

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

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, 2004

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)

<u>Delaware</u>	<u>51-0291762</u>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
<u>Post Office Box 7 Vail, Colorado</u>	<u>81658</u>
(Address of principal executive offices)	(Zip Code)
<u>(970) 845-2500</u>	
(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.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of December 7, 2004, 35,428,147 shares of Common Stock were issued and outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements-Unaudited

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

	October 31, 2004 (unaudited)	July 31, 2004 (unaudited)	October 31, 2003 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents			\$
	\$ 31,618	\$ 46,328	\$ 7,192
Restricted cash	16,129	16,031	11,333
Receivables, net	29,913	36,957	34,940
Inventories, net	40,549	31,151	41,820
Other current assets	<u>34,003</u>	<u>25,270</u>	<u>25,812</u>
Total current assets	152,212	155,737	121,097
Property, plant and equipment, net	988,401	968,772	934,289
Real estate held for sale and investment	132,726	134,548	115,570
Goodwill, net	145,090	145,090	145,049
Intangible assets, net	84,349	85,203	87,594
Other assets	<u>37,646</u>	<u>44,607</u>	<u>45,905</u>
Total assets	<u>\$ 1,540,424</u>	<u>\$ 1,533,957</u>	<u>\$ 1,449,504</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses (Note 5)	\$ 227,945	\$ 198,868	\$ 191,390
Long-term debt due within one year (Note 4)	<u>3,299</u>	<u>3,159</u>	<u>3,522</u>

Total current liabilities	231,244	202,027	194,912
Long-term debt (Note 4)	648,512	622,644	576,909
Other long-term liabilities	101,733	97,616	116,779
Deferred income taxes	59,989	79,745	60,827
Commitments and contingencies (Note 10)	--	--	--
Put option liabilities (Note 8)	3,321	3,657	2,432
Minority interest in net assets of consolidated subsidiaries	35,063	37,105	26,736
Stockholders' equity:			
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, zero shares issued and outstanding	--	--	--
Common stock:			
Class A common stock, convertible to common stock, \$0.01 par value, 20,000,000 shares authorized, zero, 6,114,834 and 7,439,834 shares issued and outstanding as of October 31, 2004, July 31, 2004, and October 31, 2003, respectively (Note 11)	--	61	74
Common stock, \$0.01 par value, 80,000,000 shares authorized, 35,407,147, 29,222,828, and 27,835,042 shares issued and outstanding as of October 31, 2004, July 31, 2004, and October 31, 2003, respectively	354	292	278
Additional paid-in capital	417,422	416,660	415,350
Deferred compensation	(585)	(677)	(176)
Retained earnings	43,371	74,827	55,383
Total stockholders' equity	460,562	491,163	470,909
Total liabilities and stockholders' equity	\$ 1,540,424	\$ 1,533,957	\$ 1,449,504

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	
	October 31,	
	2004	2003
Net revenues:		
Mountain	\$ 34,493	\$ 33,466
Lodging	46,275	43,790
Real estate	<u>17,115</u>	<u>26,892</u>
Total net revenues	97,883	104,148
Operating expenses:		
Mountain	63,961	61,454
Lodging	43,548	41,503
Real estate	10,061	12,124
Gain on transfer of property, net	--	(1,913)
Depreciation and amortization	21,076	20,366
Loss on disposal of fixed assets, net	<u>858</u>	<u>1,010</u>
Total operating expenses	<u>139,504</u>	<u>134,544</u>
Loss from operations	(41,621)	(30,396)
Other income (expense):		
Mountain equity investment income (loss), net	794	(18)
Lodging equity investment loss, net	(1,918)	(1,740)
Real estate equity investment (loss) income, net	(35)	203
Investment income, net	128	565
Interest expense	(10,576)	(13,408)
Gain (loss) on put options, net	213	(610)
Other expense, net	(33)	--
Minority interest in loss of consolidated subsidiaries, net	<u>1,900</u>	<u>2,091</u>
Loss before benefit from income taxes	(51,148)	(43,313)
Benefit from income taxes	<u>19,692</u>	<u>17,910</u>
Net loss	<u>\$ (31,456)</u>	<u>\$ (25,403)</u>
Per share amounts (Note 3):		
Basic net loss per share	<u>\$ (0.89)</u>	<u>\$ (0.72)</u>
Diluted net loss per share	<u>\$ (0.89)</u>	<u>\$ (0.72)</u>

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)

	Three Months Ended	
	October 31,	
	2004	2003
Net cash (used in) provided by operating activities:	\$ (3,002)	\$ 25,318
Cash flows from investing activities:		
Capital expenditures	(29,226)	(20,896)
Investments in real estate	(11,404)	(1,523)
Other investing activities, net	<u>2,440</u>	<u>1,351</u>
Net cash used in investing activities	(38,190)	(21,068)
Cash flows from financing activities:		
Proceeds from borrowings under long-term debt	29,560	80,090
Payments on long-term debt	(3,698)	(84,688)
Other financing activities, net	<u>620</u>	<u>(334)</u>
Net cash provided by (used in) financing activities	<u>26,482</u>	<u>(4,932)</u>
Net decrease in cash and cash equivalents	(14,710)	(682)
Cash and cash equivalents:		
Beginning of period	<u>46,328</u>	<u>7,874</u>
End of period	<u>\$ 31,618</u>	<u>\$ 7,192</u>

Vail Resorts, Inc.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. Organization and Business

Vail Resorts, Inc. ("Vail Resorts") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in three business segments: Mountain, Lodging and Real Estate. The Company owns and operates five world-class ski resorts and related amenities at Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado and the Heavenly Ski Resort ("Heavenly") in the Lake Tahoe area of California and Nevada. The Company also owns several hotel properties situated in proximity to its ski resorts. Additionally, the Company owns Grand Teton Lodge Company ("GTLC"), which operates three resorts within Grand Teton National Park (under a National Park Service concessionaire contract), and the Jackson Hole Golf & Tennis Club in Wyoming. The Company also owns a 51% interest in Snake River Lodge & Spa ("SRL&S") located near Jackson, Wyoming and owns 100% of the Lodge at Rancho Mirage ("Rancho Mirage") near Palm Springs, California. The Company holds a majority interest in RockResorts International LLC ("RockResorts"), a luxury hotel management company. The Company also holds a 51.9% interest in SSI Venture, LLC ("SSV"), a retail/rental company. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary of the Company, conducts the operations of the Company's Real Estate segment. The Company's mountain and lodging businesses are seasonal in nature with peak operating seasons generally from mid-November through mid-April. The Company's operations at GTLC generally run from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 7, Variable Interest Entities).

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 Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2004. The year-end condensed Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

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

Reclassifications--Certain reclassifications have been made to the accompanying Consolidated Condensed Financial Statements as of and for the three months ended October 31, 2003 to conform to the current period presentation.

Stock Compensation-- At October 31, 2004, the Company had four stock-based compensation plans. The Company applies Accounting Principles Board ("APB") Opinion No. 25 and related interpretations in accounting for stock-based compensation to employees, as such, the Company applies the intrinsic value method to value outstanding stock options. The Company recorded compensation expense related to restricted stock of \$92,000 and \$21,000 for the three months ended October 31, 2004 and 2003, respectively. Had compensation cost for the Company's four stock-based compensation plans been determined consistent with SFAS No. 123, "Accounting for Stock Based Compensation", the Company's net loss and loss per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	Three months ended October 31,	
	2004	2003
Net loss		
As reported	\$ (31,456)	\$ (25,403)
Add: stock based employee compensation expense included in reported net loss, net of related tax effects	56	12
Deduct: total stock based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	<u>(704)</u>	<u>(468)</u>
Pro forma	\$ (32,104)	\$ (25,859)
Basic net loss per common share		
As reported	\$ (0.89)	\$ (0.72)
Pro forma	\$ (0.91)	\$ (0.73)
Diluted net loss per common share		
As reported	\$ (0.89)	\$ (0.72)
Pro forma	\$ (0.91)	\$ (0.73)

As a result of changes to the calculation of forfeitures and the period over which pro forma expense would be taken if the fair value method was applied, the presentation of pro forma basic and diluted net loss per common share for fiscal 2004 has been changed, resulting in a \$0.01 adjustment for the three months ended October 31, 2003 as compared to the presentation in the Company's Form 10-Q for that period.

3. Net Loss Per Common Share

SFAS No. 128, "Earnings Per Share" ("EPS"), establishes standards for computing and presenting EPS. SFAS No. 128 requires the dual presentation of basic and diluted EPS on the face of the income statement and requires a reconciliation of numerators (net income/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 available to common shareholders by the weighted-average shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of common shares that would then share in the earnings of the Company. Presented below is the basic and diluted EPS for the three months ended October 31, 2004 and 2003.

	Three Months Ended October 31,			
	2004		2003	
	Basic	Diluted	Basic	Diluted
Net loss per common share:				
Net loss	\$ (31,456)	\$ (31,456)	\$ (25,403)	\$ (25,403)
Weighted-average shares outstanding	35,351	35,351	35,275	35,275
Effect of dilutive securities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total shares	<u>35,351</u>	<u>35,351</u>	<u>35,275</u>	<u>35,275</u>
Net loss per common share	<u>\$ (0.89)</u>	<u>\$ (0.89)</u>	<u>\$ (0.72)</u>	<u>\$ (0.72)</u>

The number of shares issuable on the exercise of common stock options that were excluded from the calculation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive totaled 3.1 million and 2.8 million as of October 31, 2004 and 2003, respectively. The shares were anti-dilutive due to the Company's net loss for the applicable periods.

4. Long-Term Debt

Long-term debt as of October 31, 2004, July 31, 2004 and October 31, 2003 is summarized as follows (in thousands):

	October 31, 2004	July 31, 2004	October 31, 2003
Industrial Development Bonds	\$		
2007-2020	61,700	61,700	61,700
Credit Facility Revolver	2007	20,000	--
Credit Facility Term Loan	2011	98,500	98,750
SSV Credit Facility	2006	19,623	13,424
6.75% Senior Subordinated Notes ("6.75% Notes")	2014	390,000	390,000
8.75% Senior Subordinated Notes ("8.75% Notes")	2009	--	--
Discount on 8.75% Notes		--	(5,944)
Employee Housing Bonds	2027-2039	52,575	52,575
Other	2006-2029	<u>9,413</u>	<u>9,354</u>
		651,811	625,803
Less: Current Maturities (b)		<u>3,299</u>	<u>3,159</u>
		\$	
		<u>648,512</u>	<u>622,644</u>
			<u>576,909</u>

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

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

Aggregate maturities for debt outstanding as of October 31, 2004 are as follows (in thousands):

Fiscal 2005	\$ 2,784
Fiscal 2006	20,441
Fiscal 2007	25,515
Fiscal 2008	1,414
Fiscal 2009	16,221
Thereafter	<u>585,436</u>
Total debt	<u>\$651,811</u>

The Company incurred gross interest expense of \$10.6 million and \$13.4 million for the three months ended October 31, 2004 and 2003, respectively.

5. Supplementary Balance Sheet Information (in thousands)

The composition of accounts payable and accrued expenses follows:

	October 31, 2004	July 31, 2004	October 31, 2003
Trade payables	\$ 68,721	\$ 55,858	\$ 71,836
Deferred revenue	57,863	25,180	44,088
Deposits	31,531	30,727	9,786
Accrued salaries, wages and deferred compensation	12,342	23,591	12,390
Accrued benefits	18,816	20,541	18,605
Accrued interest	6,650	14,022	16,270
Accrued property taxes	10,095	7,052	9,678
Liability to complete real estate projects, short term	10,097	9,063	--
Other accruals	<u>11,830</u>	<u>12,834</u>	<u>8,737</u>
Total accounts payable and accrued expenses	<u>\$ 227,945</u>	<u>\$ 198,868</u>	<u>\$ 191,390</u>

The composition of property, plant and equipment follows:

	October 31, 2004	July 31, 2004	October 31, 2003
Land and land improvements	\$ 242,366	\$ 242,585	\$ 240,026
Buildings and building improvements	616,050	609,682	546,834
Machinery and equipment	379,413	385,334	353,437
Automobiles and trucks	21,038	21,029	21,608
Furniture and fixtures	119,449	115,219	107,646
Construction in progress	<u>62,561</u>	<u>29,283</u>	<u>32,201</u>
	1,440,877	1,403,132	1,301,752
Accumulated depreciation	<u>(452,476)</u>	<u>(434,360)</u>	<u>(367,463)</u>
Property, plant and equipment, net	<u>\$ 988,401</u>	<u>\$ 968,772</u>	<u>\$ 934,289</u>

6. Investments in Affiliates

The Company held the following investments in equity method affiliates as of October 31, 2004:

Equity Method Investees	Ownership Interest
Keystone/Intrawest, LLC ("KRED")	50%
Slifer, Smith, and Frampton/Vail Associates Real Estate, LLC ("SSF/VARE")	50%
Bachelor Gulch Resorts, LLC ("BG Resort")	49%
Clinton Ditch and Reservoir Company	43%
Eclipse Television & Sports Marketing, LLC	20%

Condensed financial data for BG Resort is presented below for the three months ended October 31, 2004 and 2003 (in thousands):

	For the three months ended October 31,	
	2004	2003
Net revenue	\$ 6,486	\$ 5,346
Operating income (loss)	(1,124)	(2,000)
Net income (loss)	(3,936)	(3,282)

The Company recorded \$1.9 million and \$1.6 million in equity investment losses for the three months ended October 31, 2004 and October 31, 2003, respectively, representing its 49% interest in BG Resort.

