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

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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 1998

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 1-9614

VAIL RESORTS, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

51-0291762  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

POST OFFICE BOX 7  
VAIL, COLORADO  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)

81658  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (970) 476-5601

-----  
FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST  
REPORT.

NONE

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

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As of December 11, 1998, 34,497,875 shares of common stock were issued and  
outstanding, of which 7,439,834 shares were Class A Common Stock and 27,058,041  
shares were Common Stock.

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

The following discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the July 31, 1998, Annual Report on Form 10-K and the consolidated condensed interim financial statements as of October 31, 1998 and July 31, 1998, and for the three month periods ended October 31, 1998 and 1997, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding financial condition and operating results.

THREE MONTHS ENDED OCTOBER 31, 1998 VERSUS THREE MONTHS ENDED OCTOBER 31, 1997

	THREE MONTHS ENDED OCTOBER 31, 1998	THREE MONTHS ENDED OCTOBER 31, 1997	INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
	(dollars in thousands) (unaudited)			
Resort Revenue.....	\$ 34,985	\$ 17,822	\$ 17,163	96.3%
Resort Operating Expense.....	58,505	35,869	22,636	63.1%
Resort Cash Flow.....	(23,520)	(18,047)	(5,473)	(30.3%)

Resort Revenue. Resort Revenue for the three-months ended October 31, 1998 and 1997 is presented by category as follows:

	THREE MONTHS ENDED OCTOBER 31, 1998	THREE MONTHS ENDED OCTOBER 31, 1997	INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
	(dollars in thousands) (unaudited)			
Lift Ticket.....	\$ 177	\$ 317	\$ (140)	(44.2%)
Ski School.....	19	2	17	850.0%
Dining.....	6,808	4,863	1,945	40.0%
Retail/Rental.....	9,396	1,001	8,395	838.7%
Hospitality.....	9,934	5,185	4,749	91.6%
Other.....	8,651	6,454	2,197	34.0%
Total Resort Revenue.....	<u>\$34,985</u>	<u>\$17,822</u>	<u>\$17,163</u>	<u>96.3%</u>
Total Skier Days.....	<u>10</u>	<u>19</u>	<u>(9)</u>	<u>(47.4%)</u>
ETP.....	<u>\$ 17.70</u>	<u>\$ 16.68</u>	<u>\$ 1.02</u>	<u>6.1%</u>

Lift Ticket and Ski School revenue were not significant to the first quarter's earnings, as expected, due to the seasonal nature of the Company's ski operations. The increase in effective ticket price ("ETP"), which is defined as total lift ticket revenue divided by total skier days, is due to decreased skier days and increases in lead ticket prices at each resort.

Dining revenue increased primarily as a result of the addition of dining operations acquired in five hotel acquisitions. The Lodge at Vail acquisition added two fine dining establishments, eight restaurants were added with the acquisition of the Village at Breckenridge, and the Inn at Keystone and the Great Divide Lodge (formerly the Breckenridge Hilton) each added one dining facility.

The increase in Retail/Rental revenue is due to the addition of approximately 30 retail and rental outlets provided by the joint venture (SSI Venture LLC) the Company entered into with Specialty Sports, Inc. as of August 1, 1998. Specialty Sports, Inc. is one of the largest retailers of ski- and golf-related sporting goods in Colorado.

Hospitality revenue increased due to the acquisitions of The Lodge at Vail, the Great Divide Lodge, the Inn at Keystone, and the Village at Breckenridge. In addition to adding lodging capacity, the Lodge at Vail and the Village at Breckenridge each added additional property management operations. The Village at Breckenridge also runs a vacation services operation/travel agency.

Other revenue increased as a result of the increased popularity of the summer mountain activities, including the new Alpine Slide at Breckenridge mountain; expanded contract services for Beaver Creek, Bachelor Gulch, and Arrowhead Villages; growth in club operations; expanded licensing and sponsorship contracts; and increases in brokerage and commercial leasing revenue.

Resort Operating Expenses. Resort Operating Expenses were \$58.5 million for the three months ended October 31, 1998, compared to \$35.9 million for the three months ended October 31, 1997. As a percentage of Resort Revenue, Resort Operating Expenses decreased from 201.3% to 167.2% in the three months ended October 31, 1998 compared to the three months ended October 31, 1997. The increase in Resort Operating Expenses is attributable to the incremental expenses related to the Company's acquisitions of the Inn at Keystone, the Lodge at Vail and the Great Divide Lodge in October 1997, the acquisition of the Village at Breckenridge in August 1998, and the consolidation of SSI Venture LLC. A portion of the increase can also be attributed to the increased variable expenses resulting from the increased level of Resort Revenue derived from non-lift businesses such as dining, retail/rental and hospitality operations. These operations tend to have a greater level of variable operating expenses proportionate to revenues. The decrease in Resort Operating Expenses as a percentage of Resort Revenue is due to the later openings of the mountains this year as compared to last year. Keystone and Breckenridge mountains opened on October 17 and 30, respectively, for the 1997-98 ski season as compared to an October 26 opening for Keystone and a November opening for Breckenridge mountain for the 1998-99 ski season. Generally, the cost of running the skiing operations in the early season far exceeds the related revenues generated by those operations.

