragraph of **Article 6**, it being the intent of the parties that Purchaser is capped at $300,000 for all such costs and expenses to be recovered from Seller). Upon such return and delivery, this Agreement shall terminate and neither party hereto shall have any further obligations hereunder except for those that are expressly provided in this Agreement to survive the termination hereof. Nothing contained in this **Section 16.2** shall diminish Purchaser's remedies, post-Closing to the extent expressly set forth in **Sections 17.3, 17.4 and 17.5.2** of this Agreement. SELLER AND PURCHASER FURTHER AGREE THAT THIS **SECTION 16.2** IS INTENDED TO AND DOES LIMIT THE AMOUNT OF DAMAGES DUE PURCHASER AND THE REMEDIES AVAILABLE TO PURCHASER, AND ABSENT FRAUD AND EXCEPT AS EXPRESSLY SET FORTH IN **SECTIONS 17.3, 17.4 AND 17.5.2**, SHALL BE PURCHASER'S EXCLUSIVE REMEDY AGAINST SELLER, BOTH AT LAW AND IN EQUITY, ARISING FROM OR RELATED TO A BREACH BY SELLER OF ITS REPRESENTATIONS, WARRANTIES, OR COVENANTS OR ITS OBLIGATION TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS CONTRACT. UNDER NO CIRCUMSTANCES MAY PURCHASER SEEK OR BE ENTITLED TO RECOVER ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR INDIRECT DAMAGES, ALL OF WHICH PURCHASER SPECIFICALLY WAIVES, FROM SELLER FOR ANY BREACH BY SELLER, OF ITS REPRESENTATIONS, WARRANTIES OR COVENANTS OR ITS OBLIGATIONS UNDER THIS AGREEMENT.

Survival. This **Article 16** shall survive the Closing or termination of this Agreement.

ADDITIONAL COVENANTS

[Intentionally Omitted]

Liquor Licenses.

Existing Liquor License. All Permits related to the retail sale of alcoholic beverages (collectively, the "**Existing Liquor License**") are held by Operating Tenant**.** The Existing Liquor License will terminate upon the transfer of the Hotel. The sale of the Property shall be contingent upon New Liquor Licensee's ability to obtain a temporary Hotel and Restaurant Liquor License (the "**New Liquor License**"). Purchaser agrees to refund promptly to Seller any and all refundable deposits or fees paid by Seller in consideration for any Permits, including the Existing Liquor License, to the extent Purchaser receives any such deposits or fees.

New Liquor License. Seller shall cause New Liquor Licensee timely to give all required notices to the Liquor Authority, together with any applications, filing and license fees, and required back-up documentation in connection with its application for the New Liquor License and permanent hotel and restaurant liquor license to replace the New Liquor License (the "**Permanent Liquor License**"). Seller shall cause New Liquor Licensee to diligently prosecute such application for the New Liquor License and Permanent Liquor License and timely provide all information required by the Liquor Authorities. Seller shall cause New Liquor Licensee to (i) keep Purchaser reasonably informed throughout the application process of the status of receipt of the New Liquor License and Permanent Liquor License, (ii) provide Purchaser with copies of any material documents with respect to the application process (including copies of any required notices and the application to the Liquor Authority), (iii) provide Purchaser reasonable notice of and the opportunity to attend any Liquor Authority

hearings in connection with New Liquor Licensee obtaining the New Liquor License or Permanent Liquor License, and (iv) immediately notify Purchaser whether Manager is denied or approved the New Liquor License and Permanent Liquor License. If the New Liquor License is denied to New Liquor Licensee (other than because of Purchaser's suitability) and Purchaser has complied with its obligations under this **Section 17.2.2**, Purchaser may terminate this Agreement, following which the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser.

Survival. This **Section 17.2** shall survive the Closing or termination of this Agreement.

Broker's Commission. Purchaser warrants and represents to Seller that Purchaser has not dealt or negotiated with any broker in connection with the transaction contemplated by this Agreement. Purchaser shall indemnify, defend and hold harmless Seller from and against any and all Losses resulting from a breach of the foregoing representation or any claim that may be made by any broker or other person claiming a commission, fee or other compensation by reason of having dealt with Purchaser in connection with this transaction including, without limitation, any Loss incurred in enforcing this indemnity. Seller warrants and represents to Purchaser that Seller has not dealt or negotiated with any broker in connection with this transaction. Seller shall indemnify, defend and hold harmless Purchaser from and against any and all Losses resulting from a breach of the foregoing representation or any claim that may be made by any broker or other person claiming a commission, fee or other compensation by reason of having dealt with Seller in connection with this transaction including, without limitation, any Loss incurred in enforcing this indemnity. This **Section 17.3** shall survive the Closing or termination of this Agreement.

Safe Deposit Boxes and Baggage. On the Closing Date, Seller shall cause the delivery to Manager of (i) all of Seller's keys to the safe deposit boxes in the Hotel, together with all receipts and agreements relating to such safe deposit boxes and (ii) all baggage, valises, trunks and other property of guests checked or left in the care of Seller or retained by Seller as security for any accounts receivable. Seller shall remain responsible for any claims pertaining to such property (including, without limitation, the contents of any baggage, valises and trunks) relating to the period prior to the Closing Date, and Seller agrees to indemnify and hold the Purchaser Indemnified Parties harmless from and against any and all Losses to the extent arising in connection therewith. This **Section 17.4** shall survive the Closing or termination of this Agreement.