7. Variable Interest Entities

The Company has determined that it is the primary beneficiary of four entities, Breckenridge Terrace, The Tarnes at BC, LLC ("Tarnes"), BC Housing, LLC ("BC Housing") and Tenderfoot Seasonal Housing, LLC ("Tenderfoot"), collectively known as the "Employee Housing Entities", which are Variable Interest Entities ("VIEs"). As a group, as of October 31, 2004, the Employee Housing Entities had total assets of \$41.6 million and total liabilities of \$57.0 million. All of the Employee Housing Entities' assets serve as collateral for their Tranche B obligations (\$14.8 million as of October 31, 2004). The Company's exposure to loss as a result of its involvement with the Employee Housing Entities is limited to the Company's initial equity investments of \$2,000, \$38.3 million letters of credit related to the Tranche A interest-only taxable bonds and a \$5.1 million letter of credit related to the Breckenridge Terrace Tranche B Housing Bonds. The Company also guarantees debt service on \$5.9 million of Tranche B Housing Bonds which expire June 1, 2005. The letters of credit would be triggered in the event that one of the entities defaults on required Tranche A payments. The guarantees on the Tranche B bonds would be triggered in the event that one of the entities defaults on required Tranche B debt service payments. Neither the letters of credit nor the guarantees have default provisions. The Employee Housing Entities have been consolidated by the Company since November 1, 2003.

The Company has determined that it is the primary beneficiary of Avon Partners II, LLC ("APII"), which is a VIE. APII owns commercial space and the Company currently leases substantially all of that space for its corporate headquarters. APII had total assets of \$4.5 million and no debt as of October 31, 2004. The Company's maximum exposure to loss as a result of its involvement with APII is limited to its initial equity investment of \$2.5 million. APII has been consolidated by the Company since February 1, 2004.

The Company has determined that it is the primary beneficiary of FFT Investment Partners ("FFT"), which is a VIE. FFT owns a private residence in Eagle County, Colorado. The entity had total assets of \$5.6 million and no debt as of October 31, 2004. The Company's maximum exposure to loss as a result of its involvement with the entity is limited to its initial equity investment of \$2.5 million. FFT has been consolidated by the Company since February 1, 2004.

The Company has determined that it has a significant variable interest in but is not the primary beneficiary of BG Resort, which is a VIE. Accordingly, the Company continues to apply the equity method of accounting to this entity. The Company acquired a 49% ownership interest in BG Resort in November 1999. The Company's involvement in BG Resort began in November, 1999. BG Resort constructed The Ritz-Carlton, Bachelor Gulch. BG Resort had total assets of approximately \$86.4 million and total liabilities of approximately \$71.8 million as of October 31, 2004. The Company's maximum exposure to loss as a result of its involvement with the entity is limited to its equity contribution of \$6.7 million. Also see Note 13, Subsequent Events, for additional information regarding BG Resort. The Company recognized \$1.9 million and \$1.6 million of equity investment loss related to BG Resort for the three months ended October 31, 2004 and 2003, respectively.

The Company, through RockResorts, manages the operations of several entities that own hotels in which the Company has no ownership interest. These entities were formed to acquire, own, operate and realize the value primarily in resort hotel properties. RockResorts has managed the day-to-day operations of the hotel properties since November 2001. The Company has determined that the entities that own the hotel properties are VIEs, and the management contracts are significant variable interests in these VIEs. The Company has also determined that it is not the primary beneficiary of these entities and, accordingly, is not required to consolidate any of these entities. These VIEs had total assets of approximately \$139.8 million and total liabilities of approximately \$109.7 million as of October 31, 2004. The Company's maximum exposure to loss as a result of its involvement with these VIEs is limited to the recorded value of the management agreements in the net amount of \$6.9 million at October 31, 2004.

8. Put and Call Options

In November 2001, the Company entered into a written put option in conjunction with its purchase of an interest in RockResorts. The minority shareholder in RockResorts has the option to put to the Company its equity interest in RockResorts at a price based on management fees generated by certain properties under RockResorts management on a trailing twelve month basis. The put option can be exercised between October 1, 2004 and September 30, 2005. The Company has determined that this written put option should be marked to fair value through earnings each period. There was no impact on earnings related to this put option for the three months ended October 31, 2004 as the fair market value of the put option did not exceed book value. For the three months ended October 31, 2003, the Company recorded a loss of \$675,000 representing the increase in fair value of the option from July 31, 2003 to October 31, 2003. The minority shareholder in RockResorts exercised the put option for its full share of the minority interest in October 2004; settlement of the put is pending.

In March 2001, in connection with the Company's acquisition of a 51% ownership interest in RTP, LLC ("RTP"), the Company and RTP's minority shareholder entered into a put agreement whereby the minority shareholder can put up to 33% of its interest in RTP to the Company during the period August 1 through October 31 annually. The put price is determined primarily by the trailing twelve month EBITDA (as defined in the underlying agreement) for the period ending prior to the beginning of each put period. The Company has determined that this put option should be marked to fair value through earnings. For the three months ended October 31, 2004, the Company recorded a gain of \$213,000 representing the decrease in fair value of the option from July 31, 2004 to October 31, 2004. There was no impact on earnings related to this put option for the three months ended October 31, 2003. As of July 31, 2004, the Company had a 52.1% ownership interest in RTP. In October 2004, the minority shareholder in RTP exercised a portion of its put option for approximately 5.1% of the minority shareholder's remaining ownership interest for a put price of approximately \$324,000. As a result, the Company now holds a 54.5% ownership interest in RTP.

The Company and GSSI LLC ("GSSI"), the minority shareholder in SSV, have the following put and call rights with respect to SSV a) GSSI has the right to put up to 20% of its ownership interests in SSV to the Company at any time during the period between November 1, 2004 and November 10, 2004; b) beginning August 1, 2007 and each year thereafter, each of the Company and GSSI shall have the right to call or put 100% of GSSI's ownership interest in SSV during certain periods each year; c) 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 July 31, 2004 trailing twelve month EBITDA of SSV, as EBITDA is defined in the operating agreement. The Company has determined that this put option should be marked to fair value through earnings. There was no impact on earnings related to this put option for the three months ended October 31, 2004. For the three months ended October 31, 2003, the Company recorded a gain of \$65,000 representing the decrease in fair value of the option from July 31, 2003 to October 31, 2003. In November 2004, GSSI exercised its put option for 20% of its ownership interest, for an estimated put price of \$5.8 million; settlement of the put is expected in the Company's second fiscal quarter of 2005.

9. Related Party Transactions

Historically, the Company has paid a fee to Apollo Advisors for management services and expenses related thereto. In fiscal 2004, this fee was \$500,000. This arrangement was approved by the Board of the Company in March 1993. In connection with the conversion by Apollo Ski Partners, L.P. ("Apollo") of its Class A Common Stock into shares of Common Stock, this arrangement was terminated effective October 1, 2004. See Note 11, Class A Common Stock Conversion, for more information regarding this matter.

In August 2004, BG Resort, LLC repaid the \$4.9 million of notes receivable which were outstanding to the Company as of July 31, 2004 from funds obtained by BG Resort, LLC in a debt refinancing.

In September 2004, Jim Thompson, President of VRDC, repaid the \$350,000 of notes receivable and associated accrued interest which were outstanding to the Company as of July 31, 2004.

As of October 31, 2004, the Company had outstanding a \$1.9 million note receivable from KRED. This note is related to the fair market value of the land originally contributed to the partnership, and is repaid as the underlying land is sold to third parties. KRED repaid \$626,000 under this note during the three months ended October 31, 2004. In addition, as of October 31, 2004, the Company had a receivable of approximately \$415,000 from KRED related to advances used for development project funding as necessary. The advances do not have specific repayment terms and are dependent upon the underlying development projects becoming cash flow positive. KRED repaid \$195,000 of this receivable during the three months ended October 31, 2004. KRED paid the Company no interest during the three months ended October 31, 2004 or October 31, 2003.

10. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances \$8.5 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through an \$8.6 million letter of credit issued against the Company's bank credit facility. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development, and are to be repaid by revenues generated by Red Sky Ranch Metropolitan District ("RSRMD") through property taxes. The Company has agreed to pay capital improvement fees to RSRMD until RSRMD's revenue streams from property taxes are sufficient to meet debt service requirements under HCMD's bonds, and the Company has recorded a liability

of \$1.9 million, primarily within "Other Long-term Liabilities", at October 31, 2004, July 31, 2004 and October 31, 2003 with respect to the estimated present value of future RSRMD capital improvement fees.

Guarantees

As of October 31, 2004, the Company had various other letters of credit outstanding in the amount of \$60.4 million, consisting primarily of \$43.4 million in support of the Employee Housing Bonds, \$4.7 million related to workers' compensation for Heavenly, a \$4.2 million letter of credit issued in support of SSV's credit facility and \$7.4 million of construction performance guarantees.

In addition to the guarantees noted above, the Company has entered into contracts in the normal course of business which include certain indemnifications within the scope of FASB Interpretation ("FIN") 45 under which it could be required to make payments to third parties upon the occurrence or non-occurrence of certain future events. These indemnities include indemnities to licensees in connection with the licensees' use of the Company's trademarks and logos, indemnities for liabilities associated with the infringement of other parties' technology based upon the Company's software products, indemnities related to liabilities associated with the use of easements, indemnities related to employment of contract workers and indemnities related to the Company's use of public lands. The duration of these indemnities generally is indefinite. In addition, the Company indemnifies BG Resort's lenders, partners and hotel operator against losses, damages, expenses or claims that may arise under any hazardous materials law related to the land contributed by the Company to BG Resort. These indemnifications generally do not limit the future payments the Company could be obligated to make. The Company guarantees the revenue streams associated with selected routes flown by certain airlines into Eagle County Regional Airport; these guarantees are generally capped at certain levels. As of October 31, 2004, the Company has recorded a liability related to the airline guarantees of \$2.0 million. Unless otherwise noted, the Company has not recorded a liability for the letters of credit, indemnities and other guarantees noted above in the accompanying consolidated condensed financial statements, either because the Company has recorded on its balance sheet the underlying liability associated with the guarantee, the guarantee or indemnification existed prior to January 1, 2003 and is therefore not subject to the measurement requirements of FIN 45, or because the Company has calculated the fair value of the indemnification or guarantee to be de minimus based upon the current facts and circumstances that would trigger a payment under the indemnification clause.

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

As permitted under Delaware law, the Company indemnifies its directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company in such a capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits exposure and should enable the Company to recover a portion of any future amounts paid. All of these indemnification agreements were in effect prior to January 1, 2003 and therefore the Company does not have a liability recorded for these agreements as of October 31, 2004.

Commitments

In the ordinary course of obtaining necessary zoning and other approvals for the Company's potential real estate development projects, the Company may contingently commit to the completion of certain infrastructure, improvements and other costs related to the projects. Fulfillment of such commitments is required only if the Company moves forward with the development project. The determination of whether the Company ultimately completes a development project is entirely at the Company's discretion, and is generally contingent upon, among other considerations, receipt of satisfactory zoning and other approvals and the current status of the Company's analysis of the economic viability of the project, including the costs associated with the contingent commitments. The Company currently has obligations, recorded as liabilities in the accompanying consolidated condensed balance sheets, to complete or fund certain improvements with respect to real estate developments; the Company has estimated such costs to be approximately \$10.3 million, and anticipates completion within the next two years.

The Company has agreed to install two new chairlifts and related infrastructure at Beaver Creek for the 2004/05 ski season and one chairlift and related infrastructure by the 2005/06 ski season pursuant to agreements with Bachelor Gulch Village Association ("BGVA") and Beaver Creek Resort Company ("BCRC"). In connection with these agreements, BGVA has deposited \$5 million, BCRC has deposited \$4 million, and the Company has deposited \$1 million into an escrow account to be used by the Company to fund the construction of the chairlifts. In connection with the notices, the Company has executed a third-party contract for the purchase and installation of the chairlifts and has commenced construction of the chairlifts. The estimated net total cost to the Company to complete the lifts and related infrastructure is \$9.6 million. As of October 31, 2004, the Company has incurred net cash outlays of \$3.9 million in connection with the lift construction and has recorded a liability of \$6.4 million related to commitments to build the lifts and ancillary improvements. The Company estimates that construction of two of the above lifts will be completed in December 2004.

Self Insurance

The Company is self-insured for medical and worker's compensation under a stop loss arrangement. The self-insurance liability related to worker's compensation is determined actuarially based on claims filed. The self-insurance liability related to medical claims is determined based on internal and external analysis of actual claims. The amounts related to these claims are included as a component of accounts payable and accrued expenses (see Note 5, Supplementary Balance Sheet Information).

Legal

The Company is a party to various lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage or has accrued for loss contingencies for all known matters that are deemed to be probable losses and estimable.

