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 January 31, 2007

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

Commission File Number: 1-9614

Vail Resorts, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**51-0291762**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
390 Interlocken Crescent, Suite 1000, Broomfield, Colorado	**80021**
(Address of Principal Executive Offices)	(Zip Code)

(303) 404-1800
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

x Yes ☐ No

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

Large accelerated filer x   Accelerated filer ☐   Non-accelerated filer ☐

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

☐ Yes x No

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

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements -- Unaudited

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

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

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

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

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

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

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

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

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

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

	Six Months Ended January 31, 2007	Six Months Ended January 31, 2006
Net cash provided by operating activities	$ 196,886	$ 100,426
Cash flows from investing activities:		
Capital expenditures	(62,058)	(55,112)
Investments in real estate	(88,567)	(64,905)
Proceeds from sale of businesses	--	30,712
Other investing activities, net	354	(4,018)
Net cash used in investing activities	(150,271)	(93,323)
Cash flows from financing activities:		
Repurchases of common stock	(15,007)	--
Proceeds from borrowings under Non-Recourse Real Estate Financings	33,067	5,233
Payments of Non-Recourse Real Estate Financings	(1,493)	--
Proceeds from borrowings under other long-term debt	48,012	20,980
Payments of other long-term debt	(58,508)	(24,909)
Proceeds from exercise of stock options	6,803	27,635
Other financing activities, net	3,583	2,919
Net cash provided by financing activities	16,457	31,858
Net increase in cash and cash equivalents	63,072	38,961
Cash and cash equivalents:		
Beginning of period	191,794	136,580
End of period	$ 254,866	$ 175,541

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

1. Organization and Business

Vail Resorts, Inc. ("Vail Resorts" or the "Parent Company") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in three business segments: Mountain, Lodging and Real Estate. In the Mountain segment, the Company owns and operates five world-class ski resorts and related ancillary businesses at Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado and the Heavenly Ski Resort ("Heavenly") in the Lake Tahoe area of California and Nevada. These resorts use federal land under the terms of Special Use Permits granted by the USDA Forest Service (the "Forest Service"). The Company also holds a 61.7% interest in SSI Venture, LLC ("SSV"), a retail/rental company. In the Lodging segment, the Company owns and operates various hotels, as well as RockResorts International, LLC ("RockResorts"), a luxury hotel management company, and Grand Teton Lodge Company ("GTLC"), which operates three resorts within Grand Teton National Park (under a National Park Service concessionaire contract), and the Jackson Hole Golf & Tennis Club ("JHG&TC") in Wyoming. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary, conducts the operations of the Company's Real Estate segment. The Company's Mountain business and its Lodging properties at or around the Company's ski resorts are seasonal in nature with peak operating seasons from mid-November through mid-April. The Company's operations at GTLC generally run from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 6, Variable Interest Entities).

In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire year. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended July 31, 2006. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The July 31, 2006 Consolidated Condensed Balance Sheet was derived from audited financial statements.

2. Summary of Significant Accounting Policies

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

3. Net Income Per Common Share

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" ("EPS"), establishes standards for computing and presenting EPS. SFAS No. 128 requires the dual presentation of basic and diluted EPS on the face of the Consolidated Condensed Statements of Operations and requires a reconciliation of numerators (net income/loss) and denominators (weighted-average shares outstanding) for both basic and diluted EPS in the footnotes. Basic EPS excludes dilution and is computed by dividing net income/loss available to common stockholders by the weighted-average shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of the Company. Presented below is basic and diluted EPS for the three months ended January 31, 2007 and 2006 (in thousands, except per share amounts):

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

The number of shares issuable on the exercise of stock based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 24,000 and 448,000 for the three months ended January 31, 2007 and 2006, respectively.

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

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

Total shares	38,734	39,199	37,133	37,981
Net income per share	$ 0.44	$ 0.44	$ 0.23	$ 0.23

The number of shares issuable on the exercise of stock based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 116,000 and 448,000 for the six months ended January 31, 2007 and 2006, respectively.

4. Long-Term Debt

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

	Maturity (a)	January 31, 2007	July 31, 2006	January 31, 2006
Credit Facility Revolver	2010	$ --	$ --	$ --
SSV Facility	2011	--	6,261	6,233
Industrial Development Bonds	2009-2020	57,700	61,700	61,700
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
Non-Recourse Real Estate Financings (b)	2009	44,931	13,357	5,233
6.75% Senior Subordinated Notes ("6.75% Notes")	2014	390,000	390,000	390,000
Other	2007-2029	7,100	7,335	7,570
Total debt		552,306	531,228	523,311
Less: Current maturities (c)		440	5,915	5,673
Long-term debt		$ 551,866	$ 525,313	$ 517,638

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

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

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

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

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

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

5. Supplementary Balance Sheet Information

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

	January 31, 2007	July 31, 2006	January 31, 2006
Land and land improvements	$ 247,997	$ 248,941	$ 244,841
Buildings and building improvements	538,426	529,316	526,808
Machinery and equipment	455,382	426,457	426,726
Vehicles	27,121	25,671	25,436
Furniture and fixtures	124,201	113,696	111,610
Construction in progress	41,035	39,149	21,024
Gross property, plant and equipment	1,434,162	1,383,230	1,356,445
Accumulated depreciation	(565,977)	(532,118)	(498,245)
Property, plant and equipment, net	$ 868,185	$ 851,112	$ 858,200

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

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

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

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

6. Variable Interest Entities

The Company has determined that it is the primary beneficiary of four employee housing entities (collectively, the "Employee Housing Entities"), Breckenridge Terrace, LLC (“Breckenridge Terrace”), The Tarnes at BC, LLC ("Tarnes"), BC Housing LLC and Tenderfoot Seasonal Housing, LLC, which are Variable Interest Entities ("VIEs"), and has consolidated them in its Consolidated Condensed Financial Statements. As a group, as of January 31, 2007, the Employee Housing Entities had total assets of $41.4 million (primarily recorded in property, plant and equipment, net) and total liabilities of $65.4 million (primarily recorded in long-term debt as “Employee Housing Bonds”). All of the assets ($7.1 million as of January 31, 2007) of Tarnes serve as collateral for Tarnes' Tranche B Employee Housing Bonds. The Company has issued under its senior credit facility (the “Credit Facility”) $38.3 million letters of credit related to the Tranche A Employee Housing Bonds and $12.6 million letters of credit related to the Tranche B Employee Housing Bonds. The letters of credit would be triggered in the event that one of the entities defaults on required payments. The letters of credit have no default provisions.

The Company has determined that it is the primary beneficiary of Avon Partners II (“APII”), which is a VIE. APII owns commercial space and the Company currently leases substantially all of that space. APII had total assets of $4.5 million (primarily recorded in property, plant and equipment, net) and no debt as of January 31, 2007.

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

The Company, through various lodging subsidiaries, manages the operations of several entities that own hotels in which the Company has no ownership interest. The Company also has extended a $1.5 million note receivable to one of these entities. These entities were formed to acquire, own, operate and realize the value in resort hotel properties. The Company managed the day-to-day operations of seven hotel properties as of January 31, 2007. The Company has determined that the entities that own the hotel properties are VIEs, and the management contracts are significant variable interests in these VIEs. The Company has also determined that it is not the primary beneficiary of these entities and, accordingly, is not required to consolidate any of these entities. Based on information provided to the Company by owners of the entities, these VIEs had total assets of approximately $194.5 million and total liabilities of approximately $79.4 million as of January 31, 2007. The Company's maximum exposure to loss as a result of its involvement with these VIEs is limited to the note receivable and accrued interest of approximately $1.7 million and the net book value of the intangible asset associated with the management agreements in the amount of $2.4 million as of January 31, 2007.

7. Relocation and Separation Charges

In February 2006, the Company announced a plan to relocate its corporate headquarters; the plan was formally approved by the Company’s Board of Directors in April 2006. The relocation process (which also includes the consolidation of certain other operations of the Company) was substantially completed by January 31, 2007. The Company currently expects that the total charges associated with the relocation that will result in cash expenditures will be approximately $3.8 million (which includes charges for severance and retention of approximately $1.7 million, charges for contract termination costs of approximately $400,000 and facility, employee and other relocation costs of approximately $1.7 million), of which $3.6 million was incurred through January 31, 2007. The above amounts do not reflect any of the anticipated benefits expected to be realized from the relocation and consolidation of offices.

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

	Severance and Retention	Contact Termination	Facility, Employee and Other Relocation

	Benefits	Costs	Costs	Total
Balance at July 31, 2006	$ 873	$ --	$ 283	$ 1,156
Relocation charges	67	303	865	1,235
Payments	(911)	(106)	(1,060)	(2,077)
Balance at January 31, 2007	$ 29	$ 197	$ 88	$ 314

8. Sale of Businesses

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

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

9. Put and Call Options

The Company holds an approximate 61.7% ownership interest in SSV. The Company and GSSI, LLC ("GSSI"), the minority shareholder in SSV, have remaining put and call rights with respect to SSV: (1) beginning August 1, 2007 and each year thereafter, each of the Company and GSSI shall have the right to call or put respectively, 100% of GSSI's ownership interest in SSV to the Company during certain periods each year; and (2) GSSI has the right to put to the Company 100% of its ownership interest in SSV at any time after GSSI has been removed as manager of SSV or an involuntary transfer of the Company's ownership interest in SSV has occurred. The put and call pricing is generally based on the trailing twelve month EBITDA (as defined in the operating agreement) of SSV for the fiscal period ended prior to the commencement of the put or call period, as applicable.

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

In March 2001, in connection with the Company's acquisition of a 51% ownership interest in RTP, LLC ("RTP"), the Company and RTP's minority shareholder entered into a put agreement whereby the minority shareholder can put up to an aggregate one-third of its original 49% interest in RTP to the Company during the period from August 1 through October 31 annually. The put price is determined primarily by the trailing twelve month EBITDA (as defined in the underlying agreement) for the period ending prior to the beginning of each put period. The Company has determined that this put option should be marked to fair value through earnings. The put period was extended in October 2006, and again in February 2007 (the “Provisional Put Period”). The Provisional Put period will expire no later than June 30, 2007. As a result of the extensions, the Company did not recognize any gain or loss as the estimated fair value of the put option liability did not change during the three and six months ended January 31, 2007. For the three and six months ended January 31, 2006, the Company recorded gains of $1.0 million and $34,000, respectively, representing a decrease in the estimated fair value of the put option liability during those periods. As of January 31, 2007, the Company had a 54.5% interest in RTP. RTP's minority shareholder has the option to put 27.8% of its remaining interest in RTP to the Company as of January 31, 2007.

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

10. Related Party Transactions

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

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

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

11. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances $8.5 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through an $8.6 million letter of credit issued against the Company's Credit Facility. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to Red Sky Ranch Metropolitan District ("RSRMD") until RSRMD's revenue streams from property taxes are sufficient to meet debt service requirements under HCMD's bonds, and the Company has recorded a liability of $1.1 million, $1.3 million and $1.7 million, primarily within "other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheets, as of January 31, 2007, July 31, 2006 and January 31, 2006, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates that it will make capital improvement fee payments under this arrangement through the year ending July 31, 2008.

Guarantees

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

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

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

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

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

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

Commitments

In the ordinary course of obtaining necessary zoning and other approvals for the Company's potential real estate development projects, the Company may contingently commit to the completion of certain infrastructure, improvements and other costs related to the projects. Fulfillment of such commitments is required only if the Company moves forward with the development project. The determination of whether the Company ultimately completes a development project is entirely at the Company's discretion, and is generally contingent upon, among other considerations, receipt of satisfactory zoning and other approvals and the current status of the Company's analysis of the economic viability of the project, including the costs associated with the contingent commitments. The Company currently has obligations, recorded as liabilities in the accompanying Consolidated Condensed Balance Sheet, to complete or fund certain improvements with respect to real estate developments; the Company has estimated such costs to be approximately $11.6 million as of January 31, 2007, and anticipates completion of the majority of these commitments within the next two years.

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

Self Insurance

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

Legal

The Company is a party to various lawsuits arising in the ordinary course of business, including Resort (Mountain and Lodging) related cases and contractual and commercial litigation that arises from time to time in connection with the Company's real estate operations. Management believes the Company has adequate insurance coverage or has accrued for loss contingencies for all known matters that are deemed to be probable losses and estimable.

Cheeca Lodge & Spa Contract Dispute

In March 2006, RockResorts was notified by the ownership of Cheeca Lodge & Spa, formerly a RockResorts managed property, that its management agreement was being terminated effective immediately. RockResorts believed that the termination was in violation of the management agreement and sought monetary damages, and recovery of attorney’s fees and costs. Cheeca Holdings, LLC, the entity owner of the hotel property, asserted that RockResorts breached the management contract, among other alleged breaches, and sought a ruling that it had the right to terminate the management contract and sought monetary damages, and recovery of attorneys’ fees and costs. Pursuant to the dispute resolution provisions of the management agreement, the disputed matter went before a single judge arbitrator at the JAMS Arbitration Tribunal in Chicago, Illinois. The Company has incurred $672,000 and $4.3 million of legal related costs related to this matter in the three and six months ended January 31, 2007, respectively, which is included in “contract dispute charges” in the accompanying Consolidated Condensed Statements of Operations for the three and six months ended January 31, 2007. In February 2007, the arbitrator rendered a decision in favor of the Company (see Note 14, Subsequent Event, for more information regarding the arbitrator’s ruling).