Real Estate Revenue. Revenue from real estate operations for the three months ended October 31, 1998 was \$13.6 million, an increase of \$2.8 million, compared to the three months ended October 31, 1997. Revenue for the three months of fiscal 1999 consists primarily of the sales of one single-family homesite in Bachelor Gulch, three multi-family homesites in Arrowhead and the Company's investment in the Keystone LLC, which is accounted for using the equity method. Profits from the Keystone LLC during the first quarter of fiscal 1999 included the sale of 106 village condominium unit, primarily at the River Run development, and 56 single-family homesites surrounding an 18-hole golf course development. Real estate revenue for the three months of fiscal 1998 consisted primarily of the sales of two single-family homesites in Bachelor Gulch, one multi-family homesite in Arrowhead and two luxury residential condominiums at the Golden Peak base area of Vail mountain.

Real Estate Operating Expenses. Real estate operating expenses for the three months ended October 31, 1998 were \$7.6 million, a decrease of \$4.3 million, compared to the three months ended October 31, 1997. Real estate cost of sales for the three months of fiscal 1999 consists primarily of the cost of sales and real estate commissions associated with the sale of one single-family homesite in Bachelor Gulch and three multi-family homesites in Arrowhead. Real estate cost of sales for the three months of fiscal 1998 consisted primarily of the cost of sales and real estate commissions associated with the sales of two single-family homesites in Bachelor Gulch, one multi-family homesite in Arrowhead, and two luxury residential condominiums at the Golden Peak base area of Vail mountain. Real estate operating expenses include the selling, general and administrative expenses associated with the Company's real estate operations.

Corporate expense. Corporate expense increased by \$45,000 or 3% for the three months ended October 31, 1998 as compared to the three months ended October 31, 1997. Corporate expense includes certain executive salaries, directors' and officers' insurance, investor relations expenses and tax, legal, audit, transfer agent, and other consulting fees.

Depreciation and Amortization. Depreciation and amortization expense increased by \$2.3 million for the three months ended October 31, 1998 as compared to the three months ended October 31, 1997. The increase was primarily attributable to the inclusion of depreciation and amortization associated with the four hotel acquisitions and the SSI Venture LLC discussed above and an increased fixed asset base due to fiscal 1999 capital improvements.

Interest expense. During the three months ended October 31, 1998 and the three months ended October 31, 1997, the Company recorded interest expense of \$5.6 million and \$5.0 million, respectively, relating primarily to the Company's revolving credit facilities and the Industrial Development Bonds in fiscal 1999 and fiscal 1998, as well as the Senior Subordinated Notes for fiscal 1998. The increase in interest expense for the three months ended October 31, 1998 compared to the three months ended October 31, 1997, is attributable to a higher average balance outstanding on the Credit Facilities due to amounts drawn for the hotel acquisition and working capital funding to SSI Venture LLC made during the quarter.

#### LIQUIDITY AND CAPITAL RESOURCES

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

The Company's cash flows from investing activities have historically consisted of payments for acquisitions, resort capital expenditures, and investments in real estate. During the three month period ended October 31, 1998, the Company made payments of \$33.8 million for the acquisition of one hotel property, \$14.8 million in working capital funding to SSI Venture LLC, \$23.4 million for resort capital expenditures, and \$12.0 million for investments in real estate.

During the three months ended October 31, 1998, the Company acquired one hotel property. On August 13, 1998 the Company purchased 100% of the outstanding stock of The Village at Breckenridge Acquisition Corp., Inc. and Property Management Acquisition Corp., Inc. (collectively, "VAB") for a total purchase price of \$33.8 million. VAB owned and operated The Village at Breckenridge, which is strategically located at the base of Peak 9 at Breckenridge Mountain Resort. Included in the acquisition were the 60-room Village Hotel, the 71-room Breckenridge Mountain Lodge, two property management companies which currently hold contracts for 360 condominium units, eight restaurants, approximately 28,000 square feet of retail space leased to third parties, and approximately 32,000 square feet of convention and meeting space. In addition, the acquisition includes the Maggie Building, which is generally considered to be the primary base lodge of Breckenridge Mountain Resort, but until now has neither been owned nor managed by the Company. This transaction also included VAB's other Breckenridge assets, including the Bell Tower Mall and certain other real estate parcels for near-term development. Simultaneously, the Company entered into a contract to sell these same assets for \$10.0 million to East West Partners of Avon, Colorado, a highly experienced mountain resort real estate developer. The acquisition was funded with proceeds from the Company's revolving credit facility.