Settlement of Wyoming Cases

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended July 31, 2004, four of the Company's subsidiaries (JHL&S, LLC d/b/a/ Snake River Lodge & Spa ("SRL&S"), Teton Hospitality Services, Inc., GTLC and VRDC) were named as defendants in two related lawsuits filed in the United States District Court for the District of Wyoming (Case No. 02-CV-17J, 02-CV-16J) in July 2002. The lawsuits are related to a carbon monoxide accident in a hotel room at SRL&S in August 2001. At a mediation held on September 29 and 30, 2004 before a magistrate judge in the federal district court for Wyoming, the parties agreed to a final settlement of the matter. The settlement amount is fully insured.

Gilman Litigation Appeal

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended July 31, 2004, the Company is appealing an adverse decision by the Eagle County District Court of Colorado, rendered on September 24, 2003, relating to the Company's interest in real property in Eagle County, Colorado commonly known as the "Gilman" property. The Court's decision found, among other things, that the Company was not entitled to any interest in the property. The Company is appealing the decision primarily on the basis that the Court applied the wrong legal standard in deciding the issue. The Company believes, based on the advice of counsel, that it has strong legal grounds to challenge the decision although there can be no guarantee of any particular outcome.

Breckenridge Terrace Employee Housing Construction Defect/Water Intrusion Claims

During fiscal 2004, the Company became aware of mold damage due to water intrusion and condensation problems in the 17 building employee housing facility owned by Breckenridge Terrace, LLC ("Breckenridge Terrace"), an employee housing entity in which the Company is a member, manager and the primary beneficiary and, as such, consolidates the accounts of Breckenridge Terrace. As a result of the mold damage, the facility was not available for occupancy for the 2003/04 ski season. All buildings at the facility required mold remediation and reconstruction and this work began in the third quarter of fiscal 2004. Breckenridge Terrace recorded a \$7.0 million liability in the second quarter of fiscal 2004 for the estimated cost of remediation efforts. As of October 31, 2004, Breckenridge Terrace had a remaining liability of approximately \$1.5 million for future remaining remediation costs. The vast majority of the 17 buildings became available for occupancy in the second quarter of fiscal 2005. The Company anticipates it will incur the remaining amount of remediation costs by the fourth quarter of fiscal 2005.

Forensic construction experts retained by Breckenridge Terrace have determined that the water intrusion and condensation problems are the result of construction and design defects. In accordance with Colorado law, Breckenridge Terrace served separate notices of claims on the general contractor, architect and developer, all of whom denied the claims. In June 2004, Breckenridge Terrace filed a demand for binding arbitration in June 2004. An arbitration hearing date has been scheduled for August 1 through August

12, 2005. Also, Breckenridge Terrace filed claims with the relevant insurance carriers but these claims have been initially denied. Recovery, if any, of a portion of the remediation and reconstruction liability from potentially responsible parties, including recovery from insurance claims, will be recognized as an asset if and when receipt is deemed probable. The Company member of the LLC agreed to loan to Breckenridge Terrace the necessary funds to complete the remediation work.

Revision of Forest Plan

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended July 31, 2004, the Record of Decision (the "ROD") approving the new White River National Forest Land Resource Management Plan (the "Forest Plan") was issued by the Forest Service in April of 2002. The Forest Plan regulates recreational, operational and development activities on White River National Forest lands which include the Company's four Colorado ski resorts. The ROD was appealed to the Chief of the Forest Service by the Company and several other interested parties, including environmental groups holding positions opposite to those of the Company.

The Chief's decision on the appeals was issued on September 22, 2004, and was subsequently modified by the Department of Agriculture in a final decision dated December 2, 2004. Although the Company is still reviewing the final decision, it prevailed on many important issues, including the Forest Service's decision to allocate sufficient lands to the Company's four Colorado ski resorts to meet the anticipated demand for additional ski terrain over the next decade.

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

SEC Investigation

In October 2002, after voluntary consultation with the SEC staff on the appropriate accounting, the Company restated and reissued its historical financial statements for fiscal 1999-2001, reflecting a revision in the accounting treatment for recognizing revenue on initiation fees related to the sale of memberships in private clubs.

In February 2003, the SEC informed the Company that it had issued a formal order of investigation with respect to the Company. In October 2003, the SEC issued a subpoena to the Company to produce documents related to several matters, including the sale of memberships in private clubs. In November 2003, the SEC issued an additional subpoena to the Company to produce documents related to the restated items included in the Company's Form 10-K for the year ended July 31, 2003. In April, June, October and November 2004, the SEC issued additional subpoenas to the Company and made, and continues to make, voluntary requests to the Company to provide documents and information related to further information on prior requests, as well as other items. Certain current and former directors, officers and employees of the Company have appeared or are expected to appear for testimony before the SEC pursuant to subpoena. The Company is fully cooperating with the SEC in its investigation.

11. Class A Common Stock Conversion

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

As a result of the above Agreement, the Company no longer has any Class A Common Stock outstanding and will therefore only have one class of directors going forward. Previously, the Class A Common Stock elected the Class 1 directors and the Common Stock elected the Class 2 directors. Additionally, as a result of the above Agreement, as of October 31, 2004, the Company's Balance Sheet no longer presents any Class A Common Stock and the full balance of the Company's common shares is presented under "Common stock".

12. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 6.75% Senior Subordinated Notes due 2014 (see Note 4, Long-Term Debt) are fully and unconditionally guaranteed on a joint and several, senior subordinated basis by substantially all of the Company's consolidated subsidiaries (collectively, and excluding Non-Guarantor Subsidiaries (as defined below) the "Guarantor Subsidiaries") except for Boulder/Beaver LLC, Colter Bay Corporation, Eagle Park Reservoir Company, Forest Ridge Holdings, Inc., Gros Ventre Utility Company, Jackson Lake Lodge Corporation, Jenny Lake Lodge, Inc., Mountain Thunder, Inc., Resort Technology Partners, LLC, RT Partners, Inc., SSV, Larkspur Restaurant & Bar, LLC, Vail Associates Investments, Inc., and VR Holdings, Inc. (together, the "Non-Guarantor Subsidiaries"). APII, FFT and the Employee Housing Entities are included with the Non-Guarantor Subsidiaries for purposes of the consolidated financial information, but are not considered subsidiaries under the indenture governing the 6.75% Notes.

Presented below is the consolidated financial information of Vail Resorts, Inc. (the "Parent Company"), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for Larkspur Restaurant & Bar, LLC ("Larkspur"), RockResorts and JHL&S, LLC ("JHL&S") are presented separately as the Company owns less than 100% of these Guarantor Subsidiaries. Financial information for the Non-Guarantor subsidiaries is presented in the column titled "Other Subsidiaries". Balance sheet data is presented as of October 31, 2004, July 31, 2004 and October 31, 2003. Statement of operations and statement of cash flows data are presented for the three months ended October 31, 2004 and 2003.

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

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

	<u>Parent Company</u>	<u>100% Owned Guarantor Subsidiaries</u>	<u>JHL&S</u>	<u>RockResorts</u>	<u>Larkspur</u>	<u>Other Subsidiaries</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Current assets:								
Cash and cash equivalents	\$ -	\$ 46,251	\$ 492	\$ 15	\$ 258	\$ 731	\$ -	\$ 47,747
Receivables, net	5,040	18,697	382	402	67	5,325	-	29,913
Inventories, net	-	7,302	108	-	162	32,977	-	40,549
Other current assets	<u>10,394</u>	<u>21,386</u>	<u>183</u>	<u>106</u>	<u>1</u>	<u>1,933</u>	<u>-</u>	<u>34,003</u>
Total current assets	15,434	93,636	1,165	523	488	40,966	-	152,212
Property, plant and equipment, net	-	893,668	27,321	733	546	66,133	-	988,401
Real estate held for sale and investment	-	122,475	-	-	-	10,251	-	132,726
Deferred charges and other assets	6,588	20,670	11	-	-	10,377	-	37,646

Intangibles, net	-	182,211	1,960	11,155	-	34,113	-	229,439
Investments in subsidiaries and advances to (from) parent	834,005	17,448	(19,701)	(2,328)	(348)	13,479	(842,555)	-
Total assets	\$ 856,027	\$ 1,330,108	\$ 10,756	\$ 10,083	\$ 686	\$ 175,319	\$ (842,555)	\$ 1,540,424
Current liabilities:								
Accounts payable and accrued expenses	\$ 5,152	\$ 184,694	\$ 1,396	\$ 1,149	\$ 288	\$ 35,266	\$ -	\$ 227,945
Long-term debt due within one year	-	1,602	-	-	-	1,697	-	3,299
Total current liabilities	5,152	186,296	1,396	1,149	288	36,963	-	231,244
Long-term debt	390,000	180,070	-	-	-	78,442	-	648,512
Other long-term liabilities	313	101,351	-	68	-	1	-	101,733
Deferred income taxes	-	58,316	-	1,125	-	548	-	59,989
Put option liabilities	-	3,321	-	-	-	-	-	3,321
Minority interest in net assets of consolidated subsidiaries	-	4,446	4,989	3,231	100	22,297	-	35,063
Total stockholders' equity	460,562	796,308	4,371	4,510	298	37,068	(842,555)	460,562
Total liabilities and stockholders' equity	\$ 856,027	\$ 1,330,108	\$ 10,756	\$ 10,083	\$ 686	\$ 175,319	\$ (842,555)	\$ 1,540,424

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

	<u>Parent Company</u>	<u>100% Owned Guarantor Subsidiaries</u>					<u>Other Subsidiaries</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
		<u>JHL</u>	<u>&S</u>	<u>RockResorts</u>	<u>Larkspur</u>	<u>Subsidiaries</u>			
Current assets:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash and cash equivalents	-	\$ 57,517	\$ 954	\$ 16	\$ 171	3,701	-	\$ 62,359	
Receivables, net	5,042	25,231	542	(287)	167	6,262	--	36,957	
Inventories, net	--	8,366	128	--	155	22,502	--	31,151	
Other current assets	12,081	11,515	89	191	35	1,359	--	25,270	
Total current assets	17,123	102,629	1,713	(80)	528	33,824	--	155,737	
Property, plant and equipment, net	--	873,447	27,610	765	583	66,367	--	968,772	
Real estate held for sale and investment	--	128,130	--	900	--	5,518	--	134,548	
Deferred charges and other assets	6,773	27,182	11	--	--	10,641	--	44,607	
Goodwill, net	--	125,851	1,960	531	--	16,748	--	145,090	
Other intangibles, net	--	56,802	--	10,869	--	17,532	--	85,203	
Investments in subsidiaries and advances to (from) parent	874,232	8,540	(19,640)	(2,243)	(359)	(262)	(860,268)	--	
Total assets	\$ 898,128	\$ 1,322,581	\$ 11,654	\$ 10,742	\$ 752	150,368	(860,268)	\$ 1,533,957	
Current liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounts payable and accrued expenses	16,652	\$ 151,955	2,161	\$ 1,819	\$ 322	25,959	-	\$ 198,868	
Long-term debt due within one year	--	1,548	--	--	--	1,611	--	3,159	
Total current liabilities	16,652	153,503	2,161	1,819	322	27,570	--	202,027	
Long-term debt	390,000	160,180	--	--	--	72,464	--	622,644	
Other long-term liabilities	313	96,906	--	76	--	321	--	97,616	
Deferred income taxes	--	78,032	--	1,125	--	588	--	79,745	
Put option liabilities	--	3,657	--	--	--	--	--	3,657	
Minority interest in net assets of consolidated subsidiaries	--	--	4,652	3,231	100	29,122	--	37,105	
Total stockholders' equity	491,163	830,303	4,841	4,491	330	20,303	(860,268)	491,163	
Total liabilities and stockholders' equity	\$ 898,128	\$ 1,322,581	\$ 11,654	\$ 10,742	\$ 752	150,368	(860,268)	\$ 1,533,957	

**Supplemental Condensed Consolidating Balance Sheet
As of October 31, 2003
(in thousands)**

	<u>Parent Company</u>	<u>100% Owned Guarantor Subsidiaries</u>				<u>Other Subsidiaries</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
		<u>JHL</u>	<u>&S</u>	<u>RockResorts</u>	<u>Larkspur</u>			
Current assets:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash and cash equivalents	--	\$ 17,010	\$ 365	\$ 5	\$ 20	\$ 1,454	\$ --	\$ 18,525
Receivables, net	(7,102)	38,445	612	(447)	83	3,349	--	34,940
Inventories, net	--	6,970	79	--	134	34,637	--	41,820
Other current assets	10,129	13,467	233	253	37	1,693	--	25,812
Total current assets	3,027	75,892	960	(189)	274	41,133	--	121,097
Property, plant and equipment, net	--	885,263	28,718	86	662	19,560	--	934,289
Real estate held for sale and investment	--	114,670	--	900	--	--	--	115,570
Other assets	7,834	29,853	9	--	--	8,209	--	45,905