Breckenridge Terrace Employee Housing Construction Defect/Water Intrusion Claims

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

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

12. Stock Repurchase Plan

On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock. During the three and six months ended January 31, 2007, the Company repurchased 167,700 and 358,400 shares of common stock at a cost of $7.5 million and $15.0 million, respectively. Since inception of this stock repurchase plan, the Company has repurchased 673,500 shares at a cost of approximately $25.8 million. As of January 31, 2007, 2,326,500 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under the Company's employee stock based compensation plans. Acquisitions under the share repurchase program will be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The timing as well as the number of shares that may be repurchased under the program will depend on a number of factors including the Company's future financial performance, the Company's available cash resources and competing uses for cash that may arise in the future, the restrictions in the Credit Facility and in the Indenture, dated as of January 29, 2004 among the Company, the guarantors therein and the Bank of New York, as Trustee, prevailing prices of the Company's common stock and the number of shares that become available for sale at prices that the Company believes are attractive. The stock repurchase program may be discontinued at any time and is not expected to have a significant impact on the Company's capitalization.

13. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 6.75% Notes (see Note 4, Long-Term Debt) are fully and unconditionally guaranteed on a joint and several, senior subordinated basis by substantially all of the Company's consolidated subsidiaries (collectively, and excluding Non-Guarantor Subsidiaries (as defined below), the "Guarantor Subsidiaries") except for Boulder/Beaver LLC, Colter Bay Corporation, Eagle Park Reservoir Company, Forest Ridge Holdings, Inc., Gros Ventre Utility Company, Jackson Lake Lodge Corporation, Jenny Lake Lodge, Inc., Mountain Thunder, Inc., RT Partners, Inc. and RTP, SSV, Larkspur Restaurant & Bar, LLC, Vail Associates Investments, Inc., Arrabelle, Gore Creek, Timber Trail, Inc. and VR Holdings, Inc. (together, the "Non-Guarantor Subsidiaries"). APII, FFT and the Employee Housing Entities are included with the Non-Guarantor Subsidiaries for purposes of the consolidated condensed financial information, but are not considered subsidiaries under the indentures governing the 6.75% Notes.

Presented below is the consolidated condensed financial information of the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for the Non-Guarantor subsidiaries is presented in the column titled "Other Subsidiaries." Balance sheet data is presented as of January 31, 2007, July 31, 2006 and January 31, 2006. Statement of operations data is presented for the three and six months ended January 31, 2007 and 2006. Statement of cash flows data is presented for the six months ended January 31, 2007 and 2006.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (35,705)	$ 199,690	$ 32,901	$ 196,886
Cash flows from investing activities:				
Capital expenditures	--	(42,349)	(19,709)	(62,058)
Investments in real estate	--	(38,721)	(49,846)	(88,567)
Other investing activities, net	--	2,578	(2,224)	354
Net cash used in investing activities	--	(78,492)	(71,779)	(150,271)
Cash flows from financing activities:				
Repurchases of common stock	--	(15,007)	--	(15,007)
Proceeds from borrowings under long-term debt	--	1,645	79,434	81,079
Payments of long-term debt	--	(5,662)	(54,339)	(60,001)
Proceeds from exercise of stock options	6,803	--	--	6,803
Other financing activities, net	3,432	(2,604)	2,755	3,583
Advances from (to) affiliates	25,470	(32,485)	7,015	--
Net cash (used in) provided by financing activities	35,705	(54,113)	34,865	16,457
Net increase (decrease) in cash and cash equivalents	--	67,085	(4,013)	63,072
Cash and cash equivalents:				
Beginning of period	--	179,998	11,796	191,794
End of period	$ --	$ 247,083	$ 7,783	$ 254,866

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

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (19,028)	$ 95,386	$ 24,068	$ 100,426
Cash flows from investing activities:				
Capital expenditures	--	(48,510)	(6,602)	(55,112)
Investments in real estate	--	(30,513)	(34,392)	(64,905)
Proceeds from sale of businesses	--	30,712	--	30,712
Other investing activities, net	--	414	(4,432)	(4,018)
Net cash used in investing activities	--	(47,897)	(45,426)	(93,323)
Cash flows from financing activities:				
Proceeds from borrowings under long-term debt	--	20,392	5,821	26,213
Payments of long-term debt	--	(24,909)	--	(24,909)
Proceeds from exercise of stock options	27,635	--	--	27,635
Other financing activities, net	6,376	1,792	(5,249)	2,919
Advances (to) from affiliates	(14,983)	(3,364)	18,347	--
Net cash provided by (used in) financing activities	19,028	(6,089)	18,919	31,858
Net increase (decrease) in cash and cash equivalents	--	41,400	(2,439)	38,961
Cash and cash equivalents:				
Beginning of period	--	92,879	43,701	136,580
End of period	$ --	$ 134,279	$ 41,262	$ 175,541

14. Subsequent Event

Cheeca Lodge & Spa Contract Dispute

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

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

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

The following Management's Discussion and Analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended July 31, 2006 ("Form 10-K") and the Consolidated Condensed Financial Statements as of January 31, 2007 and 2006 and for the three and six months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding the financial position, results of operations and cash flows of the Company. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements which involve risks and uncertainties. These risks include, but are not limited to, general business and economic conditions, terrorism, war, the weather, changes in the competitive environment of the mountain and lodging industries, real estate development risk, and other factors discussed elsewhere herein and in the Company's filings with the Securities and Exchange Commission ("SEC").

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

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

OVERVIEW

The Company's operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. The Mountain segment is comprised of the operations of five ski resort properties and related amenities, primarily including ski school, dining and retail/rental operations. Mountain segment revenue is seasonal in nature, the majority of which is earned in the Company’s second and third fiscal quarters. Operations within the Lodging segment include ownership/management of a group of eight luxury hotels through the RockResorts International, LLC (“RockResorts”) brand, including four proximate to the Company's ski resorts; the operations of Grand Teton Lodge Company (“GTLC”), which is open generally from mid-May to mid-October; the ownership/management of non-RockResorts branded hotels and condominiums proximate to the Company's ski resorts; and golf course operations, which are open generally from mid-May to mid-October. The Real Estate segment is involved with the vertical and horizontal development of property in and around the Company's resort properties.

The Company's five ski resorts opened for business for the 2006/2007 ski season in November, which fell in the Company's second fiscal quarter; the period during which the ski resorts are open (generally November through April) is the peak operating season for the Mountain segment. The Company’s single largest source of Mountain segment revenue is the sale of lift tickets (including season passes), which represented approximately 47% and 46% of Mountain segment net revenue for the three months ended January 31, 2007 and 2006, respectively. Lift ticket revenues are driven by volume and pricing. Pricing is impacted by both absolute pricing as well as the demographic mix of guests, which impacts the price points at which various products are purchased. The demographic mix of guests is divided into two primary categories: 1) out-of-state and international guests ("Destination") and 2) in-state and local visitors ("In-State"). For the three months ended January 31, 2007, Destination guests comprised approximately 58% of the Company's skier visits, while the In-State market comprised approximately 42% of the Company's skier visits. Destination guests generally purchase the Company's higher-priced lift ticket products and utilize more ancillary services such as ski school, lodging and retail/rental. Destination guests are less likely to be impacted by changes in the weather, due to the advance planning required for their trip, but can be impacted by the economy (including the strength of the U.S. dollar) and the global geopolitical climate. In-State guests tend to be more weather-sensitive and value-oriented; to mitigate against this, the Company markets season passes to In-State guests. Through January 31, 2007, approximately 29% of the total lift revenue recognized was comprised of season pass revenue (of which revenue recognized in the Company’s second fiscal quarter ending January 31, 2007 represented approximately 52% of total fiscal 2007 season pass sales; the remaining season pass sales will be recognized as lift ticket revenue in the third fiscal quarter). The cost structure of ski resort operations is largely fixed; as such, incremental revenue generally has high associated profit margin.

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

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

TRENDS, RISKS AND UNCERTAINTIES

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

- The timing and amount of snowfall has an impact on skier visits. To mitigate this impact, the Company focuses efforts on sales of season passes prior to the beginning of the season to In-State skiers, who are the most weather sensitive visitors to the Company's ski resorts. Additionally, the Company has invested in snowmaking upgrades in an effort to address the inconsistency of early season snowfall where possible. Season pass revenue, although primarily collected prior to the ski season, is recognized in the Consolidated Condensed Statements of Operations during the ski season. Total season pass sales for the 2006/2007 ski season increased by 20.0% over sales for the 2005/2006 ski season as of January 31, 2007. Deferred revenue related to season pass sales was $34.5 million and $29.5 million as of January 31, 2007 and 2006, respectively, which will be recognized as lift revenue during the Company's third fiscal quarter ending April 30, 2007.
- Potential ownership changes of hotels currently under RockResorts management could result in the termination of existing RockResorts management contracts, which could impact the results of operations of the Lodging segment. In February 2007, RockResorts was notified by the ownership of The Equinox that the owner intends to sell the hotel, at which time the management agreement will be terminated (currently anticipated to be in the Company's third fiscal quarter ending April 30, 2007), which will result in the Company receiving a termination fee, but loss of future management fees. RockResorts recognized $822,000 in management fees from The Equinox in the year ended July 31, 2006. In August 2006, RockResorts' management agreement for The Lodge at Rancho Mirage ("Rancho Mirage") was terminated in conjunction with the closing of the hotel as part of a redevelopment plan by the current hotel owner, which resulted in the Company earning a termination fee of $2.4 million (pursuant to the terms of the management agreement), which the Company recorded as Lodging revenue in the six months ended January 31, 2007. RockResorts recognized $644,000 in revenue related to the management of this property in the year ended July 31, 2006. The Company continues to pursue new management contracts, which may include, in addition to management fees, marketing license fees and technical service fees in conjunction with a project's development and sales. For example, the Company recently announced that it will manage the new Rum Cay Resort on Rum Cay Island, Bahamas and will assist in the marketing of whole and fractional ownership of units within the resort and provide technical advisory services in the design and construction of the resort and will manage the new Eleven Biscayne Hotel & Spa in Miami, Florida and will provide technical advisory services for this resort.
- On February 28, 2007, the arbitrator of the JAMS Arbitration Tribunal in Chicago, Illinois, rendered a decision, awarding $8.5 million in damages in favor of RockResorts and against Cheeca Holdings, LLC, the ownership entity of Cheeca Lodge & Spa, the former RockResort managed property located in Islamorada, Florida. The arbitrator found that the ownership group had wrongfully terminated the hotel management contract without good cause, as RockResorts had maintained in the proceedings, and that RockResorts had not breached the management contract, as the ownership group had alleged. The Company has incurred $672,000 and $4.3 million in the three and six months ended January 31, 2007, respectively, and the Company incurred $3.3 million of legal related costs for the year ended July 31, 2006 in connection with the matter which are included in "contract dispute charges" in the Consolidated Condensed Statements of Operations in the respective periods. In accordance with the arbitrator's ruling, RockResorts will seek recovery of costs and attorneys' fees in the last stage of the proceedings, which is expected to be concluded by the end of fiscal 2007. Upon conclusion of that stage, the total award, which will incorporate the $8.5 million damage award and any additional cost recovery award, is final, binding and not subject to appeal. Upon completion of the cost recovery stage, RockResorts will proceed with the collection of the award and will record the actual amount received, upon receipt, in "contract dispute credit (charges), net." As previously disclosed, RockResorts was notified in March 2006 by the ownership entity of Cheeca Lodge & Spa that its management agreement was being terminated effective immediately. RockResorts believed that the termination was in violation of the management agreement and sought monetary damages including recovery of costs and attorneys' fees through binding arbitration in accordance with the dispute resolution provisions of the management agreement.
- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate under contract. Changes to the anticipated timing of closing on one or more real estate projects could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. Additionally, the magnitude of real estate projects currently under development or contemplated could result in a significant increase in Real Estate Reported EBITDA as these projects close, expected in the year ending July 31, 2008 and beyond. The profitability and/or viability of current or proposed real estate development projects could be adversely affected by continued escalation in construction costs and/or a slow-down in market demand, as well as project difficulties or delays and the resulting potential negative financial impact associated with design or construction issues that may arise in the course of construction. For the six months ended January 31, 2007, the Company has recorded $3.9 million of estimated unanticipated costs associated with construction and design issues related to its Jackson Hole Golf & Tennis Club ("JHG&TC") residential development. These costs include estimates to complete remediation work and take into consideration performance requirements and recoveries of costs from other parties involved in the design and construction of the JHG&TC residential development, and as such are subject to change which could impact future operating results.
- In recent years, the Company has shifted its Real Estate focus to more vertical development, which requires significant capital investment prior to the project completion. For example, in addition to previously announced development projects including the Arrabelle at Vail Square and The Lodge at Vail Chalets projects, the Company expects to move forward with the development of the Crystal Peak Lodge and The Ritz-Carlton Residences, Vail (including the construction of related Resort depreciable assets). The Company expects to incur between $500 million and $575 million of construction costs related to these projects subsequent to January 31, 2007.
- In February 2007, the Company and GSSI, LLC ("GSSI") entered into an amended operating agreement whereby the Company will acquire 20% of GSSI's ownership interest for $8.4 million, which is expected to close March 31, 2007. As a result of this transaction, the Company will hold an approximate 69.3% ownership interest in SSI Venture, LLC ("SSV"). In addition, the put and call rights for GSSI's remaining interest in SSV were extended to begin August 1, 2010 and the existing management agreement was extended to coincide with the exercise of the remaining put and call rights.
- In March 2007, the Company and RTP, LLC's ("RTP") minority shareholder entered into a definitive agreement under which RTP's minority shareholder will acquire the Company's 54.5% interest in RTP for approximately $3.5 million. As part of this agreement the Company will retain source code rights to its internal use software and internet solutions. This transaction is expected to close on or around April 30, 2007. As a result of this transaction, the Company will record a net loss of approximately $100,000 on the sale of its investment in RTP including the elimination of the put option liability and the write-off of the associated put option intangible asset.
- The Company is in the process of amending its senior credit facility (the "Credit Facility") with a closing anticipated in March 2007, to reduce the revolving credit facility from $400 million to $300 million (the "Credit Facility Revolver"), extend the maturity on the Credit Facility Revolver, reduce pricing for interest rate margins and commitment fees and improve flexibility in the Company's ability to make investments. Additionally, the amendment will include the elimination of certain covenant ratios and change, for pricing and covenant purposes, the gross debt leverage ratio to a net debt leverage ratio.