Indemnities and Releases.

Purchaser's Indemnity. From and after the Closing, Purchaser shall protect, defend, indemnify and hold Seller and Seller's officers, directors, shareholders, affiliates, partners, members, parents, subsidiaries, successors and assigns (collectively, "**Seller Indemnified Parties**"), free and harmless from and against (i) any and all third party Losses for personal injury or death and property damage to the extent related to the Hotel and also accruing from and after the Closing, and (ii) any Losses to the extent arising from a breach of Purchaser's representations set forth in **Section 6.2** ("**Seller's Claims**"). Notwithstanding anything in this Agreement to the contrary, the indemnity set forth in subsentence (ii) above shall survive for 36 months after the Closing Date. Such indemnity, as well as Purchaser's representations set forth in **Section 6.2** shall automatically be null and void and of no further force and effect on the date immediately succeeding the 36 month anniversary of the Closing Date, unless on or before such date, Seller shall have provided notice to Purchaser pursuant to **Article 15** hereof alleging that Purchaser shall be in breach of such representation or warranty and that Seller shall have suffered actual damages as a result thereof. Seller shall then have 30 days following delivery of such notice to commence a legal proceeding against Purchaser. If Seller has not commenced a legal proceeding against Purchaser within such 30-day period following delivery of notice, then such representations and indemnity shall be null and void and Purchaser's obligations under this **Section 17.5.1** with respect to such representations and indemnity shall terminate.

Seller's Indemnity.

From and after the Closing, Seller shall protect, defend, indemnify and hold Purchaser and Purchaser's officers, directors, shareholders, affiliates, partners, members, parents, subsidiaries, successors and assigns (collectively, "**Purchaser Indemnified Parties**"), free and harmless from and against (i) any and all third party Losses for personal injury or death and property damage to the extent related to the Hotel and also accruing prior to the Closing, (ii) any Losses to the extent arising from (A) a breach of Seller's Representations, and (B) a breach of Seller's covenants set forth in **Sections 12.1(a)(ii, iii, and iv)** (except to the extent that Purchaser has knowledge or information of an inaccuracy or breach of representation, warranty or covenant as provided in the last sentence of the last paragraph of **Section 6.1** and nonetheless Closes), and (iii) any Losses to the extent arising from or related to any wages, vested vacation and sick time, vested retirement benefits and all other employee costs with respect to individuals who work at the Hotel relating to the time period prior the Apportionment Time (except to the extent apportioned) (collectively, "**Purchaser's Claims**"). Notwithstanding anything in this Agreement to the contrary, (x) Seller's Property Representations and the indemnity set forth in subsentence (ii) above with respect to Seller's Property Representations and the covenants referenced therein shall survive for 12 months after the Closing Date and (y) any other of Seller's Representations (other than Seller's Property Representations) and the indemnity set forth in subsentence (ii) above with respect to same shall survive for 36 months after the Closing Date (each of such 12 and 36 months periods, as applicable, a "**Survival Period**"). Each of (x) Seller's Property Representations and the indemnity set forth in subsentence (ii) above with respect to Seller's Property Representations and the covenants referenced therein and (y) any other of Seller's Representations (other than Seller's Property Representations) and the indemnity set forth in subsentence (ii) above with respect to same, shall automatically be null and void and of no further force and effect on the expiration date of the applicable Survival Period unless, on or before such expiration date, Purchaser shall have provided notice to Seller pursuant to **Article 15** hereof alleging that Seller shall be in breach of such representation or warranty and that Purchaser shall have suffered actual damages as a result thereof. Purchaser shall then have 30 days following delivery of such notice to commence a legal proceeding against Seller. If Purchaser has not commenced a legal proceeding against Seller within such 30-day period following delivery of notice, then such representations and indemnity shall be null and void and Seller's obligations under this **Section 17.5.2** with respect to such representations and indemnity shall terminate. The maximum aggregate amount of liability that Seller shall have under any circumstance under this Agreement for any claim or Loss (singularly or in aggregate of all claims and Losses) for a breach of Seller's Representations and the indemnity obligation set forth in subsentence (ii) shall not exceed, in the aggregate, $3,000,000.00 (the "**Damage Cap**"); provided, however, that Purchaser shall not have the right to assert a claim under this **Section 17.5.2(a)** for a breach of Seller's Representations or the indemnity obligation set forth in subsentence (ii) unless the Loss to Purchaser on account of such breach (individually or when combined with Losses from other breaches) equals or exceeds $600,000 (the "**Threshold**"), in which event Purchaser may assert claims for the full amount of such Loss (including the initial $600,000 of Loss incurred prior to reaching the

Threshold), but in no event to exceed the Damage Cap. Notwithstanding the foregoing, to the extent that the Hotel maintains insurance with respect to a matter that would be a Purchaser Claim, Purchaser shall first seek recovery from such insurance (and not from Seller) and only the amounts not so covered by insurance shall count toward the $600,000 Threshold; provided, that the determination as to whether a matter that would be a Purchaser Claim is covered by insurance maintained by the Hotel shall be made in Purchaser's reasonable discretion.