Intangibles, net	--	183,776	1,960	12,133	--	34,774	--	232,643
Investments in subsidiaries and advances to (from) parent	<u>835,214</u>	<u>(44,996)</u>	<u>(19,618)</u>	<u>(491)</u>	<u>(289)</u>	<u>(180)</u>	<u>(769,640)</u>	<u>--</u>
Total assets	<u>\$ 846,075</u>	<u>\$ 1,244,458</u>	<u>12,029</u>	<u>\$ 12,439</u>	<u>\$ 647</u>	<u>\$ 103,496</u>	<u>\$ (769,640)</u>	<u>\$ 1,449,504</u>
Current liabilities:								
Accounts payable and accrued expenses	\$ 20,480	\$ 141,764	\$ 1,073	\$ 822	\$ 100	\$ 27,151	\$ --	\$ 191,390
Long-term debt due within one year	--	2,379	--	--	--	1,143	--	3,522
Total current liabilities	20,480	144,143	1,073	822	100	28,294	--	194,912
Long-term debt	354,057	190,670	--	--	--	32,182	--	576,909
Other long-term liabilities	629	115,731	--	100	--	319	--	116,779
Deferred income taxes	--	58,990	--	1,125	--	712	--	60,827
Put option liabilities	--	2,432	--	--	--	--	--	2,432
Minority interest in net assets of consolidated joint ventures	--	(1,922)	5,368	3,231	100	19,959	--	26,736
Total stockholders' equity	<u>470,909</u>	<u>734,414</u>	<u>5,588</u>	<u>7,161</u>	<u>447</u>	<u>22,030</u>	<u>(769,640)</u>	<u>470,909</u>
Total liabilities and stockholders' equity	<u>\$ 846,075</u>	<u>\$ 1,244,458</u>	<u>12,029</u>	<u>\$ 12,439</u>	<u>\$ 647</u>	<u>\$ 103,496</u>	<u>\$ (769,640)</u>	<u>\$ 1,449,504</u>

Supplemental Condensed Consolidating Statement of Operations
For the three months ended October 31, 2004
(in thousands)

	100% Owned							Eliminating Entries	Consolidated
	Parent Company	Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries			
Total revenue	\$ -	\$ 73,099	\$ 2,925	\$ 2,333	\$ 347	\$ 21,648	\$ (2,469)	\$ 97,883	
Total operating expense	<u>1,490</u>	<u>108,894</u>	<u>2,835</u>	<u>2,313</u>	<u>518</u>	<u>25,923</u>	<u>(2,469)</u>	<u>139,504</u>	
Income (loss) from operations	(1,490)	(35,795)	90	20	(171)	(4,275)	-	(41,621)	
Other income (expense)	(6,845)	(2,717)	(222)	-	(2)	(695)	-	(10,481)	
Equity investment loss, net	-	(1,159)	-	-	-	-	-	(1,159)	
Gain on put options, net	-	213	-	-	-	-	-	213	
Minority interest in loss of consolidated subsidiaries, net	-	-	65	-	-	1,835	-	1,900	
Income (loss) before income taxes	(8,335)	(39,458)	(67)	20	(173)	(3,135)	-	(51,148)	
Benefit (provision) for income taxes	<u>(16,456)</u>	<u>36,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>-</u>	<u>19,692</u>	
Net income (loss) before equity in income of consolidated subsidiaries	(24,791)	(3,337)	(67)	20	(173)	(3,108)	-	(31,456)	
Equity in income of consolidated subsidiaries	<u>(6,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,665</u>	<u>-</u>	
Net income (loss)	<u>\$ (31,456)</u>	<u>\$ (3,337)</u>	<u>\$ (67)</u>	<u>\$ 20</u>	<u>\$ (173)</u>	<u>\$ (3,108)</u>	<u>\$ 6,665</u>	<u>\$ (31,456)</u>	

Supplemental Condensed Consolidating Statement of Operations
For the three months ended October 31, 2003
(in thousands)

	100% Owned							Eliminating Entries	Consolidated
	Parent Company	Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries			
Total revenues	\$ --	\$ 24,233	2,400	\$ 2,056	\$ 360	\$ 49,654	\$ 25,445	104,148	
Total operating expenses	<u>2,561</u>	<u>67,858</u>	<u>2,666</u>	<u>1,899</u>	<u>506</u>	<u>33,609</u>	<u>25,445</u>	<u>134,544</u>	
Income (loss) from operations	(2,561)	(43,625)	(266)	157	(146)	16,045	--	(30,396)	
Other expense	(8,495)	(3,953)	(187)	--	(4)	(204)	--	(12,843)	
Equity investment loss	--	(1,555)	-	--	--	--	--	(1,555)	
Loss on investments	--	(610)	-	--	--	--	--	(610)	
Minority interest in net income of consolidated joint ventures	--	(10)	222	--	--	1,879	--	2,091	
Income (loss) before income taxes	(11,056)	(49,753)	(231)	157	(150)	17,720	--	(43,313)	
Benefit (provision) for income taxes	<u>4,572</u>	<u>20,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,395)</u>	<u>-</u>	<u>17,910</u>	
Net income (loss) before equity in income of consolidated subsidiaries	(6,484)	(29,020)	(231)	157	(150)	10,325	--	(25,403)	
Equity in income of consolidated subsidiaries	<u>(18,919)</u>	<u>10,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,818</u>	<u>-</u>	
Net income (loss)	<u>\$ (25,403)</u>	<u>\$ (18,919)</u>	<u>(231)</u>	<u>\$ 157</u>	<u>\$ (150)</u>	<u>\$ 10,325</u>	<u>\$ 8,818</u>	<u>(25,403)</u>	

Supplemental Condensed Consolidating Statement of Cash Flows
For the three months ended October 31, 2004
(in thousands of dollars)

	100% Owned							Eliminating Entries	Consolidated
	Parent Company	Guarantor Subsidiaries	JHL&S	RockResorts	Larkspur	Other Subsidiaries			
Cash flows from operating activities	\$ (19,303)	\$ 26,700	(418)	(972)	(45)	(8,964)	\$ -	(3,002)	
Cash flows from investing activities:									
Capital expenditures	-	(28,480)	(105)	887	2	(1,530)	-	(29,226)	
Investments in real estate	-	(11,404)	-	-	-	-	-	(11,404)	
Other investing activities, net	-	2,440	-	-	-	-	-	2,440	
Other investing activities	-	-	-	-	-	-	-	-	
Net cash provided by (used in) investing activities	-	(37,444)	(105)	887	2	(1,530)	-	(38,190)	
Cash flows from financing activities:									
Proceeds from borrowings under long-term debt	23,000	75	-	-	-	6,485	-	29,560	
Payments on long-term debt	(3,250)	(162)	-	-	-	(286)	-	(3,698)	
Advances to (from) affiliates	(1,210)	(479)	61	85	130	1,413	-	-	
Other financing activities, net	763	(49)	-	-	-	(94)	-	620	
Distributions to minority shareholders	-	(480)	-	-	-	-	-	(480)	
Advances to (from) affiliates	-	-	-	-	-	-	-	-	
Net cash provided by financing activities	19,303	(615)	61	85	130	7,518	-	26,482	

Net increase (decrease) in cash and cash equivalents	-	(11,359)	(462)	-	87	(2,976)	-	(14,710)
Cash and cash equivalents:								
Beginning of period	-	41,485	954	15	171	3,703	-	46,328
End of period	\$ -	\$ 30,126	\$ 492	\$ 15	\$ 258	\$ 727	\$ -	\$ 31,618

Supplemental Condensed Consolidating Statement of Cash Flows
For the three months ended October 31, 2003
(in thousands)

	<u>Parent Company</u>	<u>100% Owned Guarantor Subsidiaries</u>	<u>JHL & S</u>	<u>RockResorts</u>	<u>Larkspur</u>	<u>Other Subsidiaries</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Cash flows generated from (used by) operating activities	\$ (14,941)	\$ 41,349	(688)	\$ 5,028	\$ (249)	\$ (5,181)	\$ --	25,318
Cash flows from investing activities:								
Capital expenditures	--	(19,250)	(102)	(1,153)	--	(391)	--	(20,896)
Investments in real estate	--	(7,499)	--	--	--	5,976	--	(1,523)
Other investing activities	--	1,351	--	--	--	--	--	1,351
Net cash provided by (used in) investing activities	--	(25,398)	(102)	(1,153)	--	5,585	--	(21,068)
Cash flows from financing activities:								
Proceeds from borrowings under long-term debt	--	74,104	--	--	--	5,986	--	80,090
Payments on long-term debt	--	(84,688)	--	--	--	--	--	(84,688)
Advances to (from) affiliates	14,941	(5,507)	427	(3,870)	152	(6,143)	--	--
Other financing activities	--	305	--	--	--	(639)	--	(334)
Net cash provided by (used in) financing activities	14,941	(15,786)	427	(3,870)	152	(796)	--	(4,932)
Net increase (decrease) in cash and cash equivalents	--	165	(363)	5	(97)	(392)	--	(682)
Cash and cash equivalents:								
Beginning of period	--	5,512	399	--	117	1,846	--	7,874
End of period	\$ --	\$ 5,677	\$ 36	\$ 5	\$ 20	\$ 1,454	\$ --	\$ 7,192

13. Subsequent Events

In December 2004, the Company sold its interest in BG Resort, the entity that owns The Ritz-Carlton, Bachelor Gulch, for approximately \$13 million, less the assumption of certain liabilities. As of October 31, 2004, the Company's investment in BG Resort was approximately \$4.7 million, presented on the accompanying Consolidated Condensed Balance Sheet under "Other Long-term Assets". For the quarter ended October 31, 2004, the Company recorded equity investment losses in the Lodging segment of \$1.9 million related to BG Resort.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended July 31, 2004 ("Form 10-K") and the Consolidated Condensed Financial Statements as of October 31, 2004 and 2003 and for the three months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding the financial position, results of operations and cash flows of the Company. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. These risks include, but are not limited to, changes in the competitive environment of the mountain and lodging industries, general business and economic conditions, the weather, war, terrorism and other factors discussed elsewhere herein and in the Company's filings with the SEC.

The following analysis includes discussion of financial performance within each of the Company's segments. The Company has chosen to specifically address a non-GAAP measure, Reported EBITDA (defined as segment net revenues less segment specific operating expenses plus gain on transfer of property, as applicable, plus segment equity income). Reported EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States ("GAAP"). Items excluded from Reported EBITDA are significant components in understanding and assessing financial performance. Reported EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, cash flows generated by operations, investing or financing activities or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because Reported EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Reported EBITDA as presented may not be comparable to other similarly titled measures of other companies. The Company believes that Reported EBITDA is an indicative measure of the Company's operating performance, and it is generally used by investors to evaluate companies in the resort and lodging industries. In addition, because of the significance of long-lived assets to the operations of the Company and the level of the Company's indebtedness, the Company also believes that Reported EBITDA is useful in measuring the Company's ability to fund capital expenditures and service debt. The Company uses Reported EBITDA targets in determining management bonuses. Refer to the end of the Results of Operations section for a reconciliation of Reported EBITDA to net loss.

Overview

Historically, the Company's first fiscal quarter is a seasonally low period as the Company's ski operations are generally not open for business until November, which falls in the Company's second fiscal quarter. Additionally, many of the Company's lodging properties experience similar seasonal trends. As a result, the Company historically incurs significant losses in the Resort (Mountain and Lodging segments combined) segment during the first fiscal quarter. The Company had a net loss of \$31.5 million for the three months ended October 31, 2004 as compared to a net loss of \$25.4 million for the three months ended October 31, 2003. The increase in the Company's net loss is primarily attributable to the decrease in Real Estate net operating revenues due to the significant amount of Real Estate sales in the first quarter of the prior year.

The first quarter of fiscal 2005 follows the general historic trend; however, the quarter did show certain indications of improvement. Although the first fiscal quarter is not a significant revenue generating period for the Mountain segment, Mountain segment Reported EBITDA was relatively flat year over year, indicating continued sustainability of the cost control measures implemented in fiscal 2004. Lodging segment Reported EBITDA improved \$262,000, or over 47% due to the improvement in the overall lodging industry combined with management's continued implementation of measures to improve the results of the Lodging segment, continuing a trend of improving profitability from fiscal 2004. Unlike the Resort segment, the Real Estate segment is not seasonally impacted, but rather will fluctuate in any given period due to the timing and mix of development projects.

Trends, Risks and Uncertainties

In addition to those factors identified in the Company's July 31, 2004 Form 10-K, the Company's management has identified the following important factors (as well as risks and uncertainties associated with such factors) that could impact the Company's future financial performance:

The timing and amount of snowfall has a direct impact on skier visits, particularly with respect to in-state skiers. To mitigate this impact, the Company focuses efforts on sales of season passes. Season pass deferred revenue, which will be recognized during the ski season, was \$38.7 million and \$34.8 million as of October 31, 2004 and 2003, respectively. The Company anticipates that total season pass revenues for fiscal 2005 will be at or slightly above prior year.

As disclosed in Note 13, Subsequent Events, of the Notes to Consolidated Condensed Financial Statements, the Company sold its interest in BG Resort, which was the Company's only investment in a hotel property not directly managed by the Company. As a result of this disposition, the Company's Lodging Reported EBITDA should improve, given the equity method losses incurred since inception. The Company is also exploring the viability of selling the underlying assets of certain of its other lodging properties (although the Company has not adopted any formal plans for disposal) with the intent to retain the management of those properties, although no such agreements have been made at this time and there can be no certainty that any such agreements will be made in the future.