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

RESULTS OF OPERATIONS

Summary

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2007	2006	2007	2006
Mountain Reported EBITDA	$ 113,651	$ 97,017	$ 81,162	$ 65,853
Lodging Reported EBITDA	2,039	(815)	6,098	3,294
Real Estate Reported EBITDA	5,825	3,357	6,629	750
Total Reported EBITDA	121,515	99,559	93,889	69,897
Income before provision for income taxes	86,928	70,509	28,214	14,233
Net income	$ 53,026	$ 43,011	$ 17,210	$ 8,682

Net income for the three months ended January 31, 2007 increased by $10.0 million, compared to the three months ended January 31, 2006, which is primarily attributable to an increase in total Reported EBITDA of $22.0 million; as well as a $1.6 million decrease in interest expense, net and a $1.4 million increase in investment income, which were partially offset by a $6.4 million increase in provision for income taxes, a $4.6 million prior year gain on sale of businesses, net, a $1.0 million prior year gain on put options, a $0.9 million prior year mold remediation credit and a $0.9 million increase in minority interest in income of consolidated subsidiaries, net.

Net income for the six months ended January 31, 2007 increased by $8.5 million, compared to the six months ended January 31, 2006, which is primarily attributable to an increase in total Reported EBITDA of $24.0 million; as well as a $2.2 million increase in investment income and a $2.1 million decrease in interest expense, net, which were partially offset by a $5.5 million increase in provision for income taxes, a $4.6 million prior year gain on sale of businesses, net, $4.3 million in contract dispute charges, a $3.0 million increase in depreciation and amortization, $1.2 million in relocation and separation charges, a $1.1 million increase in minority interest in income of consolidated subsidiaries, net and a $0.9 million prior year mold remediation credit.

Presented below is more detailed comparative data and discussion regarding the Company's results of operations for the three and six months ended January 31, 2007 compared to the three and six months ended January 31, 2006.

Mountain Segment

Mountain segment operating results for the three and six months ended January 31, 2007 and 2006 are presented by category as follows (in thousands, except effective ticket price ("ETP")):

	Three Months Ended January 31,		Percentage Increase (Decrease)
	2007	2006	
Lift tickets	$ 128,617	$ 113,468	13.4%
Ski school	34,198	30,752	11.2%
Dining	22,468	21,266	5.7%
Retail/rental	63,291	56,913	11.2%
Other	23,452	23,829	(1.6)%
Total Mountain net revenue	272,026	246,228	10.5%
Total Mountain operating expense	159,871	150,666	6.1%
Mountain equity investment income, net	1,496	1,455	2.8%
Total Mountain Reported EBITDA	$ 113,651	$ 97,017	17.1%
Total skier visits	2,912	2,875	1.3%
ETP	$ 44.17	$ 39.47	11.9%

Total Mountain Reported EBITDA includes $1.1 million and $1.0 million of stock-based compensation expense for the three months ended January 31, 2007 and 2006, respectively.

	Six Months Ended January 31,		Percentage Increase
	2007	2006	
Lift tickets	$ 128,617	$ 113,468	13.4%
Ski school	34,198	30,752	11.2%
Dining	26,354	24,772	6.4%
Retail/rental	87,809	78,618	11.7%
Other	41,211	38,895	6.0%
Total Mountain net revenue	318,189	286,505	11.1%

Total Mountain operating expense	239,358	222,957	7.4%
Mountain equity investment income, net	2,331	2,305	1.1%
Total Mountain Reported EBITDA	$ 81,162	$ 65,853	23.2%
Total skier visits	2,912	2,875	1.3%
ETP	$ 44.17	$ 39.47	11.9%

Total Mountain Reported EBITDA includes $2.1 million and $2.0 million of stock-based compensation expense for the six months ended January 31, 2007 and 2006, respectively.

As the Company's five ski resorts generally open during the second quarter, the results of the six months ended January 31, 2007 and 2006 are driven by substantially the same factors and trends as the three months ended January 31, 2007 and 2006.

Lift revenues increased 13.4% during the three months ended January 31, 2007 compared to the same period in the prior year due to an increase in ticket pricing, Destination guest visitation (who generally purchase higher priced tickets) and season pass revenue recognized (season pass sales increased 20.0% over the prior year). Total season pass revenue increased by approximately $6.4 million for the three months ended January 31, 2007 compared to the same period in the prior year due to an increase in sales volume and pricing (this represents 52.4% of the total season pass sales with the remainder to be recognized in the third quarter of this fiscal year). Visitation at the Company's Colorado resorts was up 2.6%, including a 4.8% increase in visitation excluding season pass holders. Total visitation, excluding season pass holders, increased 3.4% at the Company’s five ski resorts. Total visitation at the Company's Heavenly resort was down 6.2% due to unfavorable weather conditions. ETP excluding season pass revenue increased 7.0% primarily attributable to increases in absolute pricing combined with the favorable mix impact resulting from an increase in Destination guest visitation. Overall, ETP increased by 11.9% due to increased absolute pricing (including season pass products) and a higher percentage of Destination guest visitation compared to total visitation.

Revenues from ski school and retail/rental ancillary businesses improved commensurate with the increased Destination skier visitation. Dining experienced growth consistent with overall skier visitation coupled with price increases. Other revenue declined for the three months ended January 31, 2007 compared to the same period in the prior year primarily due to timing of marketing activities for strategic partners and the conversion of a mountain club spa from an owned and operated club to a leased facility.

Segment expenses increased 6.1% during the three months ended January 31, 2007 compared to the same period in the prior year. Excluding retail/rental operating expenses, which fluctuate more with sales volume, expenses during the quarter increased $5.3 million, or 4.9%, primarily attributable to $1.9 million, or 4.2%, of increased labor and benefits, $1.3 million, or 11.3% of higher variable costs for fees related to revenue and $858,000, or 57.2%, of increased workers’ compensation costs. The remaining expense increases are attributable to increased corporate costs, which are fully allocated to the business segments.

Lodging Segment

Lodging segment operating results for the three and six months ended January 31, 2007 and 2006 are presented by category as follows (in thousands, except average daily rate (“ADR”) and revenue per available room (“RevPAR”)):

	Three Months Ended January 31,		Percentage Increase
	2007	2006	(Decrease)
Total Lodging net revenue	$ 32,796	$ 32,079	2.2 %
Total Lodging operating expense	30,757	32,894	(6.5) %
Total Lodging Reported EBITDA	$ 2,039	$ (815)	350.2 %
ADR	$ 263.14	$ 242.67	8.4 %
RevPAR	$ 127.41	$ 109.59	16.3 %

Total Lodging Reported EBITDA includes $221,000 and $414,000 of stock-based compensation expense for the three months ended January 31, 2007 and 2006, respectively.

	Six Months Ended January 31,		Percentage Increase
	2007	2006	(Decrease)
Total Lodging net revenue	$ 73,204	$ 73,829	(0.8) %
Total Lodging operating expense	67,106	70,535	(4.9) %
Total Lodging Reported EBITDA	$ 6,098	$ 3,294	85.1 %
ADR	$ 210.00	$ 201.00	4.5 %
RevPAR	$ 88.62	$ 83.22	6.5 %

Total Lodging Reported EBITDA includes $554,000 and $821,000 of stock-based compensation expense for the six months ended January 31, 2007 and 2006, respectively.

In January 2006, the Company sold the assets constituting Snake River Lodge & Spa (“SRL&S”). For the three and six months ended January 31, 2006, Lodging Reported EBITDA includes revenue of $1.9 million and $5.2 million and operating expenses of $1.8 million and $4.3 million, respectively related to SRL&S. Commencing with the sale of the assets constituting SRL&S, the Company is earning base management fees of approximately 3% of the hotel’s revenue. For the three and six months ended January 31, 2007, the Company recorded $88,000 and $222,000, respectively, of incremental management fee revenue related to SRL&S.

Excluding the impact of the sale of SRL&S, revenue increased $2.6 million and $4.6 million, or 8.5% and 6.7%, for the three and six months ended January 31, 2007, respectively, compared to the three and six months ended January 31, 2006. ADR increased 9.6% and 7.4% and RevPAR increased 16.7% and 10.8% for the three and six months ended January 31, 2007, respectively, compared to the three and six months ended January 31, 2006. The increase in revenues for the three months ended January 31, 2007 was primarily due to the lodging properties proximate to the Company's ski resorts and was driven by Destination guest visitation described in the Mountain segment discussion. Additionally, the increase in revenues for the six months ended January 31, 2007 was also partially due to the first quarter recognition of $2.4 million of revenue associated with the termination of the management agreement at Rancho Mirage (pursuant to the terms of the management agreement) with the closing of the hotel as part of a redevelopment plan by the current hotel owner.

Excluding the impact of the sale of SRL&S, expenses were relatively flat for the three and six months ended January 31, 2007 compared to the three and six months ended January 31, 2006.

Real Estate Segment

Real Estate segment operating results for the three and six months ended January 31, 2007 and 2006 are presented by major project categories as follows (in thousands):

	Three Months Ended January 31, 2007	Three Months Ended January 31, 2006	Percentage Increase (Decrease)
Single family unit sales	$ 1,250	$ --	N/A %
Multi-family unit sales	47,641	--	N/A %
Developer land sales	6,489	9,288	(30.1) %
Other	836	421	98.6 %
Total Real Estate net revenue	56,216	9,709	479.0 %
Total Real Estate operating expense	50,391	6,383	689.5 %
Real Estate equity investment income	--	31	(100.0) %
Total Real Estate Reported EBITDA	$ 5,825	$ 3,357	73.5 %

Real Estate Reported EBITDA includes $486,000 and $401,000 of stock-based compensation expense for the three months ended January 31, 2007 and 2006, respectively.

	Six Months Ended January 31, 2007	Six Months Ended January 31, 2006	Percentage Increase (Decrease)
Single family unit sales	$ 1,250	$ --	N/A %
Multi-family unit sales	67,861	--	N/A %
Developer land sales	11,791	12,568	(6.2) %
Other	2,236	534	318.7 %
Total Real Estate net revenue	83,138	13,102	534.5 %
Total Real Estate operating expense	76,509	12,452	514.4 %
Real Estate equity investment income	--	100	(100.0) %
Total Real Estate Reported EBITDA	$ 6,629	$ 750	783.9 %

Real Estate Reported EBITDA includes $1.1 million and $781,000 of stock-based compensation expense for the six months ended January 31, 2007 and 2006, respectively.

Certain reclassifications have been made within Real Estate segment operating results for the three and six months ended January 31, 2006 to conform to current period presentation.

The Company's Real Estate operating revenues are primarily determined by the timing of closings and the mix of real estate sold in any given period. Different types of projects have different revenue and expense volumes and margins; therefore, as the real estate inventory mix changes it can greatly impact Real Estate segment operating revenues and operating expenses, and, to a lesser degree, Real Estate Reported EBITDA. The above single family and multi-family unit sales primarily represent the Company's vertical development projects.

Real Estate segment operating revenue for the three months ended January 31, 2007 was driven primarily by the closings of eighteen Mountain Thunder condominiums, eight Gore Creek Place Townhomes, three fractional ownership condominiums in Beaver Creek, one JHG&TC cabin, the sale of a parcel in Breckenridge to a third-party developer and the sale of the Company's investment in a current executive's home. Real Estate segment operating revenue for the six months ended January 31, 2007 was driven primarily by the closings of thirty-four Mountain Thunder condominiums, ten Gore Creek Place Townhomes, three fractional ownership condominiums in Beaver Creek, one JHG&TC cabin, the sale of parcels in Red Sky Ranch and Breckenridge to third-party developers, contingent gains on developer parcel sales that closed in prior periods and the sale of the Company's investments in both a current executive's and a former executive's home. Operating expense for the three and six months ended January 31, 2007 included cost of sales commensurate with revenue recognized, as well as overhead costs such as labor and benefits and professional services fees. In addition, the Company recorded $2.5 million and $3.9 million, net of estimated recoveries from contractors, in estimated unanticipated incremental cost of sales during the three and six months ended January 31, 2007, respectively, for previously built and yet to be completed JHG&TC cabins that have design and construction issues. The Company is currently resolving these issues along with the contractors involved in the design and construction of the JHG&TC residential development and expects to complete remediation efforts by the first quarter of the year ending July 31, 2008. Real Estate segment operating revenue and Reported EBITDA in the three and six months ended January 31, 2006 were primarily generated by contingent gains on development parcel sales that closed in prior periods. Operating expense included cost of sales commensurate with revenue recognized, as well as overhead costs such as labor and benefits, marketing costs, professional services fees and allocated corporate costs.