On August 1, 1998 the Company entered into a joint venture with one of the largest retailers of ski- and golf-related sporting goods in Colorado. The two companies merged their retail operations into a joint venture to be known as SSI Venture LLC. The Company contributed its retail and rental operations to the joint venture and holds a 51.9% share of the joint venture. Specialty Sports, Inc. contributed an additional 30 stores located in Denver, Boulder, Aspen, Telluride, Vail and Breckenridge. The owners and operators of Specialty Sports, Inc., the Gart family, have been operating in the sporting goods industry in Colorado since 1929 and run the day-to-day operations of SSI Venture LLC. Vail Resorts participates in the strategic and financial management of the joint venture. During the three months ended October 31, 1998, the Company funded the working capital needs of SSI Venture LLC with \$14.8 million drawn from the revolving credit facility.

Resort capital expenditures for the three months ended October 31, 1998 were \$23.4 million. Investments in real estate for that period were \$12.0 million, which included \$0.8 million of mountain improvements, including ski lifts and snowmaking equipment, which are related to real estate development but which will also benefit resort operations. The primary projects included in resort capital expenditures were (i) trail and infrastructure improvements and a new high speed quad chairlift at Keystone Mountain, (ii) terrain and facilities improvements and a new on-mountain restaurant at Breckenridge Mountain, (iii) expansion of the grooming fleet at all four resorts, (iv) upgrades to office and front line information systems, and (v) additional hotel renovations. The primary projects included in investments in real estate were (i) continuing infrastructure related to Beaver Creek, Bachelor Gulch and Arrowhead Villages, (ii) golf course development, and (iii) investments in developable land at strategic locations at all four mountain resorts.

The Company estimates that it will make resort capital expenditures totaling between \$30 and \$40 million during the remainder of fiscal 1999. The primary projects are anticipated to include (i) a new high speed quad chair lift at Breckenridge, (ii) upgrades to the snowmaking system at Keystone, (iii) continued hotel renovations, (iv) a new exhibit hall/conference center at Keystone, (v) fleet replacement at all four resorts, (vi) expansion of Adventure Ridge at Vail, (vii) continued construction of Adventure Point at Keystone, (viii) expansion of the children's ski school at Beaver Creek, and (ix) infrastructure for the Category III expansion on Vail Mountain. Investments in real estate during the remainder of fiscal 1999 are expected to total between \$15 and \$25 million. The primary projects are anticipated to include (i) infrastructure related to Bachelor Gulch and Arrowhead Villages, (ii) golf course development, and (iii) investments in developable land at strategic locations at all four resorts. The Company plans to fund capital expenditures and investments in real estate for the remainder of fiscal 1999 with cash flow from operations and borrowings under its revolving credit facility.

During the three months ended October 31, 1998, the Company generated \$73.1 million in cash for its financing activities consisting of net borrowings on its revolving credit facility of \$73.0 million and \$0.1 million received from the exercise of employee stock options.

During the three months ended October 31, 1998, 10,900 employee stock options were exercised at exercise prices ranging from \$10.00 to \$10.75. Additionally, 6,391 shares were issued to management under the restricted stock plan.

Based on current levels of operations and cash availability, management believes the Company is in a position to satisfy its working capital, debt service, and capital expenditure requirements.

Statements in this Form 10-Q, other than statements of historical information, are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such risks and uncertainties include, but are not limited to, general business and economic conditions, competitive factors in the ski and resort industry, and the weather.

## YEAR 2000 COMPLIANCE

The Year 2000 issue is a result of certain computer programs being written using two digits rather than four to define the applicable year. Computer programs which are date-sensitive may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in major computer system or program failures or miscalculations or equipment malfunctions. The Company recognizes that the impact of the Year 2000 issue extends beyond traditional computer hardware and software to equipment used in operations, such as chairlifts, alarm systems and elevators, as well as to third parties. The Year 2000 issue is being addressed within the Company by its individual business units, and progress is reported periodically to management.

The Company has committed resources to conduct risk assessments and to take corrective action, where required, within each of the following areas: information technology, operations equipment, and external parties. Information technology includes telecommunications as well as traditional computer software and hardware in the mainframe, midrange and distributed applications environments. Operations equipment includes all automation and embedded chips used in business operations. External parties include any third party with whom the Company interacts, or upon whom the Company relies in the performance of day-to-day operations. The Company's program for addressing the Year 2000 issue includes the following phases: inventory, assessment, remediation, third-party verification and testing.