The Company has received approval from the Vail Town Council for numerous LionsHead development projects and plans to proceed with the projects, subject to, among other things, meeting the Company's development pre-sale requirements. Pre-sale targets are set by management to mitigate the risks of development projects. Generally, the Company strives to meet its pre-sale targets in the period between the commencement of the marketing of a development and the planned commencement of construction. The periods have historically ranged between two and twelve months. The Company already has met its pre-sale requirements for the Gore Creek Townhome development; although, the Company has not yet begun its pre-sale efforts for the core site of the LionsHead development projects. Construction on certain LionsHead projects is anticipated to begin in the spring of 2005. The Company generally pre-sells residential units to ensure the economic viability of a development. Pre-sales require the buyer to provide an earnest money deposit to the Company, which is refundable to the buyer should the Company fail to complete the related development. Real estate deposits recorded as liabilities on the Company's books were \$27.5 million, \$23.8 million and \$1.2 million as of October 31, 2004, July 31, 2004 and October 31, 2003, respectively.

Remediation of the mold problem at Breckenridge Terrace continues, and while the Company's estimates are based on currently available data, actual costs could vary materially (favorably or unfavorably) from current estimates. A vast majority of the facilities are currently available for occupancy. An arbitration hearing date has been set with other responsible parties for late summer 2005 (see Note 12, Commitments and Contingencies, of the Notes to Consolidated Condensed Financial Statements, for more information regarding this issue).

The Company is in the midst of its compliance efforts under Section 404 of the Sarbanes-Oxley Act of 2002. It is uncertain as to whether these compliance efforts will cost more than currently projected, and, as such, could negatively impact the results of operations of the Company.

Potential ownership changes of hotels currently under RockResorts management could result in the termination of existing RockResorts management contracts, which could negatively impact the results of operations of the Lodging segment.

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

Results of Operations

Presented below is more detailed comparative data regarding the Company's results of operations for the three months ended October 31, 2004 versus the three months ended October 31, 2003.

Mountain Segment

Mountain segment operating results for the three months ended October 31, 2004 and 2003 are presented by category as follows (in thousands):

	Three Months Ended October 31,		Percentage Increase
	2004	2003	
Lift tickets	\$ 40	\$ 26	53.8%
Ski school	24	23	4.3%
Dining	3,986	3,914	1.8%
Retail/rental	17,199	17,040	0.9%
Other	13,244	12,463	6.3%
Total Mountain net operating revenue	34,493	33,466	3.1%
Total Mountain operating expense	63,961	61,454	4.1%
Mountain equity income, net	794	(18)	4511.1%
Total Mountain Reported EBITDA	\$(28,674)	\$(28,006)	2.4%

Certain reclassifications have been made to the Mountain segment operating results for the three months ended October 31, 2003 to conform to the current period presentation.

The Company's first fiscal quarter is a historically slow period for the Mountain segment, as the Company's ski resorts generally do not open for ski operations until mid-November. In November 2003, the Company began consolidating the Employee Housing Entities under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46R"). Additionally, in February 2004, the Company began consolidating APII. As a result of the consolidation of these entities under FIN 46R, Mountain revenue and Mountain operating expense increased \$912,000 and \$700,000, respectively, in the Company's first fiscal quarter versus the same period last year, and consolidation of these entities also resulted in the elimination of associated depreciation and interest expense related to these entities from the Mountain segment because these entities were formerly included as a component of Mountain equity income. In addition to the impact related to the implementation of FIN 46R, Mountain operating expense rose slightly as a result of inflationary and variable costs including utility and fuel expenses, resulting in a 2.4% decline in Mountain Reported EBITDA.

Lodging Segment

Lodging segment operating results for the three months ended October 31, 2004 and 2003 are presented by category as follows (dollars in thousands except ADR):

	Three Months Ended October 31,		Percentage Increase
	2004	2003	
Total Lodging net operating revenue	\$ 46,275	\$ 43,790	5.7%
Total Lodging operating expense	43,548	41,503	4.9%
Lodging equity loss, net	(1,918)	(1,740)	10.2%
Total Lodging Reported EBITDA	\$ 809	\$ 547	47.9%
Average Daily Rate ("ADR")	\$ 148.05	\$ 146.28	1.2%

Certain reclassifications have been made to the Lodging segment operating results for the three months ended October 31, 2003 to conform to the current period presentation.

Lodging segment operating revenues and Reported EBITDA for the three months ended October 31, 2004 increased as compared to the three months ended October 31, 2003, resulting from increases in both ADR and occupancy rates, primarily driven by increases at the Vail Marriott, Lodge at Vail and GTLC. The Company experienced an increase in group business, particularly in the Vail and Beaver Creek markets, as a result of the overall improvement in the lodging industry, primarily due to the economic rebound and a reduction in travel-related concerns. In addition, while BG Resort had improved operations, the Company's related equity loss increased due to debt extinguishment charges incurred by the entity.

The consolidation of the Employee Housing Entities as of November 1, 2003 also caused an \$89,000 and a \$123,000 increase in Lodging operating revenue and Lodging operating expense, respectively, in the Company's first fiscal quarter of 2004.

Real Estate Segment

Real Estate segment operating results for the three months ended October 31, 2004 and 2003 are presented by major project categories as follows (dollars in thousands):

	Three Months Ended		Percentage Increase/ (Decrease)
	October 31,		
	2004	2003	
Single family land sales	\$ 16,839	\$ 8,527	97.5%
Multi-family land sales	189	15,429	(98.8)%
Residential and commercial condominiums	35	2,827	(98.8)%
Other	52	109	(52.3)%
Total Real Estate net operating revenue	<u>17,115</u>	<u>26,892</u>	<u>(36.4)%</u>
Gain on transfer of property	--	1,913	(100.0)%
Total Real Estate operating expense	10,061	12,124	(17.0)%
Real Estate equity (loss) income, net	<u>(35)</u>	<u>203</u>	<u>(117.2)%</u>
Total Real Estate Reported EBITDA	<u>\$ 7,019</u>	<u>\$ 16,884</u>	<u>(58.4)%</u>

The Company's Real Estate operating revenues are primarily determined by the mix of real estate sold in any given period. Different types of projects have different revenue and expense volumes; therefore, as the sales 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 Real Estate segment Reported EBITDA decreased in fiscal 2005 primarily due to the sale of a number of multi-family lots in the first quarter of fiscal 2004 related to a development project in Bachelor Gulch and a \$1.9 million gain on transfer of property in the first quarter of fiscal 2004, partially offset by an increase in single family land sales at the Company's LionsHead and Jackson Hole Golf & Tennis developments.

Other Items

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

Depreciation and amortization. Depreciation and amortization expense has increased largely as a result of the consolidation of the Employee Housing Entities under FIN 46R (\$563,000) as well as increased fixed asset base due to normal capital expenditures. The average annualized depreciation rate for the three months ended October 31, 2004 was 7.1% as compared to an average annualized depreciation rate for the three months ended October 31, 2003 of 7.2%.

Loss on disposal of fixed assets. In the three months ended October 31, 2004, the Company recorded a net loss on the disposal of fixed assets due to the replacement of a lift at Heavenly with a new high speed six-passenger chairlift and normal disposal activities. In the three months ended October 31, 2003 the Company recorded a net loss on disposal of fixed assets due to the disposal of mountain uniforms which were replaced before their estimated retirement date and normal disposal activities.

Interest expense. The Company's primary sources of interest expense are the Credit Facility, the Industrial Development Bonds and the Senior Subordinated Notes. Overall, interest expense decreased from the three months ended October 31, 2003 to the three months ended October 31, 2004 due to the replacement of the 8.75% Notes with the 6.75% Notes, reduced pricing on the term loan portion of the Credit Facility and lower average borrowings on the Credit Facility, partially offset by increased principal amount outstanding under the 6.75% Notes and the consolidation of the Employee Housing Entities under FIN 46R. The Company saved approximately \$1.3 million in the first fiscal quarter of 2005 due to the replacement of the 8.75% Notes with the 6.75% Notes. Average borrowings under the Credit Facility were \$102.8 million and \$152.0 million for the three months ended October 31, 2004 and 2003, respectively.

Gain/loss on put option. The value of put options fluctuates based on the fair market value of the put options as of the end of each period. The put options' net gain in the three months ended October 31, 2004 was primarily due to the decrease in the fair market value of the put option of the minority shareholder of RTP. The net loss on put options for the three months ended October 31, 2003 was primarily due to an increase in the fair market value of the put option of the minority shareholder of RockResorts. See Note 8, Put and Call Options, of the Notes to Consolidated Condensed Financial Statements, for more information regarding the Company's put options.

Income taxes. The effective tax rate for the three months ended October 31, 2004 was 38.5% compared to 41.4% for the same period last year. The interim period effective tax rate 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.

Reconciliation of non-GAAP measures

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

	Three Months Ended	
	October 31,	
	2004	2003
Mountain Reported EBITDA	\$ (28,674)	\$ (28,006)
Lodging Reported EBITDA	809	547
Real Estate Reported EBITDA	<u>7,019</u>	<u>16,884</u>
Total Reported EBITDA	(20,846)	(10,575)
Depreciation and amortization expense	(21,076)	(20,366)
Loss on disposal of fixed assets	(858)	(1,010)
Other income (expense):		
Investment income, net	128	565
Interest expense	(10,576)	(13,408)
Gain (loss) on put options, net	213	(610)
Other expense, net	(33)	--
Minority interest in loss of consolidated subsidiaries, net	<u>1,900</u>	<u>2,091</u>
Loss before benefit from income taxes	(51,148)	(43,313)
Benefit from income taxes	<u>19,692</u>	<u>17,910</u>
Net loss	<u>\$ (31,456)</u>	<u>\$ (25,403)</u>

SEC Investigation

In October 2002, after voluntary consultation with the SEC staff on the appropriate accounting, the Company restated and reissued its historical financial statements for fiscal 1999-2001, reflecting a revision in the accounting treatment for recognizing revenue on initiation fees related to the sale of memberships in private clubs.

In February 2003, the SEC informed the Company that it had issued a formal order of investigation with respect to the Company. In October 2003, the SEC issued a subpoena to the Company to produce documents related to several matters, including the sale of memberships in private clubs. In November 2003, the SEC issued an additional subpoena to the Company to produce documents related primarily to the restated items included in the Company's Form 10-K for the year ended July 31, 2003. In April, June, October and November 2004, the SEC issued additional subpoenas to the Company and made, and continues to make, voluntary requests to the Company to provide documents and information related to further information on prior requests, as well as other items. Certain current and former directors, officers and employees of the Company have appeared or are expected to appear for testimony before the SEC pursuant to subpoena. The Company is fully cooperating with the SEC in its investigation. We are unable to predict the outcome of the investigation or any action that the SEC might take, including the imposition of fines and penalties, or other available remedies. Any adverse development in connection with the investigation, including any expansion of the scope of the investigation, could have a material adverse effect on us, including diverting the efforts and attention of our management team from our business operations.

Liquidity and Capital Resources

Cash Flows

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

Cash flows used in operations for the three months ended October 31, 2004 were \$3.0 million versus \$25.6 million generated from operating cash flows for the three months ended October 31, 2003. As discussed in the preceding Results of Operations, net loss for the quarter increased \$6.1 million from the prior year. Also, in the first quarter of fiscal 2004, the Company collected \$7 million of income taxes receivable. The remaining decrease in operating cash flows is due to 1) a \$3.8 million decrease in Real Estate non-cash cost of sales as a result of decreased Real Estate sales versus the prior year, 2) a \$2.4 million decrease in accounts receivable collections, due primarily to the collection of a large non-recurring receivable in the prior year and 3) a \$13 million decrease in accounts payable, accrued expenses and other long-term liabilities, primarily as a result of the payment of management bonuses in the current year and the semi-annual interest payment under the 6.75% Notes in August 2004 (the semi-annual interest payments under the 8.75% Notes were in May and November).

Net cash used in investing activities in the three months ended October 31, 2004 increased \$17.1 million as compared to the three months ended October 31, 2003 due primarily to increases in capital expenditures of \$8.3 million and investments in real estate of \$9.9 million. These were offset by a \$1.4 million increase in distributions received from investments.

The Company has not yet finalized a capital budget for calendar 2005; however, at this time it anticipates capital expenditures, not related to its real estate activities, will be consistent with the approximately \$61.9 million calendar 2004 capital budget. The Company typically spends \$35-40 million annually to sustain its existing resort assets. Based on the status of several specific real estate projects, the Company will continue to invest significant amounts in real estate over the next several years. The Company plans to fund these capital expenditures through operating cash flows as well as availability under its Credit Facility or project specific financing. Completion of planned projects may be dependent upon necessary regulatory approval.

During the three months ended October 31, 2004, financing activities consisted of borrowings of \$29.6 million, which were partially offset by payments on long-term debt of \$3.7 million. During the three months ended October 31, 2003, financing activities used \$4.9 million, consisting primarily of \$4.6 million in net long-term debt repayments, including the payment of the \$25 million Olympus Note, which was partially offset by incremental borrowings under the Credit Facility.