Other Items

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

Depreciation and amortization. Depreciation and amortization expense for the three and six months ended January 31, 2007 increased primarily as a result of an increase in the fixed asset base due to normal capital expenditures and an increase in accelerated depreciation and amortization for the six months ended January 31, 2007 of approximately $925,000 for certain assets which were retired in advance of their previously estimated useful lives. The average annualized depreciation rate for the three and six months ended January 31, 2007 was 7.6% and 7.5%, respectively, as compared to an average annualized depreciation rate for the three and six months ended January 31, 2006 of 7.9% and 7.4%, respectively.

Relocation and separation charges. In February 2006, the Company announced a plan to relocate its corporate headquarters, and the plan was approved by the Company’s Board of Directors in April 2006. The Company recorded $500,000 and $1.2 million of relocation charges in the three and six months ended January 31, 2007, respectively. The Company anticipates it will record approximately $200,000 in additional relocation charges in the remainder of the year ending July 31, 2007.

Mold remediation credit. During the prior year’s three and six months ended January 31, 2006, Breckenridge Terrace, LLC received reimbursement from third parties for costs incurred in conjunction with its mold remediation efforts in the amount of $852,000, which has been recognized by the Company as reduction of the remediation expense that was recognized in previous periods (see Note 11, Commitments and Contingencies, of the Notes to Consolidated Condensed Financial Statements, for more information regarding this item).

Investment income. The Company invests excess cash in short-term investments, as permitted under the Company’s Fourth Amended and Restated Credit Agreement, (the “Credit Agreement”) underlying the Company’s Credit Facility and the Indenture, dated as of January 29, 2004 among the Company, the guarantors therein and the Bank of New York, as Trustee (“Indenture”), governing the Senior Subordinated Notes due 2014 (“6.75% Notes”). The increase in investment income for the three and six months ended January 31, 2007 compared to the three and six months ended January 31, 2006 is due to significant increases in average invested cash balances during the periods resulting primarily from increased cash flows from operations.

Interest expense, net. The Company’s primary sources of interest expense are the 6.75% Notes, the Credit Facility, including unused commitment fees and letter of credit fees related to the $400 million Credit Facility Revolver thereunder, the SSV credit facility, the outstanding $57.7 million of industrial development bonds (collectively, the “Industrial Development Bonds”) and the series of bonds issued to finance the construction of employee housing facilities (the “Employee Housing Bonds”). Interest expense, net decreased $1.6 million and $2.1 million for the three and six months ended January 31, 2007, respectively, compared to the three and six months ended January 31, 2006 due to an increase of capitalized interest associated with the significant on going Real Estate and related Resort development.

Gain on sale of businesses, net. The Company recorded a $4.7 million prior year gain in the three and six months ended January 31, 2006 associated with the sale of the assets constituting SRL&S. Additionally, the Company recorded an $82,000 loss in the three and six months ended January 31, 2006 associated with the sale of the Company's interest in Bachelor Gulch Resort, LLC due to the settlement of certain contingencies (see Note 8, Sale of Businesses, of the Notes to Consolidated Condensed Financial Statements, for more information regarding these sale of businesses).

Contract dispute charges. In March 2006, RockResorts was notified by the ownership of Cheeca Lodge & Spa, formerly a RockResorts managed property, that its management agreement was being terminated effective immediately. RockResorts believed that the termination was in violation of the management agreement and pursued its legal rights. The Company has incurred $672,000 and $4.3 million of legal related costs related to this matter in the three and six months ended January 31, 2007, respectively. In February 2007 (subsequent to the Company’s second fiscal quarter), the arbitrator in the Cheeca matter rendered a decision in favor of the Company, awarding $8.5 million in damages to RockResorts. The arbitrator found that the ownership group had wrongfully terminated the management contract and that RockResorts had not breached the contract. The Company will record the total arbitration award, upon receipt, in “contract dispute credit (charges), net” (see Note 11, Commitments and Contingencies and Note 14, Subsequent Event, of the Notes to Consolidated Condensed Financial Statements, for more information regarding this item).

Gain 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 Company did not record a gain or loss in the three and six months ended January 31, 2007 as the estimated fair market value of the liability associated with the RTP, LLC ("RTP") put option did not change. The net gain in the three and six months ended January 31, 2006 was related to the decrease in the estimated fair market value of the liability associated with the RTP put option. As a result of the sale of the Company’s investment in RTP, the put option liability will be eliminated (including the write-off of the associated put option intangible asset) upon consummation of the transaction (see Note 9, 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 and six months ended January 31, 2007 and 2006 was 39.0%. 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 Internal Revenue Service has completed its exam of the Company’s tax returns for tax years 2001 through 2003 and has issued a report of its findings. The examiner’s primary finding is the disallowance of the Company’s position to remove the restrictions under Section 382 of the Internal Revenue Code of approximately $73.8 million of net operating losses (“NOLs”). These restricted NOLs relate to fresh start accounting from the Company’s reorganization in 1992. The Company has appealed the examiner’s disallowance of these NOLs to the Office of the Appeals. If the Company is unsuccessful in its appeals process, it will not negatively impact the Company’s financial position or results of operations.

Reconciliation of Non-GAAP Measures

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

	Three Months Ended	Six Months Ended

	January 31,		January 31,	
	2007	2006	2007	2006
Mountain Reported EBITDA	$ 113,651	$ 97,017	$ 81,162	$ 65,853
Lodging Reported EBITDA	2,039	(815)	6,098	3,294
Resort Reported EBITDA	115,690	96,202	87,260	69,147
Real Estate Reported EBITDA	5,825	3,357	6,629	750
Total Reported EBITDA	121,515	99,559	93,889	69,897
Depreciation and amortization	(21,759)	(21,431)	(43,344)	(40,354)
Relocation and separation charges	(500)	--	(1,235)	--
Asset impairment charge	--	--	--	(136)
Mold remediation credit	--	852	--	852
Loss on disposal of fixed assets, net	(10)	(486)	(91)	(726)
Investment income	2,417	1,046	4,481	2,234
Interest expense, net	(7,911)	(9,502)	(16,847)	(18,939)
Gain on sale of businesses, net	--	4,625	--	4,625
Contract dispute charges	(672)	--	(4,276)	--
Gain on put options	--	1,026	--	34
Other income, net	--	51	--	51
Minority interest in income of consolidated subsidiaries, net	(6,152)	(5,231)	(4,363)	(3,305)
Income before provision for income taxes	86,928	70,509	28,214	14,233
Provision for income taxes	(33,902)	(27,498)	(11,004)	(5,551)
Net income	$ 53,026	$ 43,011	$ 17,210	$ 8,682

The following table reconciles Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents) (in thousands):

	January 31,	
	2007	2006
Long-term debt	$ 551,866	$ 517,638
Long-term debt due within one year	440	5,673
Total debt	552,306	523,311
Less: cash and cash equivalents	254,866	175,541
Net debt	$ 297,440	$ 347,770

LIQUIDITY AND CAPITAL RESOURCES

Significant Sources of Cash

The Company's second and third fiscal quarters are seasonally high for cash on hand as the Company's ski resorts are generally open for ski operations from mid-November to mid-April, from which the Company has historically generated a significant portion of its operating cash flows for the year. Additionally, cash provided by operating activities can be impacted by the timing of closings on real estate development projects that may or may not occur in any given period. In total, the Company generated $63.1 million of cash in the six months ended January 31, 2007 which represents an increase of $24.1 million in cash generated compared to the six months ended January 31, 2006. Cash provided by operating activities improved $96.5 million for the six months ended January 31, 2007 compared to the six months ended January 31, 2006 and was primarily attributable to a $62.8 million increase in Real Estate Reported EBITDA adjusted for non-cash cost of real estate sold (cash expenditures made in previous periods related to the cost of sales recorded in the six months ended January 31, 2007) primarily as a result of closings on certain development projects including Gore Creek Townhomes and the second phase of the Mountain Thunder Condominiums in Breckenridge and an $18.1 million increase in Resort Reported EBITDA (the combination of Mountain Reported EBITDA and Lodging Reported EBITDA). Cash used in investing activities increased by $56.9 million for the six months ended January 31, 2007 due to increased capital expenditures of $6.9 million and increased investments in real estate of $23.7 million primarily due to expanded vertical real estate development projects. Additionally, cash proceeds of $30.7 million were received in the six months ended January 31, 2006 from the sale of SRL&S. With regards to financing activities, cash provided by these activities declined $15.4 million due to a decrease in cash proceeds from exercise of stock options in the amount of $23.8 million (including tax benefits) for the six months ended January 31, 2007 compared to the six months ended January 31, 2006. Additionally, the Company repurchased $15.0 million of its common stock during the six months ended January 31, 2007. The Company had an increase in net borrowings of $19.8 million, which was used to fund a portion of its investment in real estate.

In addition to the Company’s $254.9 million of cash and cash equivalents, the Company has available $324.4 million under its Credit Facility as of January 31, 2007 (which represents the total commitment of $400 million less certain letters of credit outstanding of $75.6 million). As of January 31, 2007 and 2006, total long-term debt (including long-term debt due within one year) was $552.3 million and $523.3 million, respectively. Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents) declined from $347.8 million as of January 31, 2006 to $297.4 million as of January 31, 2007. This reduction in Net Debt places the Company in a position to better take advantage of potential strategic options as further discussed below, as the Company has significant cash on hand and no revolver borrowings under its Credit Facility.

The Company expects that its liquidity needs in the near term will be met by continued utilization of operating cash flows and through borrowings under a construction loan agreement with Arrabelle at Vail Square, LLC as well as the Company also expects to enter into non-recourse financing for the construction of The Lodge at Vail Chalets project in March 2007, similar to the Arrabelle at Vail Square, LLC non-recourse real estate financing.

The Company is currently evaluating how to use its excess cash, including a combination of the following strategic options: increase real estate investment for further development, increase Resort capital expenditures, pursue strategic acquisitions, payoff outstanding debt and/or return value to shareholders, including repurchase additional stock of the Company. The Company’s debt generally has favorable fixed interest rates and is long-term in nature. The Company’s Credit Facility and the Indenture limit the Company’s ability to make investments or distributions, including the payment of dividends and/or the repurchase of the Company’s common stock and pay off certain of its debt, including its 6.75% Notes.

Significant Uses of Cash

The Company’s cash needs typically include providing for operating expenditures, debt service requirements and capital expenditures for both assets to be used in operations and real estate development projects. In addition, the Company expects it will incur significant cash income tax payments (generally expected to approximate its statutory income tax rate) in the near future due to the improved operating results, the limitations on the usage of NOLs generated in prior periods and a decline in tax benefits resulting from stock option exercises. Historically, the Company has not been a significant cash income tax payer.

The Company expects to spend approximately $320 million to $360 million in calendar year 2007 for real estate development projects, including the construction of associated resort-related depreciable assets. The Company has entered into contracts with third parties to provide construction-related services to the Company throughout the course of construction for these projects; commitments for future services to be performed over the next several years under such current contracts total approximately $165 million. The primary projects are expected to include continued construction and development costs, as well as planning and infrastructure costs associated with planned development projects in and around each of the Company’s ski areas. The Company expects real estate capital expenditures will be higher than historical levels for the next several years as the Company continues its vertical development efforts. As noted above, the Company obtained non-recourse financing to fund construction of the Arrabelle project. The Company expects to utilize similar financing arrangements for certain other development projects. In addition to utilizing project-specific financing, the Company also pre-sells units requiring deposits in a proposed development prior to committing to the completion of the development, thereby helping to ensure sales commitments exist and sufficient funds are available to complete the project.

The Company has historically invested significant cash in capital expenditures for its Resort (Mountain and Lodging) operations, and expects to continue to invest significant cash in the future. The Company evaluates additional capital improvements based on expected strategic impacts and/or expected return on investment. The Company currently anticipates it will spend $90 million to $95 million of Resort capital expenditures for calendar 2007 excluding projects arising from real estate activities noted above. Included in these annual capital expenditures are approximately $38 million to $40 million which are necessary to maintain the appearance and level of service appropriate to the Company’s Resort operations. This capital investment will allow the Company to maintain its high quality standards and make incremental discretionary improvements at the Company’s five ski resorts and throughout its hotels. Highlights of the proposed discretionary expenditures include a new Beaver Creek children’s ski school gondola and a related ski school building at the top of the new gondola; replacement and realignment of two chairlifts with high-speed chairlifts at Vail; a new high-speed chairlift at Heavenly; an expanded spa at The Keystone Lodge; and upgrades to the central reservations, marketing database and e-commerce booking systems, among other projects. The Company currently plans to utilize cash flow from operations and cash on hand to provide the cash necessary to execute its capital plan.

Principal payments on the vast majority of the Company's long-term debt ($489.6 million of the total $552.3 million debt outstanding as of January 31, 2007) are not due until fiscal 2012 and beyond.

The Company's debt service requirements can be impacted by changing interest rates as the Company had $97.5 million of variable-rate debt outstanding as of January 31, 2007. A 100-basis point change in LIBOR would cause the Company's annual interest payments to change by approximately $975,000. 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 the borrowing capacity under the 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.