If, at Closing, Seller shall not be able to satisfy the conditions set forth in **Section 11.1(h)** hereof (the "**Indemnifiable Closing Conditions**"), but all other conditions to Purchaser's obligation to proceed with Closing under this Agreement shall have been satisfied, then the Closing shall occur notwithstanding the fact that the Indemnifiable Closing Conditions shall not have been satisfied, and Seller shall indemnify and hold harmless Purchaser and Purchaser's Indemnitees from and against any and all Losses that Purchaser or Purchaser's Indemnitees may suffer or incur arising from either (i) a Released Claim as defined in the Assignment and Assumption of Assumed Obligations, or (ii) any claim that the Condominium Association or any owner of record of an Apartment Unit (as such term is defined in the Declaration) may have against Seller in its capacity as the owner of the Unit based on (x) there being any outstanding unpaid "common expenses" (as such term is defined in the Declaration) relating to the Unit as of the date of Closing, or (y) the Seller, as the owner of the Unit, being in violation, breach or default of any of the terms or conditions of the Declaration as of the date of the Closing. Purchaser acknowledges that, pursuant to the Settlement Agreement, Seller may waive the Consent Condition and Purchaser agrees that, notwithstanding anything in this Agreement to the contrary, Seller may, in its sole discretion, waive the Consent Condition at any time. If Seller waives the Consent Condition prior to Closing, then the Indemnifiable Closing Conditions shall be deemed satisfied for purposes of **Section 11.1**, this **Section 17.5.2(b)** and **Section 17.10**, and in addition to the indemnity set forth in the immediately preceding sentence, Seller shall indemnify and hold harmless Purchaser and Purchaser's Indemnitees from and against any and all Losses to the extent arising from a claim by a lender who has not signed a consent to the Easement Amendment attached to the Settlement Agreement, which claim relates to a matter covered by the Easement Amendment which would not otherwise exist had such lender consented to the Easement Amendment. The foregoing indemnities shall not deemed to include any claims that any owner of record of an Apartment Unit may have against the Condominium Association. Purchaser covenants that it will not cause the Condominium Association to bring an action against Seller in its capacity as the owner of record of the Unit after the Closing for any matter accruing prior to the Closing (unless required in the exercise of fiduciary duty required by applicable law or a court of competent jurisdiction). The foregoing sentence shall survive the Closing. Seller's indemnifications set forth in this **Section 17.5.2(b)** shall survive Closing for a period of 36 months (but the indemnity set forth in clauses (i) and (ii)(y) (but not (ii)(x)) of the first sentence of this **Section 17.5.2(b)**, shall terminate early and be of no force or effect if the Indemnifiable Closing Conditions are satisfied or deemed satisfied before or after Closing) and shall not be subject to the Damage Cap or the $600,000 Threshold set forth in subsection (a) above.

Assumed Obligations. Whenever it is provided in this Agreement that one party shall assume an obligation or be responsible for a payment, the party assuming such obligation shall be deemed to have also agreed to indemnify and hold harmless the other party from all Losses arising from any failure of the assuming party to perform such obligation or make such payment.

Indemnification Process. The party seeking or entitled to indemnification under this Agreement shall provide prompt Notice to the other party (the "**Indemnitor**") specifying, with reasonable detail, the matter for which such indemnification is claimed. The Indemnitor shall have the right, upon giving Notice to the other party within 30 days after the date it received Notice from such party, to take primary responsibility for the prosecution or defense of such matter, provided such prosecution or defense is diligently pursued with counsel reasonably satisfactory to the indemnified party. If the Indemnitor takes responsibility for the prosecution or defense of the action, the indemnitee may participate at the indemnitee's own cost and defense in such action. The Indemnitor shall not settle or compromise any claim without the indemnitee's consent, unless the Indemnitor does so without imposing any obligations on the indemnitee or admitting liability on behalf of the indemnitee.

Release of Seller. Other than with respect to Purchaser's Claims, Seller shall not be responsible or liable to Purchaser for any defects, errors or omissions, or on account of any physical conditions affecting the Property. Other than with respect to Purchaser's Claims, Purchaser, its successors and assigns, and anyone claiming by, through or under Purchaser, hereby fully releases the Seller Indemnified Parties from, and irrevocably waives its right to maintain, any and all claims and causes of action that it or they may now have or hereafter acquire against the Seller Indemnified Parties with respect to any and all Losses arising from or related to any defects, errors, omissions or other physical conditions affecting the Property.

Release of Purchaser. Other than with respect to Seller's Claims, Purchaser shall not be responsible or liable to Seller for any defects, errors or omissions, or on account of any physical conditions affecting the Property. Other than with respect to Seller's Claims, Seller, its successors and assigns, and anyone claiming by, through or under Seller, hereby fully releases the Purchaser Indemnified Parties from, and irrevocably waives its right to maintain, any and all claims and causes of action that it or they may now have or hereafter acquire against the Purchaser Indemnified Parties with respect to any and all Losses arising from or related to any defects, errors, omissions or other physical conditions affecting the Property.

Survival. This **Section 17.5** shall survive the Closing or termination of this Agreement.