Capital Structure

Although the Company had certain seasonally induced borrowings at the end of the first quarter, historically a seasonally low period from a cash flow standpoint, it also had \$31.6 million of cash and cash equivalents. The Company anticipates that cash flow from operations will be adequate to fund operations for the remainder of the fiscal year.

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

As a result of the above Agreement, the Company no longer has any Class A common stock outstanding and will therefore only have one class of directors going forward. Previously, the Class A common stock elected the Class 1 directors and the common stock elected the Class 2 directors.

Liquidity Needs

Management believes the Company is in a position to satisfy its current working capital, debt service and capital expenditure requirements for at least the next twelve months with cash flows from operations and availability under the Credit Facility; however, the Company may look at alternative financing arrangements for specific real estate projects. The Company's debt service requirements can be impacted by changing interest rates as the Company, as of October 31, 2004, had \$190.7 million of variable interest rate debt. A 100-basis point change in LIBOR would cause the Company's annual interest expense to change by approximately \$1.7 million. The fluctuation in the Company's debt service requirements, in addition to interest rate changes, may be impacted by future borrowings under its Credit Facility or other alternative financing arrangements it may enter into. The Company's long term liquidity needs are dependent upon operating results which impact its availability under its Credit Facility, which can be mitigated by adjustments to capital expenditures, flexibility of investment activities and the ability to obtain favorable future financing. The Company manages changes in the business and economic environment by managing its capital expenditures and real estate development activities.

Covenants and Limitations

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

The Company was in compliance with all relevant covenants in its debt instruments as of October 31, 2004. The Company expects it will meet all applicable quarterly financial tests in its debt instruments, including the Funded Debt to Adjusted EBITDA ratio, in fiscal 2005. However, there can be no assurance that the Company will meet its financial covenants. If such covenants are not met, the Company would be required to seek a waiver or amendment from the banks participating in the Credit Facility. While the Company anticipates that it would obtain such waiver or amendment, if any were necessary, there can be no assurance that such waiver or amendment would be granted, which could have a material adverse impact on the liquidity of the Company.

Contractual Obligations

As part of its ongoing operations, the Company enters into arrangements that obligate the Company to make future payments under contracts such as lease agreements and debt agreements. Debt obligations, which total \$651.8 million as of October 31, 2004, are currently recognized as liabilities in the Company's Consolidated Condensed Balance Sheet. Operating lease obligations, which total \$50.7 million, are not recognized as liabilities in the Company's Consolidated Condensed Balance Sheet, which is in accordance with generally accepted accounting principles. A summary of the Company's contractual obligations (based on the July 31 fiscal year) as of October 31, 2004 is as follows:

Contractual Obligations	Total	Payments Due by Period (in thousands)			
		Less than 1 year	2-3 years	4 - 5 years	After 5 Years
Long-Term Debt	\$ 651,811	\$ 2,784	\$ 45,956	\$ 17,635	\$ 585,436
Operating Leases and Service Contracts	49,937	7,699	16,141	11,005	15,092
Purchase Obligations ⁽¹⁾	197,471	185,483	11,977	11	--
Other Long-Term Obligations ⁽²⁾	1,928	1,928	--	--	--
Total Contractual Cash Obligations	\$ 901,147	\$197,894	\$ 74,074	\$ 28,651	\$ 600,528

(1) Purchase obligations include amounts which are classified as trade payables, accrued payroll and benefits, accrued fees and assessments, accrued interest, and

liabilities (including advances) to complete real estate projects on the Company's Condensed Consolidated Balance Sheet as of October 31, 2004 and other obligations for goods and services not yet recorded.

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

Off Balance Sheet Arrangements

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

Cautionary Statement

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

the existing SEC formal investigation of us;

economic downturns;

terrorist acts upon the United States;

threat of or actual war;

unfavorable weather conditions;

our ability to obtain financing on terms acceptable to us to finance our capital expenditure and growth strategy;

our ability to develop our resort and real estate operations;

competition in our Mountain and Lodging businesses;

our reliance on government permits for our use of federal land;

our ability to integrate and successfully operate future acquisitions;

adverse consequences of current or future legal claims; and

adverse changes in the real estate market.

Readers are also referred to the uncertainties and risks identified in the Company's Annual Report on Form 10-K for the year ended July 31, 2004.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. The Company's exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate indebtedness. At October 31, 2004, the Company had \$190.7 million of variable rate indebtedness, representing 29.4% of total debt outstanding, at an average interest rate during the three months ended October 31, 2004 of 3.8% (see Note 4, Long-Term Debt, of the Notes to Consolidated Condensed Financial Statements). Based on the average floating rate borrowings outstanding during the three months ended October 31, 2004, a 100 basis-point change in LIBOR would have caused the Company's monthly interest expense to change by approximately \$142,000.

Item 4. Controls and Procedures

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

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

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

Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls during the period covered by this Form 10-Q.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

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

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits

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

Exhibit Number	Description	Sequentially Numbered Page
3.1	Amended and Restated Certificate of Incorporation 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 333-05341) including all amendments thereto.)	
3.2	Amended and Restated By-Laws. (Incorporated by reference to Exhibit 3.1 on Form 8-K of Vail Resorts, Inc. filed on September 30, 2004.)	
4.1(a)	Purchase Agreement, dated as of January 15, 2004 among Vail Resorts, Inc., the guarantors named on Schedule I thereto, Banc of America Securities LLC, Deutsche Banc Securities, Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., Piper Jaffray & Co. and Wells Fargo Securities LLC. (Incorporated by reference to Exhibit 4.2(c) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
4.1(b)	Supplemental Purchase Agreement, dated as of January 22, 2004 among Vail Resorts, Inc., the guarantors named thereto, Banc of America Securities LLC, Deutsche Banc Securities, Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., Piper Jaffray & Co. and Wells Fargo Securities LLC. (Incorporated by reference to Exhibit 4.2(d) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
4.2(a)	Indenture, dated as of January 29, 2004, among Vail Resorts, Inc., the guarantors therein and the Bank of New York as Trustee. (Incorporated by reference to Exhibit 4.1 on Form 8-K of Vail Resorts, Inc. dated as of February 2, 2004.)	
4.3(b)	Form of Global Note (Included in Exhibit 4.2(c) by reference to Exhibit 4.1 on Form 8-K of Vail Resorts, Inc. dated as of February 2, 2004.)	
4.4	Registration Rights Agreement dated as of January 29, 2004 among Vail Resorts, Inc., the guarantors signatory thereto, Banc of America Securities LLC, Deutsche Banc Securities, Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., Piper Jaffray & Co. and Wells Fargo Securities LLC. (Incorporated by reference to Exhibit 4.5(c) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
10.1	Management Agreement by and between Beaver Creek Resort Company of Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.2	Forest Service Term Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.3	Forest Service Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.3 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.4	Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 10.4 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.)	
10.5	1993 Stock Option Plan of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.20 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)	
10.6(a)	Employment Agreement dated October 30, 2001 by and between RockResorts International, LLC and Edward Mace. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2002.)	
10.6(b)	Addendum to the Employment Agreement dated October 30, 2001 by and between RockResorts International, LLC and Edward Mace. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2002.)	
10.7(a)	Employment Agreement dated July 29, 1996 between Vail Resorts, Inc. and Adam M. Aron. (Incorporated by reference to Exhibit 10.21 of the report on Form S-2/A of Vail Resorts, Inc. (Registration # 333-5341) including all amendments thereto.)	
10.7(b)	Amendment to the Employment Agreement dated May 1, 2001 between Vail Resorts, Inc. and Adam M. Aron. (Incorporated by reference to Exhibit 10.14(b) of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2001.)	
10.7(c)	Second Amendment to Employment Agreement of Adam M. Aron, as Chairman of the Board and Chief Executive Officer of Vail Resorts, Inc. dated July 29, 2003. (Incorporated by reference to Exhibit 10.14(c) on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2003.)	
10.8	Amended and Restated Employment Agreement of Jeffrey W. Jones, as Chief Financial Officer of Vail Resorts, Inc. dated September 29, 2004. (Incorporated by reference to Exhibit 10.9 on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2004.)	
10.9(a)	Employment Agreement of William A. Jensen as Senior Vice President and Chief Operating Officer - Breckenridge Ski Resort dated May 1, 1997.	16
10.9(b)	First Amendment to the Employment Agreement of William A. Jensen as Senior Vice President and Chief Operating Officer - Vail Ski Resort dated August 1, 1999.	22
10.9(c)	Second Amendment to the Employment Agreement of William A. Jensen as Senior Vice President and Chief Operating Officer - Vail Ski Resort dated July 22, 1999.	24
10.10	Employment Agreement and Addendum of Roger McCarthy as Senior Vice President and Chief Operating Officer - Breckenridge Ski Resort dated July 17, 2000.	28
10.11	1996 Stock Option Plan (Incorporated by reference from the Company's Registration Statement on Form S-3, File No. 333-5341).	
10.12	2002 Long Term Incentive and Share Award Plan. (Incorporated by reference to Exhibit 10.17 on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)	
10.13(a)	Sports and Housing Facilities Financing Agreement between the Vail Corporation (d/b/a "Vail Associates, Inc.") and Eagle County, Colorado, dated April 1, 1998. (Incorporated by reference to Exhibit 10 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1998.)	
10.13(b)	Trust Indenture dated as of April 1, 1998 securing Sports and Housing Facilities Revenue Refunding Bonds by and between Eagle County, Colorado and U.S. Bank, N.A., as Trustee. (Incorporated by reference to Exhibit 10.1 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1998.)	
10.14(a)	Third Amended and Restated Revolving Credit and Term Loan Agreement among The Vail Corporation (d/b/a "Vail Associates, Inc."), Borrower, Bank of America, N.A., Agent, and the other lenders party thereto dated as of June 10, 2003. (Incorporated by reference to Exhibit 10.19 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 2003.)	
10.14(b)	First Amendment to the Third Amended and Restated Revolving Credit and Term Loan Agreement among The Vail Corporation (d/b/a "Vail Associates, Inc."), Borrower, Bank of America, N.A., Agent, and the other lenders party thereto dated as of October 2, 2003. (Incorporated by reference to Exhibit 10.19(b) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
10.14(c)	Second Amendment to the Third Amended and Restated Revolving Credit and Term Loan Agreement among The Vail Corporation (d/b/a "Vail Associates, Inc."), Borrower, Bank of America, N.A., Agent, and the other lenders party thereto dated as of January 21, 2004. (Incorporated by reference to Exhibit 10.19(c) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
10.14(d)	Agreement and Consent to the Third Amended and Restated Revolving Credit and Term Loan Agreement among The Vail Corporation (d/b/a "Vail Associates, Inc."), Borrower, Bank of America, N.A., Agent, and the other lenders party thereto dated as of January 28, 2004. (Incorporated by reference to Exhibit 10.19(d) on Form 10-Q of Vail Resorts, Inc. dated as of January 31, 2004.)	
10.15	Vail Resorts, Inc. 1999 Long Term Incentive and Share Award Plan. (Incorporated by reference to the Company's registration statement on Form S-8, File No. 333-32320.)	
10.16	Vail Resorts Deferred Compensation Plan effective as of October 1, 2000. (Incorporated by reference to Exhibit 10.23 of the report on Form 10-K of Vail Resorts, Inc. for the fiscal year ended July 31, 2000.)	
10.17	Conversion and Registration Rights Agreement between Vail Resorts, Inc. and Apollo Ski Partners, L.P. dated as of September 30, 2004. (Incorporated by reference to Exhibit 10.1 on Form 8-K of Vail Resorts, Inc. dated as of September 30, 2004.)	
31	Certifications of Adam M. Aron and Jeffrey W. Jones Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	42
32	Certifications of Adam M. Aron and Jeffrey W. Jones Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	44

- 99.1 Forest Service Unified Permit for Heavenly ski area. (Incorporated by reference to Exhibit 99.1 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 2002.)
- 99.2(a) Forest Service Unified Permit for Keystone ski area. (Incorporated by reference to Exhibit 99.2(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.2(b) Amendment to Forest Service Unified Permit for Keystone ski area. (Incorporated by reference to Exhibit 99.2(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.3(a) Forest Service Unified Permit for Breckenridge ski area. (Incorporated by reference to Exhibit 99.3(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.3(b) Amendment to Forest Service Unified Permit for Breckenridge ski area. (Incorporated by reference to Exhibit 99.3(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.4(a) Forest Service Unified Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 99.4(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.4(b) Exhibits to Forest Service Unified Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 99.4(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.5(a) Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 99.5(a) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.5(b) Exhibits to Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 99.5(b) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.5(c) Amendment to Forest Service Unified Permit for Vail ski area. (Incorporated by reference to Exhibit 99.5(c) on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 2002.)
- 99.6 Termination Agreement, dated as of October 5, 2004, by and among Vail Resorts, Inc., Ralcorp Holdings, Inc. and Apollo Ski Partners, L.P.

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 10, 2004.

Vail Resorts, Inc.
By: /s/ Jeffrey W. Jones
Jeffrey W. Jones
Senior Vice President and
Chief Financial Officer
Dated: December 10, 2004

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of May 1, 1997 by and between VAIL ASSOCIATES, INC., a Colorado corporation ("VA") and WILLIAM A. JENSEN (hereinafter referred to as "Executive").