On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock. During the three and six months ended January 31, 2007, the Company repurchased 167,700 and 358,400 shares of common stock at a cost of $7.5 million and $15.0 million, respectively. Since inception of this stock repurchase plan, the Company has repurchased 673,500 shares at a cost of approximately $25.8 million. As of January 31, 2007, 2,326,500 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under the Company's employee stock based compensation plans. Acquisitions under the share repurchase program will be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The timing as well as the number of shares that may be repurchased under the program will depend on a number of factors including the Company's future financial performance, the Company's available cash resources and competing uses for cash that may arise in the future, the restrictions in the Credit Facility and in the Indenture, prevailing prices of the Company's common stock and the number of shares that become available for sale at prices that the Company believes are attractive. The stock repurchase program may be discontinued at any time and is not expected to have a significant impact on the Company's capitalization.

Covenants and Limitations

The Company must abide by certain restrictive financial covenants in relation to its Credit Facility and the Indenture. The most restrictive of those covenants include the following Credit Facility covenants: 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 (each as defined in the Credit Agreement). In addition, the Company’s financing arrangements, including the Indenture, limit its ability to incur certain indebtedness, make certain restricted payments, enter into 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 January 31, 2007. The Company expects it will meet all applicable financial maintenance covenants in its Credit Agreement, including the Funded Debt to Adjusted EBITDA ratio throughout the year ending July 31, 2007. However, there can be no assurance that the Company will meet such 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet transactions that are expected to have a material effect on the Company's financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

FORWARD LOOKING STATEMENTS

Except for any historical information contained herein, the matters discussed in this Form 10-Q contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and similar terms and phrases, including references to assumptions. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from our forward-looking statements include, but are not limited to:

- *economic downturns;*
- *terrorist acts upon the United States;*
- *threat of or actual war;*
- *unfavorable weather conditions;*
- *our ability to obtain financing on terms acceptable to us to finance our real estate investments, capital expenditures and growth strategy;*
- *our ability to continue to grow our resort and real estate operations;*
- *competition in our Mountain and Lodging businesses;*
- *termination of existing hotel management contracts;*
- *adverse changes in real estate markets;*
- *failure to commence or complete the planned real estate development projects;*
- *failure to achieve the anticipated short and long-term financial benefits from the planned real estate development projects;*
- *shortages or rising costs in construction materials;*
- *implications arising from new Financial Accounting Standards Board (“FASB”)/governmental legislation, rulings or interpretations;*
- *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; and*
- *adverse consequences of current or future legal claims.*

All forward-looking statements attributable to us or any persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this Form 10-Q, including investors and prospective investors, are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update these forward-looking statements, even if new information, future events or other circumstances have made them incorrect or misleading.

Readers are also referred to the risk factors identified in the Company’s Form 10-K.

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 January 31, 2007, the Company had $97.5 million of variable rate indebtedness, representing 17.7% of the Company's total debt outstanding, at an average interest rate during the three months ended January 31, 2007 of 6.3%. Based on variable-rate borrowings outstanding as of January 31, 2007, a 100-basis point (or 1.0%) change in LIBOR would have caused the Company's annual interest payments to change by $975,000. The Company's market risk exposure fluctuates based on changes in underlying interest rates.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Management of the Company, under the supervision and with participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Act”) as of the end of the period covered by this report on Form 10-Q.

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 Control over Financial Reporting

There were no changes in the Company's internal control 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.

Refer to Note 11, Commitments and Contingencies, and Note 14, Subsequent Event, of the Notes to Consolidated Condensed Financial Statements regarding the Cheeca Lodge & Spa contract dispute.

ITEM 1A. RISK FACTORS.

There have been no material changes from risk factors previously disclosed in Item 1A to Part I of the Company's Form 10-K.

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

Repurchase of equity securities

The following table summarizes the purchase of the Company's equity securities during the second quarter of the year ending July 31, 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
November 1, 2006 - November 30, 2006	1,500	$ 38.53	1,500	2,492,700
December 1, 2006 - December 31, 2006	155,200	44.82	155,200	2,337,500
January 1, 2007 - January 31, 2007	11,000	44.89	11,000	2,326,500
Total	167,700	$ 44.76	167,700	

(1) On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock. Acquisitions under the share repurchase program will be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The stock repurchase program may be discontinued at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its reconvened annual meeting of stockholders, originally called for December 21, 2006, on January 4, 2007 in Broomfield, Colorado. The following matters were voted on:

1. The following persons were elected to serve as Directors of the Company until the next annual meeting of the stockholders and the voting results for each Director were as follows:

Director	For	Withheld
John J. Hannan	33,879,469	3,678,706
Roland A. Hernandez	36,317,940	1,240,235
Thomas D. Hyde	37,521,472	36,703
Robert A. Katz	37,523,456	34,719
Richard D. Kincaid	37,350,244	207,931
Joe R. Micheletto	37,323,178	234,997
John F. Sorte	36,894,762	663,413
William P. Stiritz	37,508,079	50,096

2. Adoption of the Amended and Restated 2002 Long-Term Incentive and Share Award Plan was approved as follows:

For	Against	Abstain	Broker Non-Vote
27,036,870	5,286,413	25,973	5,208,919

3. Appointment of Independent Registered Public Accounting Firm was ratified as follows:

For	Against	Abstain	Broker Non-Vote
37,517,688	36,896	3,591	--

ITEM 5. OTHER INFORMATION.

On January 4, 2007, the Company's stockholders approved the Amended and Restated 2002 Long-Term Incentive and Share Award Plan as referenced in Part II, Item 4 of this Form 10-Q which had previously been approved by the Board on November 6, 2006. The Amended and Restated 2002 Long-Term Incentive and Share Award Plan is described in the Company's definitive proxy statement for its 2006 annual meeting of stockholders. A copy of that description is attached as Exhibit 99.1 and incorporated herein by this reference.

As previously reported in the Company's Current Report on Form 8-K filed with the SEC on December 7, 2006, the Company and Martha D. Rehm, Executive Vice President, General Counsel and Secretary of the Company entered into a Separation Agreement and Mutual General Release, dated December 7, 2006. On March 9, 2007, the Company and Ms. Rehm entered into an Amendment No. 1 to Separation Agreement and Mutual General Release (the "Amendment"). The Amendment extends the effective separation date for one month to April 30, 2007 or such earlier date as the Company may determine and provides for other certain conforming changes as a result of the extension. The foregoing description of the Amendment is qualified in its entirety by reference to the agreement attached as Exhibit 10.2 and incorporated herein by reference.

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 (incorporated by reference to Exhibit 3.1 on Form 10-Q of Vail Resorts, Inc. for the quarter ended January 31, 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. for the quarter ended 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. for the quarter ended 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. filed on February 2, 2004).	
4.2(b)	Supplemental Indenture dated as of March 10, 2006 to Indenture dated as of January 29, 2004 among Vail Resorts, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (incorporated by reference to Exhibit 10.34 on Form 10-Q of Vail Resorts, Inc. for the quarter ended January 31, 2006).	
4.3	Form of Global Note (incorporated by reference to Exhibit 4.1 on Form 8-K of Vail Resorts, Inc. filed on 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. for the quarter ended January 31, 2004).	
4.5	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. filed on September 30, 2004).	
4.6	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).	
10.1	Amended and Restated 2002 Long Term Incentive and Share Award Plan (incorporated by reference to Schedule 14A of Vail Resorts, Inc. as filed on November 22, 2006).	
10.2	Separation Agreement and General Release, dated December 7, 2006 between Martha D. Rehm and Vail Resorts, Inc. and Amendment No. 1 thereto dated March 9, 2007.	17
31.1	Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	28
31.2	Certifications of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	29
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	30
99.1		31

Description of Amended and Restated 2002 Long-Term Incentive and Share Award Plan from proxy statement for the 2006 Annual Meeting of Stockholders.

b) Exhibits

The exhibits filed herewith as indicated in the exhibit listed above following the Signatures section of this report.

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 March 12, 2007.

Date: March 12, 2007		Vail Resorts, Inc.
	By:	/s/ Jeffrey W. Jones
		Jeffrey W. Jones Senior Executive Vice President and Chief Financial Officer (Chief Accounting Officer and Duly Authorized Officer)

Exhibit 10.2

SEPARATION AGREEMENT AND MUTUAL GENERAL RELEASE

This Separation Agreement and Mutual General Release (this "Agreement") dated as of December 7, 2006, is by and between **Martha D. Rehm** (the "EXECUTIVE") and VAIL RESORTS, INC., a Delaware corporation ("VAIL RESORTS"). The EXECUTIVE and VAIL RESORTS may each be referred to as a "Party" and collectively as the "Parties."

WHEREAS, the EXECUTIVE is the EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY of VAIL RESORTS; and

WHEREAS, the EXECUTIVE and VAIL RESORTS agree that as of the EXECUTIVE'S Final Date of Employment, as hereinafter defined, the EXECUTIVE will no longer perform services as an employee of VAIL RESORTS, and will cease to be eligible to participate in benefit plans for active employees of VAIL RESORTS; and

WHEREAS, the EXECUTIVE acknowledges that, as of the Final Date of Employment, she has no entitlement to continued pay or benefits under the Employment Agreement between the EXECUTIVE and VAIL RESORTS, dated as of May 10, 1999, as amended (the "Employment Agreement") except as provided herein; and

WHEREAS, this Agreement is pursuant to Section 3(c) of the Employment Agreement, and the Parties mutually desire to amend and supersede the Employment Agreement by this Agreement; and

WHEREAS, VAIL RESORTS, wishes to pay the EXECUTIVE the amounts set forth herein, less statutory and authorized deductions;

In consideration of the mutual promises contained in this Agreement, VAIL RESORTS and the EXECUTIVE agree as follows:

1. As used herein, the following terms, when capitalized, shall have the following meanings:

(a) "Companies" shall mean VAIL RESORTS, INC. and all of its subsidiaries and controlled affiliates.

(b) "Confidential Information" shall mean budgets, business plans, financial projections, terms of transactions under consideration, strategies, financial statements and results, plans or drawings, lease terms, customer lists and information, prospect lists, club membership rolls, trade secrets, information regarding legal strategies and proceedings, and other information, whether in tangible or electronic media format, pertaining to the business and operations of the Companies. In addition, without in any way limiting the foregoing, Confidential Information includes any and all information in the EXECUTIVE'S possession or of which the EXECUTIVE has knowledge relating to or arising out of any actual or threatened regulatory investigation or proceeding or settlement or any other litigation, claim, investigation, suit, action or other proceeding involving or relating to the Companies, whether such investigation, proceeding, settlement, claim, litigation, suit, action or other proceeding or the EXECUTIVE'S knowledge thereof occurred or was obtained during or prior to or after the term of the EXECUTIVE'S employment by VAIL RESORTS. Confidential Information does not include (i) any information that is generally available to the public or hereafter becomes available to the public without the fault of the EXECUTIVE; (ii) club membership rolls sent to the EXECUTIVE in her capacity as a member of the applicable club, provided that the EXECUTIVE agrees that she will use such club membership rolls only in accordance with the rules and regulations of the applicable club; (iii) information that is or becomes known in the industry without the fault of the EXECUTIVE; (iv) information that is received from a third party outside of VAIL RESORTS which to EXECUTIVE'S knowledge is not in violation of a confidentiality agreement with VAIL RESORTS; or (v) general industry skills, knowledge and experience.

(c) "Constituting Documents" shall mean the articles or certificates of incorporation, bylaws, or similar organizational documents for each of the Companies.

(d) "Final Date of Employment" shall mean March 31, 2007, or such earlier date as may be determined by VAIL RESORTS in its sole discretion; provided that in the event that VAIL RESORTS elects to determine that the Final Date of Employment shall occur before March 31, 2007, then VAIL RESORTS shall take all actions necessary to ensure that such determination does not reduce or otherwise affect EXECUTIVE'S rights under this agreement, her options to purchase stock of VAIL RESORTS or other equity-based compensation plans or agreements (provided that this Agreement shall not be construed or applied so as to modify any stock option agreement or plan so as to extend the period following the Final Date of Employment that EXECUTIVE has the right to exercise any option to purchase VAIL RESORTS stock beyond the period prescribed in such stock option agreement and/or plan), including the right to and amount of payments and other benefits to which EXECUTIVE is entitled under Sections 3 and 4, below.

(e) "Legal Proceeding" shall mean any claim, demand, pending or threatened legal, regulatory or administrative proceeding and any other action of any nature, whether known or unknown.

(f) "Released Person" shall mean each of the Companies, and any of their current and former officers, directors, employees, shareholders, partners, members, agents, representatives, legal representatives, accountants, and their successors and assigns.

2. The employment relationship between the EXECUTIVE and VAIL RESORTS will terminate on the Final Date of Employment. This Agreement constitutes the EXECUTIVE'S resignation from all officer, director and employee positions with VAIL RESORTS and the Companies, in each case effective on the Final Date of Employment. The Parties acknowledge that, following the Final Date of Employment, the EXECUTIVE shall not be considered an officer or employee of VAIL RESORTS.