In the information technology area, inventory and assessment audits in the telecommunications, mainframe, midrange and distributed applications areas are expected to be completed by March 31, 1999, with remediation and testing expected to be completed by September 30, 1999. The Company has traditionally upgraded and replaced its information technology systems on a regular basis. As a result of this process, most of the Company's information technology systems and applications are currently Year 2000 compliant. With respect to operations equipment, the Company has identified areas that it considers "mission critical". The Company's business units have completed over fifty percent of these inventory and assessment audits, and the remainder of these audits are expected to be completed by March 31, 1999. Remediation and testing is expected to be completed by September 30, 1999.

The Company has initiated communication with its significant suppliers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 issue. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company. Many of the external parties that the Company relies on provide commodity goods or services that are widely available from a range of vendors, therefore third party impact on the Company is expected to be minimal. The Company is requiring letters of Year 2000 compliance from all critical suppliers and is identifying alternative suppliers as part of its contingency plans. Risk assessment is expected to be completed by June 30, 1999, and monitoring of risk in this area will continue throughout 1999, as many external parties will not have completed their work with respect to the Year 2000 issue.

The total cost of the Company's Year 2000 efforts are not expected to be material with respect to the Company's operations, liquidity or capital resources. The total estimated multi-year cost of the Year 2000 project is estimated to be between \$750,000 and \$1,000,000. These costs are not expected to be material to the Company's consolidated results of operations. Of the total project cost, approximately \$500,000 is attributable to the purchase of new software or equipment which will be capitalized. The remaining \$250,000 to \$500,000 will be expensed as incurred. In a number of instances, the Company may decide to install new software or upgraded versions of current software programs which are Year 2000 compliant. In these instances, the Company may capitalize certain costs of the new system in accordance with current accounting guidelines. Fiscal 1998 costs were approximately \$150,000, and costs for the three months ended October 31, 1998 were approximately \$50,000. Costs exclude expenditures for systems which were replaced under the Company's regularly planned schedule.

Failure to address a Year 2000 issue could result in a business disruption that could materially affect the Company's operations, liquidity or capital resources. The Company believes that the most reasonably likely

worst case scenario would consist of isolated instances of minor system or equipment failures, for which the Company has developed contingency plans. Generally, the Company's contingency plans include, but are not limited to, development of manual work-arounds to system failures, identification of alternative sources for goods and services, and reasonable increases in the amount of on-hand goods and supplies. Typically these plans address the results of single events, while the scope of the Year 2000 issues may cause multiple concurrent events for a longer duration. Development of contingency plans for multiple concurrent events is in progress and is expected to be completed by November 30, 1999.

There is still uncertainty around the scope of the Year 2000 issue. At this time the Company cannot quantify the potential impact of these failures. The Company's Year 2000 program and contingency plans are being developed to address issues within the Company's control. The program minimizes, but does not eliminate, the issues of external parties.

The costs of the project and estimated completion dates are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantees that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

#### RECENT DEVELOPMENTS

On October 19, 1998, fires on Vail Mountain destroyed certain of the Company's facilities including the Ski Patrol Headquarters, a day skier shelter, the Two Elk Lodge restaurant and the chairlift drive housing for the High Noon Lift (Chair #5). The fires have been determined to have been deliberately set and are under investigation by federal, state and local law enforcement officials. Chair #5 is expected to be fully operational in time for the Christmas holiday. The chairlift services the Sun Up and Sun Down Bowls, which typically do not open for the season until mid-December. Furthermore, access out of Sun Up Bowl is also provided by the Sun Up Lift (Chair #17), therefore the impact related to Chair #5's downtime will be minimal. Three other chairlifts suffered minor damage and have since been repaired and are currently fully operational. All of the facilities damaged are fully covered by the Company's property insurance policy. Although the Company is unable to estimate the total amount which will be recovered through insurance proceeds, the Company does not expect to record a loss related to the property damage. The Company has placed temporary structures at the Two Elk Lodge and Ski Patrol Headquarters sites. These facilities will provide food service and other amenities during the reconstruction period of the Two Elk Lodge and Ski Patrol Headquarters. In addition, the Company has constructed a 200-seat pavilion and relocated and covered the patio food delivery system at the Mid-Vail Restaurant, and has provided portable radiant heaters on the patios at Mid-Vail Restaurant and Eagle's Nest to accommodate overflow from Two Elk Lodge. The fires did not affect Vail Mountain's opening day for the 1998-1999 season and are not expected to impact the World Alpine Ski Championships that are being hosted January 30, 1999 through February 14, 1999. The incident is also covered under the Company's business interruption insurance policy. The Company is unable to estimate at this time the impact the incident will have in terms of business interruption, however the Company does not believe the incident will have a material impact on its financial results due to mitigating measures being undertaken by the Company and the insurance coverage.



ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. The Company enters into interest rate swap agreements (the "Swap Agreement") to reduce its exposure to interest rate fluctuations on its floating rate debt. The Swap Agreements exchange floating rate for fixed rate interest payments periodically over the life of the agreement without exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not represent an amount of exposure to credit loss. For interest rate instruments that effectively hedge interest rate exposures, the net cash amounts paid or received on the agreements are accrued and recognized as an adjustment to interest expense. As of October 31, 1998, the Company had Swap Agreements in effect totaling \$150.0 million notional amount of which \$75.0 million will mature in February 2000 with another \$75.0 million maturing December 2002. The borrowings not subject to Swap Agreements at October 31, 1998 totaled \$139.0 million. Swap Agreement rates are based on one-month LIBOR. Based on average floating rate borrowings outstanding during the three months ended October 31, 1998, a 100-basis point change in LIBOR would have caused the Company's monthly interest expense to change by \$105,000. The Company believes that these amounts are not significant to the earnings of the Company.

PART II

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Index to Exhibits

The following exhibits are 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 filed with the Secretary of State of the State of Delaware on the Effective Date. (Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
3.2	Amended and Restated By-Laws adopted on the Effective Date. (Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
4.2	Form of Class 2 Common Stock Registration Rights Agreements between the Company and holders of Class 2 Common Stock. (Incorporated by reference to Exhibit 4.13 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.1	Management Agreement by and between Beaver Creek Resort Company of Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.2	Forest Service Term Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	

EXHIBIT NUMBER -----	DESCRIPTION -----	SEQUENTIALLY NUMBERED PAGE -----
10.3	Forest Service Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.3 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.4	Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 10.4 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.5	Employment Agreement dated October 8, 1992 between Vail Associates, Inc. and Andrew P. Daly. (Incorporated by reference to Exhibit 10.15 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.6	Employment Agreement dated October 30, 1992 between Vail Associates, Inc. and James Kent Myers. (Incorporated by reference to Exhibit 10.10 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.7	Joint Liability Agreement by and among Gillett Holdings, Inc. and the subsidiaries of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.10 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.8(a)	Management Agreement between Gillett Holdings, Inc. and Gillett Group Management, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.11 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.8(b)	Amendment to Management Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.9(a)	Tax Sharing Agreement between Gillett Holdings, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.9(b)	Amendment to Tax Sharing Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.13(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.10	Form of Gillett Holdings, Inc. Deferred Compensation Agreement for certain GHTV employees. (Incorporated by reference to Exhibit 10.13(b) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.11(a)	Credit Agreement dated as of January 3, 1997 among the Vail Corporation, the Banks named therein and NationsBank of Texas, N.A., as issuing banks and agent.	
10.11(b)	Pledge Agreement dated as of January 3, 1997 among the Vail Corporation and NationsBank of Texas, N.A. as agent.	
10.11(c)	Credit Agreement dated as of October 10, 1997 among the Vail Corporation And NationsBank of Texas, N.A., as lender.	
10.11(d)	Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado, and Colorado National Bank, as Trustee, securing Sports Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.16(g) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	