RECITALS

1. VA desires to employ Executive to render services to it for the period and upon the terms and conditions provided for in this Agreement; and
2. Executive wishes to serve in the employ of VA for its benefit for the period and upon the terms and conditions provided for in this Agreement.

COVENANTS

NOW, THEREFORE, the parties hereto agree as follows:

1. Employment.

(a) VA hereby employs Executive to serve as Senior Vice President & Chief Operating Officer - Breckenridge on the terms and conditions set forth herein. In such capacities, Executive shall have the responsibilities normally associated with such positions, subject to the supervision and control of the President (the "President"), the Board of Directors (the "Board") and chief executive officer (the "CEO") of Vail Resorts, Inc., a Delaware corporation, the sole indirect shareholder of VA.

(b) Executive accepts employment by VA and agrees that, during the term of his employment, he will devote substantially all his time and best efforts to the performance of his duties hereunder, which duties shall be performed in an efficient and competent manner and to the best of his ability. Executive further agrees that, during the term of this Agreement, he will not, without the prior written consent of the CEO, directly or indirectly engage in any manner in any business or other endeavor, either as an owner, employee, officer, director, independent contractor, agent, partner, advisor, or in any other capacity calling for the rendition of his personal services. This restriction will not preclude Executive from having passive investments, and devoting reasonable time to the supervision thereof (so long as such does not create a conflict of interest or interfere with Executive's obligations hereunder), in any business or enterprise which is not in competition with any business or enterprise of VA or any of its subsidiaries or affiliates (collectively, the "Companies").

2. Compensation.

For all services rendered by Executive to or on behalf of the Companies, VA shall pay to Executive, subject to any and all withholdings and deductions required by law, the following compensation in accordance with the normal payroll practices of VA:

(a) Base Salary. Executive shall receive regular compensation at the initial rate of Two Hundred Thousand Dollars (\$____ 200,000) per year (the "Base Salary"). Executive's Base Salary shall be reviewed annually by the President, the CEO and the Board; Executive's initial review shall occur on or before September 30, 1997. Any increases or decreases in such Base Salary shall be at the discretion of the President, the CEO and the Board, and Executive acknowledges that the President, the CEO and the Board are not obligated to make any increases. Executive's Base Salary shall not be lowered from the initial Base Salary set forth above during the term of this Agreement without his written consent.

Bonuses, etc. Executive shall also be considered annually for bonuses, deferred compensation, and/or stock options based upon his performance in light of objectives established by the Board, it being understood that any such awards are at the discretion of the President, the CEO and the Board. Without limiting the generality of the foregoing, Executive shall be eligible to participate in (i) the Long-Term Incentive Plan of VA (the "LTIP"), and (ii) any other bonus, incentive, deferred compensation and fringe benefit plans as VA shall make generally available to other employees in senior management positions in accordance with the terms of the relevant contracts, policies or plans providing such benefits, all on such terms as the Board may determine. If any such compensation or benefits are paid or made available, it shall be at such time or times as the Board shall determine, based upon such factors, if any, as the Board may establish. Executive specifically acknowledges that the LTIP as currently in effect, and envisioned for the future, provides for deferral and possible forfeiture of earned bonus compensation depending on future year performance. Notwithstanding the above, (y) for fiscal year 1997, Executive shall receive a bonus in the amount of at least \$35,000, and (z) Executive shall be granted the option to buy up to 40,000 shares of common stock through the Vail Resorts, Inc. 1997 Long Term Incentive and Share Award Plan upon terms as specifically set forth in Vail Resorts, Inc.'s standard agreement, which terms shall include vesting over three years and an exercise price equal to the market price on May 1, 1997.

(c) Insurance. Executive shall also receive, at VA's expense, health, medical, dental, long-term disability and life insurance pursuant to such plans as are from time to time adopted by the Board.

(d) Expense Reimbursement; Club Memberships. Executive shall have a travel and entertainment budget which is reasonable in light of his position and responsibilities and shall be reimbursed for all reasonable business-related travel and entertainment expenses incurred by him thereunder upon submission of appropriate documentation thereof. Executive shall, subject to applicable rules and bylaws in effect from time to time, be entitled to the benefits of membership at the Keystone Golf Club and Beaver Creek Club, provided however, that Executive shall not actually be a member of such clubs and in no event shall Executive be entitled to any claim of reimbursement of any initiation or similar fee. Further, Executive shall be solely responsible for the payment of any and all charges incurred at such clubs, excluding only the payment of any regular dues which Executive shall not be obligated to pay.

(e) Relocation Reimbursement. Executive shall be entitled to up to \$40,000 to reimburse all documented moving and relocation expenses, including a tax equivalency payment (i.e., a "gross-up" for state and federal income taxes). Reimbursement shall be made to Executive within 15 days of written request therefor accompanied by appropriate documentation of such expenses, and shall include repayment of (i) all costs incurred in obtaining up to 120 days of interim housing in the Summit County or Eagle County area, (ii) all costs incurred by Executive in selling his current primary residence, including legal fees, transfer and stamp taxes, brokers' commissions, and other customary closing costs, and (iii) all costs of moving and or storing Executive's furniture, other possessions and automobiles.

3. Term and Termination.

(a) Term and Renewal. The Effective Date of this Agreement shall be May 1, 1997. Unless terminated earlier, as hereinafter provided, the term of this Agreement shall be for the period commencing with the Effective Date and continuing through September 30, 2000; provided, however, that unless either VA or Executive gives written notice of non-renewal to the other not less than 120 days prior to the then-current scheduled expiration date, this Agreement shall thereafter be automatically renewed for successive one-year periods.

(b) Termination for Cause. VA, acting through the CEO, may terminate this Agreement at any time for cause by giving Executive written notice specifying the effective date of such termination and the circumstances constituting such cause. For purposes of this Agreement, "cause" shall mean (i) any conduct involving dishonesty, gross negligence, gross mismanagement, the unauthorized disclosure of confidential information or trade secrets or a violation of VA's code of conduct which has a material detrimental impact on the reputation, goodwill or business position of any of the Companies; (ii) gross obstruction of business operations or illegal or disreputable conduct by Executive which materially impairs the reputation, goodwill or business position of any of the Companies, including acts of unlawful sexual harassment; or (iii) any action involving a material breach of the terms of the Agreement including, without limitation after 15 days' written notice and opportunity to cure to the Board's satisfaction, material inattention to or material neglect of duties. In the event of a termination for cause, Executive shall be entitled to receive only his then-current Base Salary through the date of such termination and any fully vested stock options or shares and other applicable benefits generally available to terminated executives at VA (not to be deemed to include severance payments or salary continuation). Further, Executive acknowledges that in the event of such a termination for cause, he shall not be entitled to receive any LTIP or other bonus for the year of termination nor any portion of any deferred LTIP or other deferred compensation.

(c) Termination Without Cause or Non-Renewal. VA may terminate this Agreement at any time without cause, by giving Executive written notice specifying the effective date of such termination. In the event of a termination without cause, or if VA gives notice of non-renewal of this Agreement as provided in Section 3(a), and provided that Executive executes a written release in connection with such termination substantially in the form attached hereto as Annex I (the "Release"), Executive shall be entitled to receive (i) his then-current Base Salary through the date of such termination or non-renewal, (ii) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination or non-renewal occurs, which pro-rated bonus shall be payable in the

same form and at the same time as bonus payments are made to VA's senior executives generally, (iii) continuation of his then-current Base Salary through the first anniversary of the date of termination or non-renewal, (iv) any fully vested stock options or shares, and (v) all deferred LTIP compensation earned by Executive with respect to prior years, which amounts shall be payable at VA's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable LTIP. Notwithstanding the foregoing, should VA and Executive mutually agree to waive, in writing, Executive's compliance with the provisions of Section 4 hereof within 60 days of such termination or expiration, then Executive shall be under an obligation to mitigate damages by seeking other employment and the Base Salary continuation shall be reduced by compensation received by Executive from other employment or self-employment following such waiver.

(d) Termination By Executive For Good Reason. Executive shall be entitled to terminate this Agreement at any time for good reason by giving VA not less than ninety (90) days prior written notice. For purposes of this Agreement, "good reason" shall mean (i) VA shall breach its obligations hereunder in any material respect and shall fail to cure such breach within 60 days following written notice thereof from Executive, (ii) VA shall cease to operate any major ski resort in Colorado, or (iii) VA shall effect a material diminution in Executive's reporting responsibilities, titles, authority, offices or duties as in effect immediately prior to such change. In such event, provided that Executive has executed the Release, Executive shall be entitled to receive (i) his then-current Base Salary through the date of such termination, (ii) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to VA's senior executives generally, and (iii) continuation of his then-current Base Salary through the first anniversary of the date of such termination, (iv) any fully vested stock options or shares, and (v) all deferred LTIP compensation earned by Executive with respect to prior years, which amounts shall be payable at VA's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable LTIP.

(e) Termination By Executive Without Good Reason. Executive may also terminate this Agreement at any time without good reason by giving VA at least one hundred twenty (120) days prior written notice. In such event, provided that Executive has executed the Release, Executive shall be entitled to receive only his then-current Base Salary through the date of termination and any fully vested stock options or shares and other applicable benefits generally available to terminated executives at VA (not to be deemed to include severance payments or salary continuation). Further, Executive acknowledges that in the event of such a termination without good reason, he shall not be entitled to receive any LTIP or other bonus for the year of termination nor any portion of any deferred LTIP or other deferred compensation.

(f) Termination Due To Disability. In the event that Executive becomes permanently disabled (as determined by the CEO and the Board in good faith according to applicable law), VA shall have the right to terminate this Agreement upon written notice to Executive; provided, however, that in the event that Executive executes the Release, Executive shall be entitled to receive (i) his then-current Base Salary through the date of such termination, (ii) in the event the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to VA's senior executives generally and (iii) continuation of his then-current Base Salary through the earlier of (x) the scheduled expiration date of this Agreement (but in no event less than 12 months from the date of disability) or (y) the date on which his long-term disability insurance payments commence. Further, Executive shall be entitled to retain all fully vested stock options and shares.

(g) Termination Due To Death. This Agreement shall be deemed automatically terminated upon the death of Executive. In such event, provided Executives personal representative executes a release substantially in the form or the Release, Executive's personal representative shall be entitled to receive (i) the Executive's then-current Base Salary through such date of termination, and (ii) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally. Further, Executive's personal representative shall be entitled to retain any stock options pursuant to the terms of the applicable stock option agreement.

(h) Change in Control. Notwithstanding the above, in the event that at any time after six (6) months following a change in control of VA (i) this Agreement is terminated by VA without cause, (ii) this Agreement is terminated by Executive for good reason, or (iii) VA gives notice of non-renewal of this Agreement, then in any such case, provided that Executive has executed the Release, Executive shall be entitled to receive (i) his then-current Base Salary through the date of such termination or non-renewal, (ii) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally, (iii) continuation of his then-current Base Salary for a period of 18 months from the date of termination or non-renewal, (iv) any fully vested stock options or shares, and (v) all deferred LTIP compensation earned by Executive with respect to prior years, which amounts shall be payable at VA's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable LTIP. For purposes of this Agreement, a "change in control" shall mean the acquisition by any person or group of affiliated persons (other than Apollo Ski Partners, L.P. and its affiliates) of equity securities of Vail Resorts, Inc. or VA representing either a majority of the combined ordinary voting power of all outstanding voting securities of Vail Resorts, Inc. or VA or a majority of the common equity interest in Vail Resorts, Inc. or VA.

(i) Other Benefits. During any period in which Executive is entitled to Base Salary continuation following termination or expiration of this Agreement under the terms of this Section 3, Executive shall also be entitled to continuation of then-current health, dental and other insurance benefits for Executive and his dependents at VA's expense. Except as expressly set forth in this Section 3, Executive shall not be entitled to receive any compensation or other benefits in connection with termination of his employment; provided, however, that termination of Executive's employment hereunder shall not affect his right to receive deferred compensation earned prior to such termination (which amounts shall be payable at VA's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plan) or his rights to vested retirement benefits in accordance with the terms of the applicable plan. Notwithstanding the foregoing, all deferred compensation shall be forfeited by Executive in the event of termination of employment pursuant to Section 3(b) or Section 3(e) of this Agreement.

(j) Payment of Salary Continuation. Payment of Base Salary following termination of this Agreement as required by this Section 3 shall be made in accordance with VA's normal payroll practices; provided, however, that in the event of a breach by Executive of the provisions of Sections 4, 5, 6 or 7 hereof, VA shall be entitled to cease all such payments. No termination of this Agreement shall affect any of the rights and obligations of the parties hereto under Sections 4, 5, 6 and 7, but such rights and obligations shall survive such termination in accordance with the terms of such sections.