3. In consideration for the EXECUTIVE entering into this Agreement,

(a) conditioned on: (i) the execution and non-revocation, pursuant to Section 13 hereof, of this Agreement; and (ii) the execution on the Final Date of Employment and non-revocation of a mutual release, substantially in the form of the mutual release set forth in Section 5 hereof, which mutual release shall be binding on EXECUTIVE only if it is also executed and not revoked by VAIL RESORTS, VAIL RESORTS agrees to pay the EXECUTIVE the sum of: (w) $382,950, comprised of twelve (12) months of the EXECUTIVE'S base salary; plus (x) $127,522, which is 66.6% of EXECUTIVE'S full target bonus for the fiscal year started August 1, 2006; plus (y) an amount equal to EXECUTIVE'S base salary for the period, if any, from the Final Date of Employment through March 31, 2007; and plus (z) $1,656, which is equal to the amount of club membership dues payable by EXECUTIVE from the Final Date of Employment through September 30, 2007 for the following clubs: Beaver Creek Club, Red Sky Ranch Golf Club, and Bachelor Gulch Club, less statutory and authorized deductions. Such sum will be paid in a single lump sum six months after the Final Date of Employment; provided that if guidance regarding Internal Revenue Code Section 409A is issued that would permit such payment to be made earlier without subjecting the EXECUTIVE to an additional income tax, the EXECUTIVE may specify, on two business days' prior notice, such an earlier payment date for the amounts set forth in this Section 3(a). In addition, conditioned on: (i) the execution and non-revocation, pursuant to Section 13 hereof, of this Agreement; and (ii) the execution on the Final Date of Employment and non-revocation of a mutual release, substantially in the form of the mutual release set forth in Section 5 hereof, which mutual release shall be binding on EXECUTIVE only if it is also executed and not revoked by VAIL RESORTS, VAIL RESORTS will also pay COBRA health insurance premiums under its health insurance plans on behalf of EXECUTIVE and her dependents for the period from the Final Date of Employment through March 31, 2008.

(b) VAIL RESORTS agrees to pay the EXECUTIVE, no later than 15 days after the Final Date of Employment, full payment of any amount owing to the EXECUTIVE in respect of base salary for the period through the Final Date of Employment, as well as accrued and unused paid time off through such date (as reflected on the human resources records of VAIL RESORTS).

4. In addition to that set forth in Section 3 above, the following shall be applicable as a result of the EXECUTIVE'S separation:

(a) After the Final Date of Employment: (i) the EXECUTIVE shall neither accrue salary nor paid time off nor participate in (A) VAIL RESORTS Medical and Dental Plans (other than as required under COBRA), (B) Short Term or Long Term Disability Insurance, (C) VAIL RESORTS sponsored Life or ADD insurance programs, or (D) any other compensation or benefit plans, programs or arrangements maintained or contributed to by any of the Companies; (ii) she shall have no right to make contributions or earn VAIL RESORTS Matching Contributions in VAIL RESORTS' 401(k) Plan (except for any VAIL RESORTS Matching Contributions due but not yet made: and (iii) except as otherwise provided in Sections 4(d) and 4(e) below, she shall no longer be entitled to any perquisites made available to active executives or employees of VAIL RESORTS, including, but not limited to parking or the use of VAIL RESORTS owned and Volvo promotional vehicles. The EXECUTIVE'S rights with respect to her accrued benefits, as of the Final Date of Employment, under the Companies' 401(k) Plan will be as set forth in the applicable plan documents, and any conversion or continuation right the EXECUTIVE may have under any other VAIL CORPORATION sponsored employee benefit plan will be as set forth in the applicable plan document and shall be at her sole expense. Other than as expressly set forth in this Agreement, the EXECUTIVE will have no rights to future benefits under any employee benefit plan or arrangement of the Companies following the Final Date of Employment, except to the extent such benefits have been earned and accrued as of the Final Date of Employment.

(b) Any stock options, restricted stock or other equity-based compensation awards held by the EXECUTIVE that are not vested as of the EXECUTIVE'S Final Date of Employment will be immediately cancelled and forfeited.

(c) Notwithstanding anything in this or another document to the contrary, all vested options to purchase stock of VAIL RESORTS, INC. held by the EXECUTIVE after the Final Date of Employment (each of which is listed on Annex A hereto) shall thereafter continue to be exercisable in accordance with their terms.

(d) For the period through the end of the 2006-07 ski season the EXECUTIVE and a single designated person living in the same household as EXECUTIVE may continue to use their employee ski passes and, until March 15, 2007, receive discounts at SSV stores and restaurants, as they had prior to the Final Date of Employment.

(e) Through September 30, 2007, the EXECUTIVE shall retain membership privileges in the following clubs: Beaver Creek Club, Red Sky Ranch Golf Club, and Bachelor Gulch Club.

(f) For the period through June 30, 2007, VAIL RESORTS shall maintain (i) an appropriate forwarding message recorded by the EXECUTIVE and approved by VAIL RESORTS on voicemail for the EXECUTIVE'S former VAIL RESORTS telephone number, and (ii) an auto-response on the email address mrehm@vailresorts.com with an appropriate forwarding email response created by the EXECUTIVE and approved by VAIL RESORTS. In addition, through June 30, 2007, VAIL RESORTS shall forward to the EXECUTIVE, at an address she may reasonably provide from time to time, any first class mail addressed to the EXECUTIVE at VAIL RESORTS' offices that VAIL RESORTS determines is her personal mail.

(g) VAIL RESORTS shall pay the EXECUTIVE'S reasonable legal fees incurred by third-party counsel and expenses (not to exceed $7,500) incurred by her in negotiating and executing this Agreement.

(h) VAIL RESORTS shall reimburse the EXECUTIVE for reasonable expenses incurred by her in the course of performing her duties with VAIL RESORTS prior to the Final Date of Employment, so long as such expenses were incurred in compliance with VAIL RESORTS' policies with respect to travel, entertainment and other business expenses, and the EXECUTIVE has complied with VAIL RESORTS' requirements with respect to submitting, reporting and documentation of such expenses.

5. (a) In return for the consideration and other promises by VAIL RESORTS set forth in this Agreement, the EXECUTIVE for herself and her representatives, heirs, and assigns, hereby releases and discharges each of the Released Persons from all Legal Proceedings, known or unknown, that she may have against any of the Released Persons, including, but not limited to, claims that in any manner relate to, arise out of or involve any aspect of her employment with VAIL RESORTS, and her separation from that employment, including, but not limited to, any rights or claims under the Federal Worker Adjustment and Restraining Notification Act, 29 U.S.C. §2101 et seq.; the Colorado Anti-Discrimination Act, Colo. Rev. Stat. §21-34-401, et seq.; the Family and Medical Leave Act, 29 U.S.C. §2601 et seq; the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq.; the Civil Rights Act of 1964, as amended, 42 U.S.C., §2000e, et seq.; the Americans with Disabilities Act, 42 U.S.C. §12101, et seq.; the Sarbanes-Oxley Act of 2002, 18 U.S.C. §800 et seq.; Executive Order 11246; the Civil Rights Act of 1866, as reenacted, 42 U.S.C. §1981; and any and all other municipal, state, and/or federal statutory, executive

order, or constitutional provisions pertaining to an employment relationship. This release and waiver also specifically includes, but is not limited to, any Legal Proceedings in the nature of tort or contract claims, including specifically claims of wrongful discharge, breach of contract, promissory estoppel, intentional or negligent infliction of emotional distress, interference with contract, libel, slander, breach of covenant of good faith and fair dealing, or other such claims, including, but not limited to, those arising out of or involving any aspect of her employment or separation from employment with VAIL RESORTS. This release includes any and all claims seeking attorney fees, costs, and other expenses related to the claims released herein.

However, this release and waiver shall not apply to: (i) any rights that, by law, may not be waived; (ii) rights and claims that arise from acts or events occurring after the effective date of this Agreement; (iii) claims with respect to the EXECUTIVE'S accrued benefits, as of the Final Date of Employment, under VAIL RESORTS' 401(k) Plan or other benefit plans which will be as set forth in the applicable plan documents, or any conversion or continuation right the EXECUTIVE may have under any other VAIL RESORTS employee benefit plan which will be as set forth in the applicable plan document and shall be at her sole expense; (iv) rights to indemnification or advancement of expenses under the Articles of Incorporation or Bylaws of VAIL RESORTS or any of the Companies or under Section 145 of the General Corporation Law of Delaware; (v) rights as a shareholder of VAIL RESORTS; or (vi) claims for breach by VAIL RESORTS of this Agreement.

The EXECUTIVE also specifically covenants and represents that she has not brought and will not bring suit or file any charge, grievance or complaint, of any nature in relation to any claim or right waived herein, against the Released Persons.

<u>SUMMARY OF RELEASE AND WAIVER OF CLAIMS</u>: Please read the three immediately preceding paragraphs carefully and have them explained to you by your attorney. In summary, what the paragraphs say and what you, the EXECUTIVE, agree to do by executing this Agreement is to give up your right to pursue any legal claim that you might have against the Companies and related companies (including Vail Resorts Development Company, The Vail Corporation and Vail Summit Resorts, Inc., Vail Resorts International, LLC), their current and former, officers, directors, shareholders, agents, and/or employees. It applies whether or not you are aware of the claims. It applies to claims that arose (meaning the important facts and occurrences which create or support the claim happened) at any time up to and including the time of your execution of this Agreement. It does not apply to any claims that might arise (meaning that the important facts or occurrences that create or support the claim happen) after the date of execution of this Agreement. As stated above, the release and waiver includes, but is not limited to, any and all claims arising from your employment or your separation from employment with VAIL RESORTS. Such claims would include claims of employment discrimination or wrongful discharge and claims arising under any federal, state, and local laws, including, but not limited to, those listed by name above. Once you have entered into this Agreement, you will have agreed not to seek to bring those claims in a court or other forum at any time in the future. In effect, you are exchanging your right to bring or pursue those claims, whether they are worth anything or not, for the actions to be taken for your benefit by VAIL RESORTS and other promises in this Agreement.

(b) In return for the consideration and other promises by the EXECUTIVE set forth in this Agreement, the Companies hereby release and discharge the EXECUTIVE, and her representatives, heirs and assigns (the "EXECUTIVE Released Persons") from all Legal Proceedings, known or unknown, that they may have against any of the EXECUTIVE Released Persons, including but not limited to, claims that in any manner relate to, arise out of or involve any aspect of the EXECUTIVE'S employment with VAIL RESORTS, and her separation from that employment. This release and waiver also specifically includes, but is not limited to, any Legal Proceedings in the nature of tort or contract claims, including specifically claims of wrongful discharge, breach of contract, promissory estoppel, intentional or negligent infliction of emotional distress, interference with contract, libel, slander, breach of covenant of good faith and fair dealing, or other such claims, including, but not limited to, those arising out of or involving any aspect of her employment or separation from employment with VAIL RESORTS. This release includes any and all claims seeking attorney fees, costs, and other expenses related to the claims released herein. However, this release and waiver shall not apply to: (i) any rights which, by law, may not be waived; (ii) rights and claims that arise from acts or events occurring after the effective date of this Agreement; and (iii) claims for breach of any provision of this Agreement by the EXECUTIVE.

The Companies also specifically covenant and represent that they have not and will not bring suit or file any charge, grievance or complaint, of any nature in relation to any claim or right waived herein against the EXECUTIVE.

6. The EXECUTIVE agrees to the following:

(a) The EXECUTIVE shall remove all of her personal possessions from her office by no later than the Final Date of Employment, and shall not return to her office after the Final Date of Employment other than as may be approved in advance by VAIL RESORTS. The EXECUTIVE shall return all materials of the Companies that may have been issued to the EXECUTIVE, including, but not limited to, keys, written or electronic Confidential Information, and credit cards, and to promptly file any outstanding final expense report. Subject to compliance with her obligations herein with respect to the use and disclosure of Confidential Information, the EXECUTIVE will be entitled to make a copy of her electronic rolodex and schedule and, shall not be prohibited from participating as a partner, employee, officer, director, consultant or any other role with respect to any entity that owns or hereafter purchases or proposes to purchase any property managed by any of the Companies.

(b) The EXECUTIVE shall not use or disclose to anyone not connected with VAIL RESORTS, or use for her own benefit or that of third parties, any Confidential Information or trade secrets that the EXECUTIVE obtained during her employment with VAIL RESORTS, except as required in any judicial or administrative proceeding.

(c) The EXECUTIVE shall not make any copies for her own use or for the benefit of unrelated third parties, of any prospect lists, any memoranda, books, records, or documents, whether in tangible or electronic media form, which contain Confidential Information or trade secrets belonging to the Companies, except as required in any judicial or administrative proceeding.

(d) The EXECUTIVE covenants and agrees that through March 31, 2008, she will not solicit for another business or enterprise any person who is a Grade 28 functional director or higher level employee of VAIL RESORTS, INC. or any of its subsidiaries at the time of the EXECUTIVE'S termination.

(e) The EXECUTIVE further covenants and agrees that through the second anniversary of the Final Date of Employment, she will consult with any of the Companies as, when and where reasonably requested by a representative thereof on matters relating to the Companies' business. The EXECUTIVE agrees that such consultation shall include, but shall not be limited to, serving as a factual witness, in the prosecution and defense of Legal Proceedings pertaining to any of the Companies' business. VAIL RESORTS agrees that such assistance shall be scheduled at such reasonable times with advance notice as will not unreasonably interfere with the EXECUTIVE'S employment or other business activities. VAIL RESORTS agrees to reimburse the EXECUTIVE'S reasonable travel expenses in providing such assistance in accordance with VAIL RESORTS' published Travel and Entertainment Policy, and agrees to pay the EXECUTIVE at an hourly rate of $300 per hour (or portion thereof) for the EXECUTIVE'S consulting (not including travel time).

(f) For a period of five (5) years following the Final Date of Employment, the EXECUTIVE shall not make any statements disparaging of any of the Companies, the Board, or the officers, directors, stockholders, or employees of any of the Companies. Similarly, no person, while serving as an officer and/or director of any of the Companies, shall disparage the EXECUTIVE for a period of five (5) years following the Final Date of Employment. Notwithstanding any of the foregoing in this subsection, the Parties may respond truthfully to inquiries from governmental agencies or from the prospective employers of the EXECUTIVE. Similarly, nothing in this Agreement is intended to prevent either Party from seeking to enforce the provisions of this Agreement through appropriate proceedings.