Agreements Regarding At-Large Manager. As soon as practicable after the later to occur of the Closing or satisfaction of the Indemnifiable Closing Conditions, Seller shall cooperate with Purchaser to call a special meeting pursuant to the Condominium Documents in order to elect a successor to replace the At-Large Manager with a desginee specified by Purchaser. Notwithstanding the foregoing, at any time after the Closing, Purchaser may require Seller to cause the At-Large Manager to resign effective immediately and not conditioned on the election of such At-Large Manager's successor. Unless the At-Large Manager is constrained from doing so in the exercise of his fiduciary duties required by applicable law, from and after the Closing Date, Seller shall cause the At-Large Manager to vote or take any other action as directed by Purchaser. The terms of this **Section 17.6** shall survive the Closing.

Tax Appeal Proceedings. Seller may receive and retain the proceeds from any tax appeals or protests for tax prior to the year in which the Closing Date occurs. Until the Closing, Seller may initiate (and provide Notice to Purchaser of such initiation) and prosecute any tax appeals for taxes attributable to the year in which the Closing Date occurs; after the Closing Date, Seller shall relinquish and assign to Purchaser the rights to appeal to Purchaser, to the extent requested by Purchaser, in which event Seller shall be entitled to pro-rata

reimbursement with Purchaser of their respective attorneys fees and costs pursuant to the next sentence. The net proceeds from any proceedings for real property taxes due and payable for the tax year in which the Closing Date occurs, after payment of attorneys' fees and other costs and any amounts payable to third parties including, but not limited to, legal fees and disbursements and consultant and expert witness fees, will be prorated, as of the Closing Date, between the parties when received. Neither Purchaser nor Seller shall settle any appeal or protest for the tax year in which the Closing occurs without the prior consent of the other party, which consent may not be unreasonably withheld or delayed. This **Section 17.7** shall survive the Closing.

Post-Closing Obligations.

Ski Lift. Purchaser acknowledges that Seller currently is contemplating building a new ski lift or tram in the vicinity of the Hotel. To the extent that Seller actually decides to build such a new ski lift or tram, Seller agrees that no portion of the construction, maintenance, repair upkeep insurance or other costs relating to the ski lift or tram shall be passed through to Purchaser by Seller (or any affiliate of Seller), directly or indirectly, through Condominium Association assessments or otherwise.

Planned Condominiums. Purchaser acknowledges that pursuant to the West Day Plat, for purposes of zoning the Land and the Adjacent Lots are treated as one development site, and, accordingly, development standards are based upon the improvements and land area of the combined areas of the Land and the Adjacent Lots. Purchaser hereby agrees that, from and after the Closing, Purchaser shall not further develop the Land or construct any additional improvements, units or room thereon inconsistent with the Agreement Regarding Density Allocation attached hereto as **Exhibit BB** (the "**Agreement Regarding Density Allocation**"), to be executed by Purchaser and Seller at Closing and recorded with the Clerk and Recorder of Eagle County. Except as provided in the Agreement Regarding Density Allocation, the West Day Plat shall be a "Shared Permit" with the Land and Adjacent Lots having their respective rights thereunder.

Hotel Books and Records. Following the Closing Date, Seller and its affiliates shall, subject to any confidentiality and/or proprietary restrictions, make available to Purchaser any computer systems, books, records, ledgers, files, information and data which are in the possession of Seller or its affiliates and relate to the ownership or operation of the Property but were not included within the Hotel Books and Records conveyed to Purchaser at Closing.

Assignment of Hotel Contracts. If any Hotel Contract requires consent to such assignment from Seller to Purchaser, but such consent has not been obtained prior to Closing, this Agreement, to the extent permitted by law, shall constitute an equitable assignment by Seller to Purchaser of all of Seller's rights, benefits, title and interest in and to the assigned Hotel Contracts, and Purchaser shall, as between Purchaser and Seller, assume the obligations of Seller under such Hotel Contracts and indemnify Seller from any Losses arising from such Hotel Contracts from and after the Closing Date, as set forth in **Section 17.5.3**; it being understood, however, that Seller shall indemnify Purchaser and Purchaser's Indemnitees from and against any Losses relating to the Hotel Contracts that arise and accrue before the Closing Date (but excluding the mere fact of failure to obtain consent to assignment).

Garage Certificate of Occupancy. If not received by the Closing Date, following the Closing Date, Seller and its affiliates shall exercise commercially reasonable efforts to obtain a final permanent certificate of occupancy from the applicable local governmental authorities with respect to the Parking Easement Property. Seller shall promptly forward a copy of such document and all correspondence relating thereto upon receipt.

Hotel PIP. Attached hereto as **Exhibit HH** is a copy of the Property Improvement Plan for the Hotel (the "**PIP**") as required by Franchisor. In connection therewith, Purchaser and Seller hereby agree as follows:

From and after the Effective Date until the Closing, Seller and Purchaser will cooperate with each other to negotiate in good faith with Franchisor to reduce the scope of PIP items required by Marriott.

Seller shall be responsible, at no cost to Purchaser, for completing the PIP items identified on **Exhibit HH** as a "Vail Obligation."