EXHIBIT NUMBER -----	DESCRIPTION -----	SEQUENTIALLY NUMBERED PAGE ----
10.11(e)	First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports and Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(f) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.11(f)	Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado, and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.16(h) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.11(g)	First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(h) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.11(h)	Sports and Housing Facilities Financing Agreement dated as of September 1, 1992 between Eagle County, Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.16(i) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.11(i)	First Amendment to Sports and Housing Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 between Eagle County, Colorado, Vail Associates, Inc. and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(j) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.11(j)	Sports Facilities Financing Agreement dated as of September 1, 1992 between Eagle County, Colorado and Beaver Creek Associates, Inc., with Vail Associates, Inc. as Guarantor. (Incorporated by reference to Exhibit 10.16(j) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.11(k)	First Amendment to Sports Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 by and among Eagle County, Colorado, Beaver Creek Associates, Inc., Vail Associates, Inc., and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(l) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.11(l)	Guaranty dated as of September 1, 1992, by Vail Associates, Inc. delivered to Colorado National Bank, as Trustee. (Incorporated by reference to Exhibit 10.16(k) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.12(a)	Agreement for Purchase and Sale dated as of August 25, 1993 by and among Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(a) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.12(b)	Amendment to Agreement for Purchase and Sale dated September 8, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
-----	-----	----
10.12(c)	Second Amendment to Agreement for Purchase and Sale dated September 22, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(c) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.12(d)	Third Amendment to Agreement for Purchase and Sale dated November 30, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail/Arrowhead, Inc. (Incorporated by reference to Exhibit 10.19(d) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.13	1992 Stock Option Plan of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.20 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.14	Agreement to Settle Prospective Litigation and for Sale of Personal Property dated May 10, 1993, between the Company, Clifford E. Eley, as Chapter 7 Trustee of the Debtor's Bankruptcy Estate, and George N. Gillett, Jr. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.15	Employment Agreement dated April 1, 1994 between Gillett Holdings, Inc. and James S. Mandel (Incorporated by reference to Exhibit 10.22 of the report on Form 10-K of Gillett Holdings, Inc. for the year ended September 30, 1994.)	
10.16	Employment Agreement dated April 1, 1994 between Vail Associates, Inc. and James S. Mandel (Incorporated by reference to Exhibit 10.23 of the report on Form 10-K of Gillett Holdings, Inc. for the year ended September 30, 1994.)	
10.17	Employment Agreement dated October 1, 1996 between Vail Associates, Inc. and Andrew P. Daly.	
10.18	Employment Agreement dated July 29, 1996 between Vail Resorts, Inc. and Adam M. Aron.	
10.19	Shareholder Agreement among Vail Resorts, Inc., Ralston Foods, Inc., and Apollo Ski Partners dated January 3, 1997. (Incorporated by reference to Exhibit 2.4 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997.)	
10.20	1996 Stock Option Plan (Incorporated by reference from the Company's Registration Statement on Form S-3, File No. 333-5341).	
10.21	Agreement dated October 11, 1996 between Vail Resorts, Inc. and George Gillett.	
10.22	Amended and Restated Credit Agreement among the Vail Corporation (d/b/a "Vail Associates, Inc.") and Nations Bank of Texas, N.A.	
10.23	Sports and Housing Facilities Financing Agreement among the Vail Corporation (d/b/a "Vail Associates, Inc.") and Eagle County, Colorado, dated April 1, 1998.	
27	Financial Data Schedules	

(b) Reports on Form 8-K

None

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 DECEMBER 15, 1998.

VAIL RESORTS, INC.

By           /s/ James P. Donohue  
              -----  
                          James P. Donohue  
                          Senior Vice President and Chief  
                          Financial Officer

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ITEM 1. FINANCIAL STATEMENTS

Consolidated Condensed Balance Sheets as of October 31, 1998 and July 31, 1998.....	F-2
Consolidated Condensed Statements of Operations for the Three Months Ended October 31, 1998 and 1997.....	F-3
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VAIL RESORTS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

	OCTOBER 31, 1998	JULY 31, 1998
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 20,542	\$ 19,512
Receivables.....	25,485	26,487
Inventories.....	28,329	8,893
Deferred income taxes.....	12,126	12,126
Other current assets.....	4,673	4,708
	-----	-----
Total current assets.....	91,155	71,726
Property, plant and equipment, net.....	536,954	501,371
Real estate held for sale.....	156,683	138,916
Deferred charges and other assets.....	19,540	12,605
Intangible assets, net.....	199,801	186,132
	-----	-----
Total assets.....	\$1,004,133	\$912,122
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses.....	\$ 104,623	\$ 55,012
Income taxes payable.....	2,239	2,239
Long-term debt due within one year.....	737	1,734
	-----	-----
Total current liabilities.....	107,599	58,985
Long-term debt.....	356,475	282,280
Other long-term liabilities.....	27,068	28,886
Deferred income taxes.....	64,833	79,347
Minority interest in net assets of consolidated joint venture.....	5,443	--
Commitments and contingencies (Note 3)		
Stockholders' equity		
Preferred stock, \$.01 par value, 25,000,000 shares authorized, no shares Issued and outstanding.....	--	--
Common stock--		
Class A common stock, \$.01 par value, 20,000,000 shares authorized, 7,439,834 and 7,639,834 shares issued and outstanding as of October 31, 1998 and July 31, 1998, respectively.....	75	76
Common stock, \$.01 par value, 80,000,000 shares authorized, 27,026,781 and 26,817,346 shares issued and outstanding as of October 31, 1998 and July 31, 1998, respectively.....	270	269
Additional paid-in capital.....	402,111	401,563
Retained earnings.....	40,259	60,716
	-----	-----
Total stockholders' equity.....	442,715	462,624
	-----	-----
Total liabilities and stockholders' equity.....	\$1,004,133	\$912,122
	=====	=====

See accompanying notes to consolidated condensed financial statements.