(g) The Parties acknowledge that VAIL RESORTS retains the right, together with any other legal remedy VAIL RESORTS may have, to discontinue the payments and benefits payable or due to the EXECUTIVE under this Agreement in the event that VAIL RESORTS determines, in good faith, that the EXECUTIVE is violating or has violated any material obligation under this Agreement. In such an event, the EXECUTIVE may seek a determination, pursuant to the provisions of Section 14 below, that such action by VAIL RESORTS was not justified and should be remedied. If a determination is made that such action was not justified, in whole or part, the EXECUTIVE shall be entitled to compensatory damages, including interest and payment of attorneys' fees and expenses. Nothing in this Agreement shall prohibit or restrict the EXECUTIVE from testifying truthfully as may be required by the Securities and Exchange Commission or other governmental or judicial body acting in its official capacity.

7. The EXECUTIVE acknowledges and agrees that the restrictions and obligations contained in Section 6(b) - 6(f) are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of VAIL RESORTS, that VAIL RESORTS would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by VAIL RESORTS should the EXECUTIVE breach any of such provisions. The EXECUTIVE further acknowledges and agrees that a breach of any of such restrictions and obligations cannot be adequately compensated by monetary damages. The EXECUTIVE agrees that VAIL RESORTS shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as an equitable accounting of all earnings, profits and other benefits arising from any violation of such restrictions, which rights shall be cumulative and in addition to any other rights or remedies to which VAIL RESORTS may be entitled. In the event that any of such restrictions should ever be adjudicated to exceed the time, geographic, service, or other limitations permitted by applicable law in any jurisdiction, it is the intention of the Parties that the provision shall be amended to the extent of the maximum time, geographic, service, or other limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

8. The entry into this Agreement by the Parties is not and shall not be construed to be an admission of any act, practice or policy by VAIL RESORTS in violation of any statute, common law duty, constitution, or administrative rule or regulation. Further, this Agreement shall not constitute evidence of any such proscribed or wrongful act, practice or policy by VAIL RESORTS.

9. The Parties agree that this Agreement shall not be tendered or admissible as evidence in any proceeding by either Party for any purpose, except in a proceeding involving one or both of the Parties in which this Agreement or any part of this Agreement, an alleged breach of this Agreement, the enforcement of this Agreement, and/or the validity of any term of this Agreement is at issue.

10. VAIL RESORTS advises the EXECUTIVE to consult an attorney before signing this Agreement, and the EXECUTIVE acknowledges that she has had a full and fair opportunity to consult with an attorney of her choice before signing this Agreement, and to discuss with such attorney all issues relevant to the EXECUTIVE, including the potential application of Internal Revenue Code Section 409A. It is intended that this Agreement will comply with Section 409A of the Internal Revenue Code (and any regulations and guidelines issued thereunder) to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent.

11. The EXECUTIVE acknowledges the adequacy and sufficiency of the consideration for her promises set forth in this Agreement. The EXECUTIVE is estopped from raising, and hereby expressly waives any defense regarding the receipt and/or legal sufficiency of the consideration provided under this Agreement.

12. The EXECUTIVE hereby acknowledges her understanding that, had she wished to do so, she could have taken up to twenty-one (21) days to consider this Agreement, that she has read this Agreement and understands its terms and significance, and that she executes this Agreement voluntarily and with full knowledge of its effect, having carefully read and considered all terms of this Agreement and, if she has chosen to consult with an attorney, having had all terms and their significance fully explained to her by her attorney.

13. The EXECUTIVE understands that she may revoke this Agreement, as it applies to her, within seven (7) days following execution of this Agreement and that this Agreement, as it applies to her, shall not become effective or enforceable until that revocation period has expired. Any such revocation must be effected by delivery of a written notification of revocation of the Agreement to the Chief Executive Officer of VAIL RESORTS, INC. prior to the end of such 7 day revocation period. In the event that the Agreement is revoked by the EXECUTIVE, VAIL RESORTS shall have no obligations under the Agreement, no amounts will be payable under this Agreement, and this Agreement shall be deemed to be void *ab initio* and of no further force or effect.

14. Any controversy or claim arising out of, or relating to, this Agreement, or its breach, shall be governed by the laws of the State of Colorado, without giving effect to the principles of conflict of laws thereof, and shall be resolved by final and binding arbitration, in accordance with the rules for contractual disputes then applicable, of JAMS®, Denver, Colorado, and judgment on the award rendered may be entered in any court having jurisdiction.

15. The EXECUTIVE shall be responsible for paying all income taxes attributable to payments, perks and benefits received under this Agreement, and all payments and benefits provided to the EXECUTIVE shall be net of applicable income, employment or other taxes required to be withheld therefrom.

16. The EXECUTIVE acknowledges that VAIL RESORTS is a public company. As such, the EXECUTIVE acknowledges that this Agreement may be publicly filed as required by law.

17. This Agreement represents the complete agreement between the EXECUTIVE and VAIL RESORTS concerning the subject matter in this Agreement, and it supersedes all prior agreements or understandings, written or oral, including the Employment Agreement Notwithstanding the preceding sentence or any other provision of this Agreement, Section 4, Non-Competition, of the Employment Agreement shall survive the execution of this Agreement and shall thereafter be fully enforceable according to its terms. This Agreement may not be amended or modified otherwise than by a written agreement executed by the Parties or their respective successors and legal representatives.

18. Each of the Sections contained in this Agreement shall be enforceable independently of every other Section in this Agreement, and the invalidity or unenforceability of any Section shall not invalidate or render unenforceable any other Section contained in this Agreement.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates set forth below, intending to be legally bound by this Agreement.

EXECUTIVE		VAIL RESORTS, INC.	
By:	/s/ Martha D. Rehm	By:	/s/ Robert A. Katz
Name:	Martha D. Rehm	Name:	Robert A. Katz
		Title:	Chief Executive Officer
Date:	December 7, 2006	Date:	December 7, 2006

AMENDMENT NO. 1 TO

SEPARATION AGREEMENT AND MUTUAL GENERAL RELEASE

This Amendment No. 1 to Separation Agreement and Mutual General Release (this "Amendment") dated as of March 9, 2007, is by and between **Martha D. Rehm** (the "EXECUTIVE") and VAIL RESORTS, INC., a Delaware corporation ("VAIL RESORTS"), and amends that certain Separation Agreement and Mutual General Release (the "Agreement") dated as of December 7, 2006, by and between the EXECUTIVE and VAIL RESORTS.

In consideration of the mutual promises contained in this Agreement, VAIL RESORTS and the EXECUTIVE agree as follows:

16. Each reference to "March 31, 2007" in the Agreement is hereby amended to read "April 30, 2007".

17. Each reference to "March 31, 2008" in the Agreement is hereby amended to read "April 30, 2008".

18. Each reference to "June 30, 2007" in the Agreement is hereby amended to read "July 31, 2007".

19. Clause (x) in Section 3(a) of the Agreement is hereby amended to read "(x) $143,606, which is 75% of EXECUTIVE'S full target bonus for the fiscal year started August 1, 2006;".

20. The dollar amount set forth in clause (z) in Section 3(a) of the Agreement is hereby amended to read "$1,380".

21. The EXECUTIVE and VAIL RESORTS acknowledge and agree that all provisions of the Agreement shall remain in full force and effect except as specifically amended hereby.

22. Any controversy or claim arising out of, or relating to, this Amendment, or its breach, shall be governed by the laws of the State of Colorado, without giving effect to the principles of conflict of laws thereof, and shall be resolved by final and binding arbitration, in accordance with the rules for contractual disputes then applicable, of JAMS®, Denver, Colorado, and judgment on the award rendered may be entered in any court having jurisdiction.

23. The EXECUTIVE acknowledges that VAIL RESORTS is a public company. As such, the EXECUTIVE acknowledges that this Amendment may be publicly filed as required by law.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates set forth below, intending to be legally bound by this Agreement.

EXECUTIVE		VAIL RESORTS, INC.	
By:	/s/ Martha D. Rehm	By:	/s/ Robert A. Katz
Name:	Martha D. Rehm	Name:	Robert A. Katz
		Title:	Chief Executive Officer
Date:	March 9, 2007	Date:	March 9, 2007

Exhibit 31.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Robert A. Katz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: March 12, 2007

/s/ Robert A. Katz
Robert A. Katz
Chief Executive Officer

Exhibit 31.2

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: March 12, 2007

/s/ Jeffrey W. Jones

Jeffrey W. Jones
Senior Executive Vice President and
Chief Financial Officer

Exhibit 32

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED 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 Company's Quarterly Report Form 10-Q for the quarter ended January 31, 2007 (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: March 12, 2007

/s/ Robert A. Katz
Robert A. Katz
Chief Executive Officer

Date: March 12, 2007

/s/ Jeffrey W. Jones
Jeffrey W. Jones
Senior Executive 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. A signed original of this written statement required by Section 906 has been provided to Vail Resorts, Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.1

Description of Amended and Restated 2002 Long-Term Incentive and Share Award Plan

The Board originally approved the Vail Resorts, Inc. 2002 Long-Term Incentive and Share Award Plan on October 8, 2002, and our stockholders approved the plan on December 9, 2002. On November 6, 2006 (the “Effective Date”), the Board adopted the Amended and Restated 2002 Long-Term Incentive and Share Award Plan (the “Plan”), subject to approval from our stockholders. The primary purpose of the Plan is to make available additional shares of common stock for awards under the Plan to attract and retain well-qualified individuals to serve in key positions with the Company and its subsidiaries by providing them with performance-related incentives. The Plan is materially different from the Vail Resorts, Inc. 2002 Long-Term Incentive and Share Award Plan in the following ways:

- The number of shares of common stock authorized for issuance under the Plan has been increased (1) from 2,500,000 to 5,000,000 shares and (2) augmented to include an amount equal to the number of shares of common stock remaining for issuance under the Company’s 1999 Long-Term Incentive and Share Award Plan and a number of shares of common stock that is equal to any shares of common stock that are forfeited pursuant to the terms of the Company’s 1999 Long-Term Incentive and Share Award Plan;

- Equity awards may be substituted or assumed in connection with mergers, reorganizations, separations, or other transactions to which Internal Revenue Code Section 424(a) applies. The number of shares of common stock reserved for issuance under the Plan may be increased by the corresponding number of awards assumed and, in the case of a substitution, by the net increase in the number of shares of common stock subject to awards before and after the substitution;

- Performance based cash awards may be granted;

- Fair market value is determined by reference to the closing price of our common stock on the date of grant; and

- The expiration date of the Plan on November 6, 2016.

We are asking our stockholders to approve the Plan as the Board believes that approval of the Plan is essential to the Company’s continued success. The primary purpose of the Plan is to make available shares of common stock for awards under the Plan to attract and retain well-qualified individuals to serve in key positions with the Company and its subsidiaries by providing them with performance-related incentives. The Board believes that the continued availability and use of performance-based incentives and stock-based awards as an element of key employee compensation represents an important aspect in promoting the future growth and profitability of the Company and its subsidiaries. As of November 1, 2006, under the existing plan, there were nonqualified stock options to purchase 1,312,336 shares of common stock outstanding, SARs with respect to 507,786 shares of common stock outstanding, 24,752 shares of restricted stock outstanding and 200,767 restricted share units outstanding.

The following summary of the Plan is qualified in its entirety by express reference to the Plan, which is attached as Exhibit 10.1 of this Form 10-Q for the quarter ended January 31, 2007.

Description of Plan

The Plan is intended to provide incentives to attract, retain and motivate employees, consultants and directors in order to achieve our long-term growth and profitability objectives. The Plan will provide for the grant to eligible employees, consultants and directors of stock options, SARs, restricted stock, restricted share units, performance stock, performance units, performance cash awards, dividend equivalents and other stock-based awards (the “Awards”). An aggregate of 5,000,000 shares of common stock has been reserved for issuance under the Plan; provided, however, that such number shall be increased by (1) the number of shares of common stock available for issuance under the Company’s 1999 Long-Term Incentive and Share Award Plan as of the Effective Date and (2) the number of shares of common stock, if any, that are subject to awards issued under the Company’s 1999 Long-Term Incentive and Share Award Plan that are forfeited, canceled, terminated or surrendered on or after the Effective Date (of which: (1) during a calendar year the maximum number of stock with respect to which options and SARs may be granted to an eligible participant under the Plan will be 1,000,000 shares of common stock, and (2) during a calendar year the maximum number of stock with respect to which performance stock, performance units, restricted stock and restricted share units intended to qualify as performance-based compensation may be granted to an eligible participant under the Plan shall be not more than the equivalent of 200,000 shares of common stock), subject to anti-dilution adjustments in the event of certain changes in our capital structure, as described below. If any Awards are forfeited, cancelled, terminated, exchanged or surrendered or such Award is settled in cash or otherwise terminates without a distribution of shares of common stock, any shares of common stock counted against the number of shares of common stock reserved and available under the Plan with respect to such Award shall, to the extent of any such forfeiture, settlement, termination, cancellation, exchange or surrender, again be available for Awards under the Plan. Shares issued pursuant to the Plan will be either authorized but unissued stock or treasury stock.