Seller shall contribute one dollar (up to an aggregate of $750,000) to fund the PIP under the new franchise agreement for the Hotel for every two dollars that Purchaser funds; provided, however, that Seller's obligation to contribute to PIP funding shall commence only after Purchaser has expended $2,000,000 for the PIP from the FF&E Reserve.

Survival. The terms of this **Section 17.8** shall survive the Closing and delivery of the Deed.

Confidentiality/Return of Documents. Purchaser and Seller each hereby covenant and agree that, at all times after the date of this Agreement and prior to the Closing, unless expressly consented to in writing by the other party, no public disclosure (including, without limitation, by press release or other media) shall be made concerning this transaction. Seller and Purchaser each agree to keep strictly confidential the existence and terms of this Agreement and all information provided to or obtained by Seller or Purchaser pursuant to this Agreement or otherwise in connection with the transaction contemplated hereby; provided, however, that such information may be disclosed (a) to employees, officers and directors of Purchaser or Seller, to Purchaser's Consultants, or to Purchaser's or Seller's outside counsel and accountants or other consultants subject to the same standard of confidentiality, (b) as may be required by law or a court, (c) to the extent required under any filings with the Securities and Exchange Commission or any securities exchange, (d) to any or employees of the Securities and Exchange Commission, analysts, underwriters, lenders or potential investors (and any attorneys, accountants, professional consultants or employees of the same) in connection with Purchaser's initial public offering, and (e) as may be required to be delivered to the Liquor Authority in connection with Purchaser obtaining the New Liquor License. Prior to or simultaneously with making any permitted disclosure, the party making such disclosure agrees to provide the other party hereto with a true and complete copy thereof. Purchaser hereby acknowledges and agrees that all materials and information relating to the Property supplied to Purchaser by or on behalf of Seller or obtained by Purchaser in accordance with **Article 4** hereof shall be treated in accordance with the terms and provisions of this **Section 17.9**. Such information shall be used solely for evaluating Purchaser's investment in the Property. If this Agreement terminates or the transaction contemplated under this Agreement fails to close for any reason whatsoever, Purchaser shall deliver to Seller all of the documents, financial statements, reports or other information relating to the Property supplied to Purchaser by or on behalf of Seller or obtained by Purchaser in accordance with **Article 4** hereof, including all Third Party Reports (to the extent Purchaser is not legally

prohibited in its reasonable judgment from delivering such materials to Seller). This **Section 17.9** shall survive the Closing or termination of this Agreement.

Assignment of Assumed Obligations - Post Closing. Seller and Purchaser recognize that, although Seller will use commercially reasonable efforts to accomplish the same, the Indemnifiable Closing Conditions may not be met by Closing. As a result, if the Indemnifiable Closing Conditions are not met by Closing and Seller has not waived the Consent Condition as provided in **Section 17.5.2(b)**, then Purchaser and Seller agree that (i) Seller will continue to use commercially reasonable efforts after the Closing to satisfy the Indemnifiable Closing Conditions as promptly as possible, (ii) the Assumed Obligations will not be transferred at Closing, (iii) Seller will not deliver the items required under **Section 8.2.1(o)** at the Closing, (iv) the Assignment and Assumption of Assumed Obligations will not be executed at Closing, (v) **Sections 11.1(g) and (h)** will not be conditions to Purchaser's obligation to Close, (vi) once the Consent Condition under the Settlement Agreement has been satisfied, Purchaser will reasonably cooperate with Seller (at Seller's cost) to complete the actions contemplated under Sections 2.1 and 2.2 under the Settlement Agreement and agrees that the Condominium Documents will govern the Condominium Association and (vii) within 10 days after the Indemnifiable Closing Condition has, in fact, been met (which the Seller and Purchaser acknowledge may be after the Closing), Seller and Purchaser will execute the Assignment and Assumption of Assumed Obligations, Seller will deliver the items required under **Section 8.2.1(o)**, and Purchaser will permit the recordation of the Easement Amendment (as defined in the Settlement Agreement) to be recorded against the Property**.** The obligations of Seller and Purchaser under this **Section 17.10** shall survive the Closing.

Assignment. Purchaser shall not, without Seller's prior written consent which may be withheld for any or no reason, have the right to assign any of its right, title or interest in this Agreement or any of its rights or obligations hereunder to any person or entity, and, in the event any such consent is granted, Purchaser shall pay any and all costs and expenses, including, without limitation, any and all transfer and sales taxes which may be incurred in connection therewith and shall make all filings required with respect thereto. Any attempted assignment by Purchaser in violation of the preceding sentence shall be null and void and of no force and effect. An assignment or transfer of this Agreement shall not relieve the Purchaser named herein of any of the obligations of the Purchaser under this Agreement. Notwithstanding anything to the contrary hereinabove set forth, Purchaser may transfer or assign this Agreement and/or any rights hereunder, in whole, without first obtaining Seller's consent thereto, to an Affiliate of Purchaser provided such Affiliate succeeding to the interest of Purchaser hereunder shall assume the obligations and covenants of Purchaser under this Agreement; provided, that Purchaser provides Seller with Notice of such assignee at least 10 days prior to the Closing Date and Purchaser is not relieved of its obligations hereunder. For purposes of this **Section 17.11**, the term "**Affiliate**" means any entity in which Purchaser owns, directly or indirectly, not less than 80% of the equity and voting interests in such entity and which entity is managed by Purchaser or Persons controlled, controlled by or under common control, directly or indirectly, with Purchaser. This **Section 17.11** shall survive the Closing or termination of this Agreement.