VAIL RESORTS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

	THREE MONTHS ENDED OCTOBER 31, 1998	THREE MONTHS ENDED OCTOBER 31, 1997
	-----	-----
Net revenues:		
Resort.....	\$ 34,985	\$ 17,822
Real estate.....	13,571	10,690
	-----	-----
Total net revenues.....	48,556	28,512
Operating expenses:		
Resort.....	58,505	35,869
Real estate.....	7,610	11,954
Corporate expense.....	1,495	1,450
Depreciation and amortization.....	11,801	9,522
	-----	-----
Total operating expenses.....	79,411	58,795
	-----	-----
Loss from operations.....	(30,855)	(30,283)
Other income (expense):		
Investment income.....	415	510
Interest expense.....	(5,660)	(5,087)
Gain (Loss) on disposal of fixed assets.....	13	(82)
Other income (expense).....	3	(487)
Minority interest in consolidated joint venture.....	1,114	--
	-----	-----
Loss before income taxes.....	(34,970)	(35,429)
Benefit for income taxes.....	14,512	14,677
	-----	-----
Net loss.....	\$(20,458)	\$(20,752)
	=====	=====
Net loss per common share (Note 4):		
Basic.....	\$ (0.59)	\$ (0.61)
	=====	=====
Diluted.....	\$ (0.59)	\$ (0.59)
	=====	=====

See accompanying notes to consolidated condensed financial statements.

VAIL RESORTS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

	THREE MONTHS ENDED OCTOBER 31, 1998	THREE MONTHS ENDED OCTOBER 31, 1997
	-----	-----
Cash flows from operating activities:		
Net income .....	\$(20,458)	\$(20,752)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	11,801	9,522
Noncash cost of real estate sales .....	5,048	9,431
Noncash compensation related to stock grants .....	90	90
Noncash compensation related to stock options .....	--	119
Noncash equity income.....	(653)	1,068
Deferred financing costs amortized .....	146	75
(Gain)Loss on disposal of fixed assets .....	(13)	82
Deferred income taxes, net .....	(14,512)	(14,677)
Minority interest in consolidated joint venture.....	(5,443)	--
Changes in assets and liabilities:		
Accounts receivable, net .....	2,012	(3,562)
Inventories .....	(14,822)	(2,978)
Accounts payable and accrued expenses .....	43,884	28,542
Other assets and liabilities .....	623	(6,876)
	-----	-----
Net cash provided by operating activities .....	7,703	84
Cash flows from investing activities:		
Cash paid in hotel acquisitions, net of cash acquired.....	(33,800)	(45,780)
Cash paid by consolidated joint venture in acquisition of retail operations...	(10,516)	--
Resort capital expenditures .....	(23,428)	(39,119)
Investments in real estate .....	(12,031)	(9,107)
	-----	-----
Net cash investing activities .....	(79,775)	(94,006)
Cash flows from financing activities:		
Proceeds from the exercise of stock options.....	112	2,576
Payments under Rights .....	--	(5,603)
Proceeds from borrowings under long-term debt .....	74,366	103,000
Payments on long-term debt .....	(1,376)	(1,017)
	-----	-----
Net cash provided by financing activities .....	73,102	98,956
	-----	-----
Net increase in cash and cash equivalents .....	1,030	5,034
Cash and cash equivalents:		
Beginning of period .....	19,512	10,217
	-----	-----
End of period .....	20,542	\$ 15,251
	=====	=====

See accompanying notes to consolidated condensed financial statements.

VAIL RESORTS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

Vail Resorts, Inc. ("Vail Resorts") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in two business segments, mountain resorts and real estate development. Vail Associates, Inc., a wholly-owned subsidiary of Vail Resorts, and its subsidiaries (collectively, "Vail Associates") operate four of the world's largest skiing facilities on Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary of Vail Associates, Inc., conducts the Company's real estate development activities. The Company's mountain resort business, which is primarily composed of ski operations and related amenities, is seasonal in nature with a typical ski season beginning in mid-October to early November and continuing through late April to mid-May.

In the opinion of the Company, the accompanying consolidated condensed financial statements reflect all adjustments necessary to present 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 financial statements should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 1998 included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1998.

2. ACCOUNTING POLICIES

The Company adopted the provisions of SFAS 130, "Reporting Comprehensive Income" as of August 1, 1998. SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The adoption of this statement had no impact on the Company's financial statements as there are no differences between Net Income and Comprehensive Income.