Eligibility and Administration

Officers and other employees and consultants of the Company and its subsidiaries and affiliates and directors of the Company will be eligible to be granted Awards under the Plan. The Plan will be administered by the Compensation Committee (or sub-committee thereof) or such other Board committee (or the entire Board) as may be designated by the Board (the “Committee”). Unless otherwise determined by the Board, the Committee will consist of two or more non-employee directors with the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 (the “Exchange Act”), each of whom is an outside director within the meaning of Internal Revenue Code Section 162(m). The Committee will determine which eligible employees, consultants and directors receive Awards, the types of Awards to be received and the terms and conditions thereof. The Committee will have authority to waive conditions relating to an Award or accelerate vesting of Awards. All of our employees are currently eligible to participate in the Plan. The actual number of employees who will receive future Awards under the Plan cannot be determined because selection for participation in the Plan is in the sole discretion of the Committee. A summary of current Awards is set forth below.

The Committee shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Internal Revenue Code Section 424(a) applies. The number of shares of common stock reserved for issuance may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of shares of common stock subject to Awards before and after the substitution.

The Committee will be permitted to delegate to officers or other directors of the Company the authority to perform administrative functions for the Plan and, with respect to Awards granted to persons not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine to the extent permitted under Rule 16b-3 of the Exchange Act and applicable law. If an Award is intended to be qualified as performance-based compensation under Section 162(m) of the Internal Revenue Code, the Committee may not increase the amount of compensation payable if it would disqualify the Award under Section 162(m) of the Internal Revenue Code.

Except for certain antidilution adjustments, unless the approval of our stockholders is obtained, options and SARs issued under the Plan will not be amended to lower their exercise price and options and SARs issued under the Plan will not be exchanged for other Options or SARs with lower exercise prices.

Awards

Incentive stock options ("ISOs") intended to qualify for special tax treatment in accordance with the Internal Revenue Code and nonqualified stock options not intended to qualify for special tax treatment under the Internal Revenue Code may be granted for such number of shares of common stock as the Committee determines. The Committee will be authorized to set the terms relating to an option, including exercise price and the time and method of exercise. However, the exercise price of options will not be less than the fair market value of the stock on the date of grant, and the term will not be longer than ten years from the date of grant of the options. The terms of ISOs will comply with the provisions of Section 422 of the Internal Revenue Code. ISOs may only be granted to employees. Awards may be granted alone, in tandem with or in exchange for any other Award.

A SAR will entitle the holder thereof to receive with respect to each share of common stock subject thereto, an amount equal to the excess of the fair market value of one share of common stock on the date of exercise (or, if the Committee so determines, at any time during a specified period before or after the date of exercise) over the exercise price of the SAR set by the Committee as of the date of grant. However, the exercise price of the SARs will not be less than the fair market value of the stock on the date of grant, and the term will not be longer than ten years from the date of grant of the SARs. Payment with respect to SARs may be made in cash or shares of common stock as determined by the Committee.

Awards of restricted stock will be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose. Such restrictions will lapse under circumstances as the Committee may determine, including upon the achievement of performance criteria referred to below. Except as otherwise determined by the Committee, eligible individuals granted restricted stock will have all of the rights of a stockholder, including the right to vote restricted stock and receive dividends thereon, and unvested restricted stock will be forfeited upon termination of service during the applicable restriction period.

A restricted share unit will entitle the holder thereof to receive shares of common stock or cash at the end of a specified deferral period. Restricted share units will also be subject to such restrictions as the Committee may impose. Such restrictions will lapse under circumstances as the Committee may determine, including upon the achievement of performance criteria referred to below. Except as otherwise determined by the Committee, restricted share units subject to deferral or restriction will be forfeited upon termination of service during any applicable deferral or restriction period.

Performance stock and performance units will provide for future issuance of stock or payment of cash, respectively, to the recipient upon the attainment of corporate performance goals established by the Committee over specified performance periods. Performance cash awards will provide for the payment of cash to the recipient upon attainment of corporate performance goal established by the Committee over specified performance periods. Except as otherwise determined by the Committee, performance stock, performance units and performance cash awards will be forfeited upon termination of service during any applicable performance period. Prior to payment of performance stock, performance units or performance cash awards, the Committee will certify that the performance objectives were satisfied. Performance objectives may vary from individual to individual and will be based upon one or more of the following performance criteria as the Committee may deem appropriate: appreciation in value of the common stock; total stockholder return; earnings per share; operating income; net income; pretax earnings; pretax earnings before interest, depreciation and amortization; pro forma net income; return on equity; return on designated assets; return on capital; economic value added; earnings; revenues; expenses; operating profit margin; operating cash flow; net profit margin; free cash flow; cash flow return on investment; and operating margin. The Committee may revise performance objectives if significant events occur during the performance period which the Committee expects to have a substantial effect on such objectives.

Dividend equivalents granted under the Plan will entitle the holder thereof to receive cash, shares of common stock or other property equal in value to dividends paid with respect to a specified number of shares of common stock. Dividend equivalents may be awarded on a free-standing basis or in connection with another Award, and may be paid currently or on a deferred basis. The Committee is also authorized, subject to limitations under applicable law, to grant such other Awards that may be denominated in, valued in, or otherwise based on, shares of common stock, as deemed by the Committee to be consistent with the purposes of the Plan.

Nontransferability

Unless otherwise set forth by the Committee in an award agreement, Awards (except for vested stock) will generally not be transferable by the participant other than by will or the laws of descent and distribution and will be exercisable during the lifetime of the participant only by such participant or his or her guardian or legal representative.

Capital Structure Changes

If the Committee determines that any dividend, recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, repurchase, stock exchange or other similar corporate transaction or event affects the common stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of eligible participants under the Plan, then the Committee is authorized to make such equitable changes or adjustments as it deems appropriate, including adjustments to (1) the number and kind of stock which may thereafter be issued under the Plan, (2) the number and kind of stock, other securities or other consideration issued or issuable in respect of outstanding Awards and (3) the exercise price, grant price or purchase price relating to any Award.

Amendment and Termination

The Plan may be amended, suspended or terminated by the Board at any time, in whole or in part. However, any amendment for which stockholder approval is required by Section 422 of the Internal Revenue Code will not be effective until such approval has been attained. In addition, no amendment, suspension, or termination of the Plan may materially and adversely affect the rights of a participant under any Award theretofore granted to him or her without the consent of the affected participant. The Committee may waive any conditions or rights, amend any terms, or amend, suspend or terminate, any Award granted, provided that, without participant consent, such amendment, suspension or termination may not materially and adversely affect the rights of such participant under any Award previously granted to him or her.

Effective Date and Term

The Plan became effective as of November 6, 2006, subject to approval by our stockholders at our Annual Meeting of Stockholders. Unless earlier terminated, the Plan will expire on November 6, 2016, and no further awards may be granted thereunder after such date.

Market Value

The per share closing price of the common stock on November 10, 2006 was $41.09.

Federal Income Tax Consequences

The following is a summary of the federal income tax consequences of the Plan, based upon current provisions of the Internal Revenue Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretation thereof, and does not address the consequences under any state, local or foreign tax laws.

Stock Options

In general, the grant of an option will not be a taxable event to the recipient and it will not result in a deduction to us. The tax consequences associated with the exercise of an option and the subsequent disposition of shares of common stock acquired on the exercise of such option depend on whether the option is a nonqualified stock option or an ISO.

Upon the exercise of a nonqualified stock option, the participant will recognize ordinary taxable income equal to the excess of the fair market value of the shares of common stock received upon exercise over the exercise price. We will generally be able to claim a deduction in an equivalent amount. Any gain or loss upon a subsequent sale or exchange of the shares of common stock will be capital gain or loss, long-term or short-term, depending on the holding period for the shares of common stock, to the participant.

Generally, a participant will not recognize ordinary taxable income at the time of exercise of an ISO and no deduction will be available to us, provided the option is exercised while the participant is an employee or within three months following termination of employment (longer, in the case of disability or death). If an ISO granted under the Plan is exercised after these periods, the exercise will be treated for federal income tax purposes as the exercise of a nonqualified stock option. Also, an ISO granted under the Plan will be treated as a nonqualified stock option to the extent it (together with other ISOs granted to the participant by us) first becomes exercisable in any calendar year for shares of common stock having a fair market value, determined as of the date of grant, in excess of $100,000.

If shares of common stock acquired upon exercise of an ISO are sold or exchanged more than one year after the date of exercise and more than two years after the date of grant of the option, any gain or loss will be long-term capital gain or loss. If shares of common stock acquired upon exercise of an ISO are disposed of prior to the expiration of these one-year or two-year holding periods (a "Disqualifying Disposition"), the participant will recognize ordinary income at the time of disposition, and we will generally be entitled to a deduction, in an amount equal to the excess of the fair market value of the shares of common stock at the date of exercise over the exercise price. Any additional gain will be treated as capital gain, long-term or short-term, depending on how long the shares of common stock have been held. Where shares of common stock are sold or exchanged in a Disqualifying Disposition (other than certain related party transactions) for an amount less than their fair market value at the date of exercise, any ordinary income recognized in connection with the Disqualifying Disposition will be limited to the amount of gain, if any, recognized in the sale or exchange, and any loss will be a long-term or short-term capital loss, depending on how long the shares of common stock have been held.

If an option is exercised through the use of shares of common stock previously owned by the participant, such exercise generally will not be considered a taxable disposition of the previously owned stock and, thus, no gain or loss will be recognized with respect to such previously owned stock upon such exercise. The amount of any built-in gain on the previously owned stock generally will not be recognized until the new stock acquired on the option exercise are disposed of in a sale or other taxable transaction.

Although the exercise of an ISO as described above would not produce ordinary taxable income to the participant, it would result in an increase in the participant's alternative minimum taxable income and may result in an alternative minimum tax liability.

Restricted Stock

A participant who receives shares of restricted stock will generally recognize ordinary income at the time that the shares "vest", i.e., either when they are not subject to a substantial risk of forfeiture or when they are freely transferable. The amount of ordinary income so recognized will be the fair market value of the common stock at the time the income is recognized (determined without regard to any restrictions other than restrictions which by their terms will never lapse), less the amount, if any, paid for the stock. This amount is generally deductible for federal income tax purposes by us. Dividends paid with respect to common stock that is nonvested will be ordinary compensation income to the participant (and generally deductible by us). Any gain or loss upon a subsequent sale or exchange of the shares of common stock, measured by the difference between the sale price and the fair market value on the date restrictions lapse, will be capital gain or loss, long-term or short-term, depending on the holding period for the shares of common stock. The holding period for this purpose will begin on the date following the date restrictions lapse.

In lieu of the treatment described above, a participant may elect, solely with respect to a grant of shares of restricted stock, immediate recognition of income under Section 83(b) of the Internal Revenue Code. In such event, the participant will recognize as income the fair market value of the restricted stock at the time of grant (determined without regard to any restrictions other than restrictions which by their terms will never lapse), and we will generally be entitled to a corresponding deduction. Dividends paid with respect to stock as to which a proper Section 83(b) election has been made will not be deductible to us. If a Section 83(b) election is made and the restricted stock is subsequently forfeited, the participant will not be entitled to any offsetting tax deduction.

SARs and Other Awards

With respect to SARs, restricted share units, performance stock, performance units, performance cash awards, dividend equivalents and other Awards under the Plan not described above, generally, when a participant receives payment with respect to any such Award granted to him or her under the Plan, the amount of cash and the fair market value of any other property received will be ordinary income to such participant and will be allowed as a deduction for federal income tax purposes to us.

Payment of Withholding Taxes

The Company may withhold, or require a participant to remit to us, an amount sufficient to satisfy any federal, state or local withholding tax requirements associated with Awards under the Plan.

Deductibility Limit on Compensation in Excess of $1 Million

Internal Revenue Code Section 162(m) limits publicly-held companies such as the Company to an annual deduction for federal income tax purposes of $1 million for compensation paid to their covered employees (i.e., the chief executive officer and four other most highly compensated executive officers). However, performance-based compensation is excluded from this limitation. The Plan is designed to permit the Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m).

To qualify as performance-based:

(1) the compensation must be paid solely on account of the attainment of one or more pre-established, objective performance goals;

(2) the performance goal under which compensation is paid must be established by a compensation committee comprised solely of two or more directors who qualify as outside directors for purposes of the exception;

(3) the material terms under which the compensation is to be paid must be disclosed to and subsequently approved by stockholders of the corporation before payment is made in a separate vote; and

(4) the compensation committee must certify in writing before payment of the compensation that the performance goals and any other material terms were in fact satisfied.

In the case of compensation attributable to stock options, the performance goal requirement (summarized in (i) above) is deemed satisfied, and the certification requirement (summarized in (iv) above) is inapplicable, if the grant or award is made by the applicable compensation committee; the plan under which the option is granted states the maximum number of shares of common stock with respect to which options may be granted during a specified period to an employee; and under the terms of the option, the amount of compensation is based solely on an increase in the value of the common stock after the date of grant.

The types of pre-established, objective performance goals that may be applied by the Committee are outlined above. The maximum number of shares of common stock that may be issued during any calendar year pursuant to specific Awards is also set forth above.

Under the Internal Revenue Code, a director is an “outside director” of the Company if he or she is not a current employee of the Company; is not a former employee who receives compensation for prior services (other than under a qualified retirement plan); has not been an officer of the Company; and does not receive, directly or indirectly (including amounts paid to an entity that employs the director or in which the director has at least a five percent ownership interest), remuneration from the Company in any capacity other than as a director.