Hotel Renovations. Seller shall use commercially reasonable efforts to complete and pay for the Hotel Renovations prior to the Closing. If the Hotel Renovations are not completed prior to the Closing, Purchaser nonetheless shall be obligated to close the transaction contemplated hereby; provided that Seller, at its sole cost and expense, shall be obligated to complete the Hotel Renovations following the Closing, and Purchaser hereby provides Seller with a license sufficient to access the Property to complete such Hotel Renovations. Seller shall perform, or cause to be performed, the Hotel Renovations (i) in accordance with the contracts for the Hotel Renovations entered into prior to the date hereof and described on **Exhibit T** attached hereto (the "**Hotel Renovation Contracts**"), (ii) in a diligent manner, (iii) using good construction practices and with new and first-class materials, (iii) in compliance with all applicable laws, (iv) lien free, with all work and supplies being paid for on-time (except for those matters which Seller, at its own expense, and after prior Notice to Purchaser protests, provided such protest is permitted under and is conducted in accordance with the provisions of any mortgage, deed of trust or other instrument that the Real Property is subject and does not constitute a default thereunder, and for which Seller takes appropriate measures to protect the Property from enforcement of mechanics liens which shall include that (a) any such protest be initiated promptly and conducted in good faith, with due diligence and in accordance with all applicable statutes, laws and ordinances; (b) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost during or on account of such protest; (c) Seller shall promptly upon final determination thereof pay or cause to be paid the amount of any such work and supplies, together with all costs, interest and penalties which may be payable in connection therewith; (d) such protest shall suspend the collection of such contested work and supplies; and (e) Seller shall furnish such security as may be reasonably required in the protest, or as may be reasonably requested by Purchaser, to insure the payment of any such work and supplies, together with all interest and penalties thereon) and (v) in a manner and at such times as will reasonably minimize any noise, vibration or other interference with the operations of the Hotel. Notwithstanding any provisions of **Section 12.1** hereof to the contrary, Seller shall not enter into any amendments, modifications or supplements to the Hotel Renovation Contracts without Purchaser's prior consent, which may be withheld in Purchaser's sole discretion.

Recording. Neither this Agreement nor any memorandum thereof may be recorded without first obtaining the consent thereto of both Seller and Purchaser. If Purchaser records this Agreement or memorandum thereof, such recordation shall be an immediate default of this Agreement by Purchaser without the necessity of notice or an opportunity to cure and Purchaser hereby appoints Sellers its attorney-in-fact to execute any and all documents necessary to remove such documentation from record.

Further Instruments and Acts. The parties shall execute and deliver, or cause to be executed and delivered, such additional instruments, assignments, assurances, certificates and documents, and shall do such further acts, as may be reasonably necessary to carry out the provisions of this Agreement.

Attorneys' Fees. If any arbitration (to the extent expressly provided for hereunder) or action is brought by either Purchaser or Seller relating to this Agreement or the transfer contemplated hereby, the substantially prevailing party shall recover its reasonable attorneys' fees (including those of in-house counsel and appeal), costs and expenses incurred in such action. This **Section 17.15** shall survive the Closing or termination of this Agreement.

Severability. The provisions of this Agreement are severable, and if any provision or part hereof or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part hereof to other persons or circumstances shall not be affected thereby, unless the invalidation of such provision or its application materially interferes with the intent of the parties hereto.

Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado (without giving effect to Colorado's principles of conflicts of law). Subject to **Section 17.25**, all claims, disputes and other matters in question arising out of or relating to this Agreement, or the breach thereof, shall be decided by proceedings instituted and litigated in a court of competent jurisdiction in the State of Colorado, and the parties hereto expressly consent to the venue and jurisdiction of such court. FURTHER, PURCHASER AND SELLER HEREBY WAIVE TRIAL BY JURY IN ANY SUCH ACTION. This **Section 17.17** shall survive the Closing or termination of this Agreement.

Third-Party Beneficiaries. This Agreement shall solely benefit the parties hereto. There are no third-party beneficiaries to this Agreement, except for the Seller's Indemnified Parties with respect to Purchaser's indemnification obligations hereunder and the Purchaser Indemnified Parties with respect to Seller's indemnification obligations hereunder. This **Section 17.18** shall survive the Closing or termination of this Agreement.

Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original but all of which, taken together, shall constitute but one and the same instrument and shall be binding upon each of the undersigned individually as fully and completely as if all had signed but one instrument and the rights and liabilities of each of the undersigned hereunder shall be unaffected by the failure of any of the other parties to execute any or all of said counterparts provided that each of the parties executes at least one counterpart.

Entire Agreement. This Agreement (including the Exhibits), together with the Escrow Agreement, constitutes the entire agreement and understandings among the parties hereto concerning the subject matter hereof and all prior agreements and understandings between and among the parties hereto, whether written or oral, relating to the subject matter hereto, are merged into, and contained in, this Agreement and the Escrow Agreement.