3. COMMITMENTS AND CONTINGENCIES

Smith Creek Metropolitan District ("SCMD") and Bachelor Gulch Metropolitan District ("BGMD") were organized in November 1994 to cooperate in the financing, construction and operation of basic public infrastructure serving the Company's Bachelor Gulch Village development. SCMD was organized primarily to own, operate and maintain water, street, traffic and safety, transportation, fire protection, parks and recreation, television relay and translation, sanitation and certain other facilities and equipment of the BGMD. SCMD is comprised of approximately 150 acres of open space land owned by the Company and members of the Board of Directors of the SCMD. In two planned unit developments, Eagle County has granted zoning approval for 1,395 dwelling units within Bachelor Gulch Village, including various single family homesites, cluster home and townhome, and lodging units. As of October 31, 1998, the Company has sold 103 single-family homesites and five parcels to developers for the construction of various types of dwelling units. Currently, SCMD has outstanding \$44.5 million of variable rate revenue bonds maturing on October 1, 2035, which have been enhanced with a \$47.2 million letter of credit issued against the Company's Revolving Credit Facility. It is anticipated that as the Bachelor Gulch community expands, BGMD will become self supporting and that within 25 to 30 years will issue general obligation bonds, the proceeds of which will be used to retire the SCMD revenue bonds. Until that time, the Company has agreed to subsidize the interest payments on the SCMD revenue bonds. The Company has estimated that the present value of this aggregate subsidy to be \$15.1 million at October 31, 1998. The Company has allocated \$9.6 million of that amount to the Bachelor Gulch Village homesites which were sold as of October 31, 1998 and has recorded that amount as a liability in the accompanying financial statements. The total subsidy incurred as of October 31, 1998 and July 31, 1997 was \$3.4 million and \$2.9 million, respectively.

At October 31, 1998, the Company had various other letters of credit outstanding in the aggregate amount of \$17.2 million.

3. COMMITMENTS AND CONTINGENCIES (CONTINUED)

On October 19, 1998, fires on Vail Mountain destroyed certain of the Company's facilities including the Ski Patrol Headquarters, a day skier shelter, the Two Elk Lodge restaurant and the chairlift drive housing for the High Noon Lift (Chair #5). Three other chairlifts suffered minor damage and have since been repaired and are currently fully operational. All of the facilities damaged are fully covered by the Company's property insurance policy. Although the Company is unable to estimate the total amount which will be recovered through insurance proceeds, the Company does not expect to record a loss related to the property damage. The incident is also covered under the Company's business interruption insurance policy. The Company is unable to estimate at this time the impact the incident will have in terms of business interruption, however the Company does not believe the incident will have a material impact on its results of operations and cash flows due to mitigating measures being undertaken by the Company and the insurance coverage.

4. NET LOSS PER COMMON SHARE

	THREE MONTHS ENDED OCTOBER 31, 1998		THREE MONTHS ENDED OCTOBER 31, 1997	
	BASIC	DILUTED	BASIC	DILUTED
Net loss per common share:				
Net loss.....	\$ (20,458)	\$ (20,458)	\$ (20,752)	\$ (20,752)
Weighted average shares outstanding.....	34,519,298	34,519,298	34,129,441	34,129,441
Effect of dilutive stock options.....		303,430		829,367
Total shares.....	34,525,245	34,822,729	34,129,441	34,958,808
Net loss per common share.....	\$ (0.59)	\$ (0.59)	\$ (0.61)	\$ (0.59)

5. ACQUISITIONS AND BUSINESS COMBINATIONS

On August 1, 1998 the Company entered into a joint venture with one of the largest retailers of ski- and golf-related sporting goods in Colorado. The two companies merged their retail operations into a joint venture to be known as SSI Venture LLC. The Company contributed its retail and rental operations to the joint venture and holds a 51.9% share of the joint venture. Specialty Sports, Inc. contributed an additional 30 stores located in Denver, Boulder, Aspen, Telluride, Vail and Breckenridge. The owners and operators of Specialty Sports, Inc., the Gart family, have been operating in the sporting goods industry in Colorado since 1929 and run the day-to-day operations of SSI Venture LLC. Vail Resorts participates in the strategic and financial management of the joint venture.

On August 13, 1998 the Company purchased 100% of the outstanding stock of The Village at Breckenridge Acquisition Corp., Inc. and Property Management Acquisition Corp., Inc. (collectively, "VAB") for a total purchase price of \$33.8 million. VAB owned and operated The Village at Breckenridge, which is strategically located at the base of Peak 9 at Breckenridge Mountain Resort. Included in the acquisition were the 60-room Village Hotel, the 71-room Breckenridge Mountain Lodge, two property management companies which currently hold contracts for 360 condominium units, eight restaurants, approximately 28,000 square feet of retail space leased to third parties, and approximately 32,000 square feet of convention and meeting space. In addition, the acquisition includes the Maggie Building, which is generally considered to be the primary base lodge of Breckenridge Mountain Resort, but until now has neither been owned nor managed by the Company. This transaction also included VAB's other Breckenridge assets, including the Bell Tower Mall and certain other real estate parcels for near-term development. Simultaneously, the Company entered into a contract to sell these same assets for \$10.0 million to East West Partners of Avon, Colorado, a highly experienced mountain resort real estate developer. The acquisition was funded with proceeds from the Company's revolving credit facility.



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