Modifications. This Agreement may not be waived, changed, modified, discharged or terminated orally, but only by an agreement in writing, signed by the party or parties against whom enforcement of any waiver, change, modification, discharge or termination is sought.

[intentionally deleted]

Non-Waiver. No failure on the part of Seller or Purchaser or any of their respective agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by Seller or Purchaser of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Except as provided in this Agreement, the remedies hereunder are cumulative and are not exclusive of any remedies provided by law. This **Section 17.23** shall survive the Closing or termination of this Agreement.

Successors. The terms and provisions of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns. This **Section 17.24** shall survive the Closing or termination of this Agreement.

Special Taxing Districts. Seller provides the following disclosures to Purchaser: SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND EXCESSIVE TAX BURDENS TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. PURCHASER SHOULD INVESTIGATE THE DEBT FINANCING REQUIREMENTS OF THE AUTHORIZED GENERAL OBLIGATION INDEBTEDNESS OF SUCH DISTRICTS, EXISTING MILL LEVIES OF SUCH DISTRICT SERVICING SUCH INDEBTEDNESS, AND THE POTENTIAL FOR AN INCREASE IN SUCH MILL LEVIES.

TERMINATION RIGHT

Reciprocal Termination Right. The parties acknowledge that, promptly following the execution and delivery of this Agreement, they intend to negotiate in good faith to agree on and finalize forms of the Cooperation and Easement Agreement and Parking Easement Agreement (and guaranties of the obligations arising thereunder) that are acceptable to both parties in their sole discretion. If either party shall conclude that, despite their good faith efforts, the parties will be unable to agree on forms of such documents, then, at any time on or before 7:00 pm (Eastern) on May 10, 2005, either party may terminate this Agreement in its entirety effective immediately upon delivery of notice to such effect. If either party duly elects to terminate this Agreement pursuant to this **Section 18.1**, then this Agreement shall be deemed null and void (except for those obligations which expressly survive termination), the parties hereto shall have no further obligations to or recourse against each other except as otherwise expressly set forth herein, and the Deposit shall be returned to Purchaser. If neither party terminates this Agreement pursuant to this **Section 18.1** by 7:00 pm (Eastern) on May 10, 2005, then this **Article 18** shall be of no further force or effect and shall automatically be deemed deleted from this Agreement.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

PURCHASER: DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP, a Delaware limited partnership

By: DiamondRock Hospitality Company, a Maryland corporation, its general partner

By: _____
Name:

Title:

SELLER: VAMHC, INC., a Colorado corporation

By: _____
Name:
Title:

Exhibit 10.18(b)

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT (this "**Amendment**"), dated as of the 10th day of May, 2005, is made by and between VAMHC, INC., a Colorado corporation, having an office at c/o Vail Associates, Inc., 137 Benchmark Road, Avon, Colorado 81620 ("**Seller**"), and DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP, a Delaware limited partnership, having an office at c/o DiamondRock Hospitality Company, 10400 Fernwood Road, Suite 300, Bethesda, Maryland 20817 ("**Purchaser**").

W I T N E S S E T H :

WHEREAS, Seller and Purchaser, entered into a Purchase and Sale Agreement (as the same may be amended from time to time, referred to hereinafter as the "Sale Agreement") for the sale of that certain premises (the "Property") known as the Vail Marriott Mountain Resort and Spa; and

WHEREAS, Seller and Purchaser desire to amend and modify the Sale Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree that the Sale Agreement is hereby amended as follows:

1. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Sale Agreement.
2. Section 8.1 of the Sale Agreement hereby is deleted in its entirety and replaced with the following: "The closing of the transaction contemplated hereby (the "**Closing**") shall take place in escrow with the Title Company on June 16, 2005 (the "**Closing Date**"). Provided that Purchaser is not in default under the terms of this Agreement, Purchaser shall be permitted a one-time 14-day extension of the Closing Date specified in the first sentence of this **Section 8.1** by (a) delivering written notice to Seller no later than 10 days prior to the scheduled Closing Date, and (b) simultaneously with such notice to Seller, delivering to Escrow Agent the amount of $2,000,000, which amount when received by Escrow Agent shall be added to the Deposit hereunder, shall be non-refundable (except as otherwise expressly provided herein with respect to the Deposit), and shall be held, credited and disbursed in the same manner as provided hereunder with respect to the Deposit."
3. Section 8.2.1(l) of the Sale Agreement hereby is deleted in its entirety and replaced with the following: "A Parking Easement Agreement in the form of **Exhibit LL** attached hereto (the "**Parking Easement Agreement**") and duly executed and acknowledged by the owner of property identified on **Exhibit A-3** burdened by the Parking Easement Agreement (the "**Parking Easement Property**")." Attached to this Amendment as **Exhibit A** is a copy of Exhibit LL to the Sale Agreement.
4. Section 8.2.1(n) of the Sale Agreement hereby is deleted in its entirety and replaced with the following: "A Cooperation and Easement Agreement in a form of **Exhibit MM-1** attached hereto(the "**Cooperation and Easement Agreement**"), together with the side letter attached hereto as **Exhibit MM-2** (the "**Side Letter**"), duly executed (and, in the case of the Cooperation and Easement Agreement, acknowledged) by Seller." Attached to this Amendment as **Exhibit B-1** and **Exhibit B-2**, respectively, are copies of Exhibit MM-1 and Exhibit MM-2 to the Sale Agreement.
5. Section 8.2.1(p) of the Sale Agreement hereby is deleted in its entirety and replaced with the following: "A duly executed Seller's Guaranty, and guarantee of certain obligations under the Parking Easement Agreement and Cooperation Easement Agreement in the form of **Exhibit KK** attached hereto, each duly executed by Guarantor." Attached to this Amendment as **Exhibit C** is a copy of Exhibit KK to the Sale Agreement.
6. Section 8.2.2(f) of the Sale Agreement hereby is deleted in its entirety and replaced with the following: "A Purchaser's Guaranty, and guarantee of certain obligations under the Parking Easement Agreement and Cooperation Easement Agreement in the form of **Exhibit JJ** attached hereto, each duly executed by DiamondRock Hospitality Limited Partnership." Attached to this Amendment as **Exhibit D** is a copy of Exhibit JJ to the Sale Agreement.
7. Section 8.2.2(h) of the Sale Agreement hereby is deleted in its entirety and replaced with the following: "A duly executed (and, to the extent applicable, acknowledged) Cooperation and Easement Agreement and Side Letter.
8. The following is added to the end of Section 12.1(d) of the Sale Agreement: "Between the date hereof and the Closing Date, Seller and Purchaser shall work in good faith to determine the "Liquidated Damages" amount set forth in Section 2(f) of the Parking Easement Agreement and the "Monthly Parking Payment" described in Section 4(b)(ii) of the Parking Easement Agreement, each in accordance with the terms of such Sections in the form of the Parking Easement Agreement attached hereto as **Exhibit LL**. Between the date hereof and May 19, 2005, but in any event prior to the Closing Date, Seller and Purchaser shall use commercially reasonable efforts to agree upon the Condominium Principles to be attached as Exhibit C to the Parking Easement Agreement; provided however, that the failure of Purchaser and Seller to agree upon such Condominium Principles within the time frames set forth above shall not result in a failure of any condition precedent to either party's obligation to close the transaction contemplated by this Agreement or otherwise give rise to any rights to terminate this Agreement. If, notwithstanding such commercially reasonable efforts, Seller and Purchaser are unable to agree upon the Condominium Principles prior to the Closing Date, then each of Purchaser and Seller shall mutually select a partner at an independent Denver, Colorado law firm (who has significant experience in transactions involving commercial condominiums in the State of Colorado, and whose cost shall be shared by the parties) to review each of Seller's and Purchaser's proposed Condominium Principles and mediate to arrive at a set of Condominium Principles which more accurately reflects the prevailing custom and market conditions for similar condominiums in the State of Colorado."
9. Article 18 of the Sale Agreement hereby is deleted in its entirety.
10. Exhibit I to the Sale Agreement hereby is deleted in its entirety and replaced with **Exhibit E** attached hereto.
11. The terms "this Agreement" or "Sale Agreement" as used herein or in the Sale Agreement prior to the execution of this Amendment shall mean the Sale Agreement as modified hereby.

12. Except as amended hereby, the terms and provisions of the Sale Agreement remain unmodified and in full force and effect and are hereby in all respects ratified and confirmed.
13. This Amendment may be executed in any number of counterparts, each of which shall be an original, but all of such counterparts together shall constitute one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, Seller and Purchaser have caused this Amendment to be executed as of the day and year first above written.

PURCHASER:

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP, a Delaware limited partnership

By: DiamondRock Hospitality Company, a Maryland corporation, its general partner

By: _____
Name:
Title:

SELLER:

VAMHC, INC., a Colorado corporation

By: _____
Name:
Title:

EXHIBIT A

Form of Parking Easement Agreement
(attached)

EXHIBIT B-1

Form of Cooperation and Easement Agreement
(attached)

EXHIBIT B-2

Form of Side Letter
(attached)

EXHIBIT C

Form Of Seller's Cooperation Agreement and Parking Easement Agreement Guaranty
(attached)

EXHIBIT D

Form Of Purchaser' Cooperation Agreement and Parking Easement Agreement Guaranty
(attached)

EXHIBIT E

Actions or Proceedings
(attached)

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, Adam M. Aron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the report based on such evaluation; and
    c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2005

/s/ ADAM M. ARON
Adam M. Aron
Chairman of the Board and
Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, Jeffrey W. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and

cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the report based on such evaluation; and
    c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 9, 2005

/s/ Jeffrey W. Jones
Jeffrey W. Jones
Senior Vice President and
Chief Financial Officer

Exhibit 32

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

AND THE CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his capacity as an officer of Vail Resorts, Inc. (the "Company") that the quarterly report of the Company on Form 10-Q for the quarter ended April 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and the results of operations of the Company at the end of and for the periods covered by such Report.

Date: June 9, 2005

/s/ ADAM M. ARON
Adam M. Aron
Chairman of the Board and
Chief Executive Officer

Date: June 9, 2005

/s/ Jeffrey W. Jones
Jeffrey W. Jones
Senior Vice President and
Chief Financial Officer

This certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is not a part of the Form 10-Q to which it refers, and is, to the extent permitted by law, provided by each of the above signatories to the extent of his respective knowledge.