4. Non-Competition.

The provisions of this Section 4 shall apply for a period of one (1) year beginning with the date of termination of Executive's employment with VA for any reason. During such period, Executive will not, without the prior written consent of the CEO, directly or indirectly, become associated, either as owner, employee, officer, director, independent contractor, agent, partner, advisor or in any other capacity calling for the rendition of personal services, with any individual, partnership, corporation, or other organization (i) in Eagle County or Summit County, Colorado whose business or enterprise is competitive in any way with any of the businesses or enterprises of any of the Companies or (ii) in the states of Colorado, Nevada, Idaho, California or Utah whose business or enterprise is alpine or nordic ski area operation; provided, however, that the foregoing shall not preclude Executive from having passive investments in less than five percent (5%) of the outstanding capital stock of a competitive corporation which is listed on a national securities exchange or regularly traded in the over-the-counter market or which have been approved in writing by the CEO. If, for any reason, any portion of this covenant shall be held to be unenforceable it shall be deemed to be reformed so that it is enforceable to the maximum extent permitted by law.

Further, Executive covenants and agrees that, during his employment by VA and for the period of one year thereafter, Executive will not solicit for another business or enterprise any person who is a managerial or higher level employee of Vail Resorts, Inc. or any of its subsidiaries at the time of Executive's termination.

5. Document Return; Resignations.

Upon termination of Executive's employment with VA for any reason, Executive agrees that he shall promptly surrender to VA all letters, papers, documents, instruments, records, books, products, and any other materials owned by any of the Companies or used by Executive in the performance of his duties under this Agreement. Additionally, upon termination of Executive's employment with VA for any reason, Executive agrees to immediately resign from, and execute appropriate resignation letters relating to, all management or board positions he may have by reason of his employment or involvement with VA, specifically including but not limited to the Board, any of the Companies, the Beaver Creek Resort Company of Colorado and the various homeowner and industry associations in which Executive serves at the direction of VA (the "Associations").

6. Confidentiality.

During the term of this Agreement, and at all times following the termination of Executive's employment with VA for any reason, Executive shall not disclose, directly or indirectly, to any person, firm or entity, or any officer, director, stockholder, partner, associate, employee, agent or representative thereof, any confidential information or trade secrets of any of the Companies, the Beaver Creek Resort Company of Colorado or the Associations.

7. Non-Disparagement.

For a period of five (5) years following the termination of Executive's employment with VA for any reason, Executive agrees that he shall not make any statements disparaging of any of the Companies, the Board, and the officers, directors, stockholders, or employees of any of the Companies, the Beaver Creek Resort Company of Colorado or the Associations. VA shall similarly not disparage Executive following such termination, it being understood that, subject to the terms of this Section 7, VA and Executive, as appropriate, may respond truthfully to inquiries from prospective employers of Executive, or as may be required by any governmental or judicial body acting in their official capacity.

8. Injunctive Relief.

The parties acknowledge that the remedy at law for any violation or threatened violation of this Agreement will be inadequate and that, accordingly, either party shall be entitled to injunctive relief in the event of such a violation or threatened violation without being required to post bond or other surety. The above stated remedies shall be in addition to, and not in limitation of, any other rights or remedies to which either party is or may be entitled at law, in equity, or under this Agreement.

9. Non-Assignability.

It is understood that this Agreement has been entered into personally by the parties. Neither party shall have the right to assign, transfer, encumber or dispose of any duties, rights or payments due hereunder, which duties, rights and payments with respect hereto are expressly declared to be non-assignable and non-transferable, being based upon the personal services of Executive, and any attempted assignment or transfer shall be null and void and without binding effect on either party; provided, however, that, subject to Executive's rights under Section 3(h) hereof, VA may assign this Agreement to any affiliate or successor corporation.

10. Complete Agreement.

This Agreement constitutes the full understanding and entire employment agreement of the parties, and supersedes and is in lieu of any and all other understandings or agreements between VA and Executive. Nothing herein is intended to limit any rights or duties Executive has under the terms of any applicable stock option, incentive or other similar agreements.

11. Arbitration.

Any controversy or claim arising out of or in relation to this Agreement or any breach thereof shall be settled by arbitration in Vail, Colorado in accordance with the Commercial Arbitration Rules then in effect of the American Arbitration Association (hereinafter "AAA Rules") before a panel of three arbitrators, one of whom shall be selected by VA, the second of whom shall be selected by Executive and the third of whom shall be selected by the other two arbitrators; provided, however, that to the extent that any of the AAA Rules or any portion thereof is inconsistent with the provisions of this Section 11, the provisions of this Section shall govern. If for any reason the AAA Rules cannot be followed or if any one of the parties fails or refuses to select an arbitrator within thirty (30) days after the time of notification of demand for arbitration by the other, or if the arbitrators selected by the parties to this Agreement cannot agree on the selection of a third arbitrator within thirty (30) days after such time as VA and Executive have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the Chief Judge of the Fifth Judicial District or, if that officer fails or refuses to make an appointment, by the President of the Colorado Bar Association. In the event that any controversy or claim is submitted for arbitration hereunder relating to the failure or refusal by VA or Executive to perform in full all of its obligations hereunder, VA or Executive, as applicable, shall have the burden of proof (as to both production of evidence and persuasion) with respect to the justification for such failure or refusal. Any award entered by the arbitrators shall be final, binding and non-appealable, and judgment may be entered thereon by any party in accordance with the applicable law in any court of competent jurisdiction. The arbitrators shall award the prevailing party its reasonable attorneys' fees and costs. The arbitrators shall not have the power to direct equitable relief.

12. Amendments.

Any amendment to this Agreement shall be made only in writing and signed by each of the parties hereto.

13. Governing Law.

The internal laws of the State of Colorado law shall govern the construction and enforcement of this Agreement.

14. Notices.

Any notice required or authorized hereunder shall be deemed delivered with deposited, postage prepaid, in the United States mail, certified, with return receipt requested, addressed to the parties as follows:

William A. Jensen
4570 Ridgewood
Carmelian Bay, California 96140

Vail Associates, Inc.

PO Box 7

Vail, Colorado 81658

Attn.: General Counsel

cc: Vail Resorts, Inc.

P.O. Box 7

Vail, Colorado 81658

Attn: Chief Executive Officer

cc: President

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 1st day of May, 1997.

EMPLOYER:

VAIL ASSOCIATES, INC.

By: _____

Its: _____

William A. Jensen

MUTUAL RELEASE

This mutual release (this "Release") is entered into as of this _____ day of _____, ____ (the "Release Date") by William A. Jensen ("Jensen"), on the one hand and Vail Associates, Inc., ("VA") on the other hand.

1. Reference is hereby made to the employment agreement dated May 1, 1997 (the "Employment Agreement") by the parties hereto setting forth the agreements among the parties regarding the termination of the employment relationship between Jensen and VA. Capitalized terms used but not defined herein have the meanings ascribed to them in the Employment Agreement.

2. Jensen, for himself, his wife, heirs, executors, administrators, successors, and assigns, hereby releases and discharges VA and its respective direct and indirect parents and subsidiaries, and other affiliated companies, and each of their respective past and present officers, directors, agents and employees, from any and all actions, causes of action, claims, demands, grievances, and complaints, known and unknown, which Jensen or his wife, heirs, executors, administrators, successors, or assigns ever had or may have at any time through the Release Date. Jensen acknowledges and agrees that this Release is intended to and does cover, but is not limited to, (i) any claim of employment discrimination of any kind whether based on a federal, state, or local statute or court decision, including the Age Discrimination in Employment Act with appropriate notice and recision periods observed; (ii) any claim, whether statutory, common law, or otherwise, arising out of the terms or conditions of Jensen's employment at VA and/or Jensen's separation from VA; enumeration of specific rights, claims, and causes of action being released shall not be construed to limit the general scope of this Release. It is the intent of the parties that by this Release Jensen is giving up all rights, claims and causes of action occurring prior to the Release Date, whether or not any damage or injury therefrom has yet occurred. Jensen accepts the risk of loss with respect to both undiscovered claims and with respect to claims for any harm hereafter suffered arising out of conduct, statements, performance or decisions occurring before the Release Date.

3. VA hereby releases and discharges Jensen, his wife, heirs, executors, administrators, successors, and assigns, from any and all actions, causes of actions, claims, demands, grievances and complaints, known and unknown, which VA ever had or may have at any time through the Release Date. VA acknowledges and agrees that this Release is intended to and does cover, but is not limited to, (i) any claim, whether statutory, common law, or otherwise, arising out of the terms or conditions of Jensen's employment at VA and/or Jensen's separation from VA, and (ii) any claim for attorneys' fees, costs, disbursements, or other like expenses. The enumeration of specific rights, claims, and causes of action being released shall not be construed to limit the general scope of this Release. It is the intent of the parties that by this Release VA is giving up all of its respective rights, claims, and causes of action occurring prior to the Release Date, whether or not any damage or injury therefrom has yet occurred. VA accepts the risk of loss with respect to both undiscovered claims and with respect to claims for any harm hereafter suffered arising out of conduct, statements, performance or decisions occurring before the Release Date.

4. This Release shall in no event (i) apply to any claim by either Jensen or VA arising from any breach by the other party of its obligations under the Employment Agreement occurring on or after the Release Date, (ii) waive Jensen's claim with respect to compensation or benefits earned or accrued prior to the Release Date to the extent such claim survives termination of Jensen's employment under the terms of the Employment Agreement, or (iii) waive Jensen's right to indemnification under the by-laws of the Company.

5. This Mutual Release shall be effective as of the Release Date and only if executed by both parties.

IN WITNESS WHEREOF, each party hereto, intending to be legally bound, has executed this Mutual Release on the date indicated below.

VAIL ASSOCIATES, INC.

By: _____

William A. Jensen

Date: _____ Date: _____

FIRST AMENDMENT

This First Amendment is dated as of August 1, 1999 by and between Vail Associates, Inc. ("VA") and William A. Jensen ("Executive").

RECITALS

- A. VA and Executive are parties to that certain Employment Agreement dated as of May 1, 1997 ("Employment Agreement"), whereby Executive agreed to render certain services and serve in the employ of VA under the terms and conditions provided for in the Employment Agreement; and
- B. VA and Executive wish to amend certain terms and conditions of the Employment Agreement as hereinafter provided. All terms not defined herein shall have the meaning given in the Employment Agreement.

COVENANTS

NOW THEREFORE, the parties agree hereto as follows:

1. Section 1(a) of the Employment Agreement is hereby amended such that effective August 1, 1999, Executive shall serve as Senior Vice President & Chief Operating Officer - Vail. Executive shall continue to report to the President, the Board and the CEO of Vail Resorts, Inc.
2. Section 2(a) of the Employment Agreement is hereby amended such that Executive shall be paid an annualized Base Salary of Two Hundred Eighty-Five Thousand dollars (\$285,000.00) beginning on August 1, 1999, and Executive's Base Salary shall be increased to Three Hundred Thousand dollars (\$300,000.00) on October 1, 1999; thereafter Executive's Base Salary shall be reviewed annually beginning on or before September 30, 2000.
3. Section 2(d) of the Employment Agreement is hereby amended such that Executive shall, subject to applicable rules and bylaws in effect from time to time, be entitled to the benefits of family membership at the Beaver Creek Club (which includes golf at the Beaver Creek Golf Course and access to Beano's Cabin and the Hyatt Spa) and the Game Creek Club (which includes access to the Game Creek on mountain restaurant and base locker facilities in the Vail Village); provided however, that Executive shall not actually be a member of such clubs and in no event shall Executive be entitled to any claim of reimbursement of any initiation or similar fee. Executive shall be solely responsible for the payment of any and all charges incurred at such facilities, excluding only the payment of any regular dues which Executive shall not be obligated to pay. In addition, Executive shall, subject to applicable rules and bylaws in effect from time to time, be entitled to the benefits of membership at either The Country Club of the Rockies or The Club at Cordillera, whichever Executive elects (subject to availability); provided however, that Executive shall not actually be a member of such club and in no event shall Executive be entitled to any claim of reimbursement of any initiation or similar fee. Further, Executive shall be solely responsible for the payment of any and all charges incurred at such club, the payment of one-half of any of the regular dues associated with such club, and the VA shall pay the remaining one-half of any of the regular dues associated with such club.
4. Section 3(a) of the Employment Agreement is hereby amended such that the term of the Employment Agreement shall continue through September 30, 2002; provided, however, that unless either VA or Executive gives written notice of non-renewal to the other not less than 120 days prior to the then current scheduled expiration date, the Employment Agreement shall thereafter be automatically renewed for successive 1-year periods.
5. All other terms and conditions stated in the Employment Agreement shall remain in full force and effect. To the extent there is any conflict between the terms of this First Amendment and the terms of the Employment Agreement, the terms of this First Amendment shall control.

IN WITNESS whereof, the parties have executed this First Amendment as of the day first written above.

VAIL ASSOCIATES, INC.

By: _____

Its: _____

EXECUTIVE:

WILLIAM A. JENSEN

SECOND AMENDMENT

This Second Amendment is dated as of _____, 1999 by and between Vail Associates, Inc. ("VA") and William A. Jensen ("Executive").

RECITALS

A. VA and Executive are parties to that certain Employment Agreement dated as of May 1, 1997, as amended by the First Amendment (collectively "Employment Agreement"), whereby Executive agreed to render certain services and serve in the employ of VA under the terms and conditions provided for in the Employment Agreement; and

B. VA and Executive wish to amend certain terms and conditions of the Employment Agreement as hereinafter provided. All terms not defined herein shall have the meaning given in the Employment Agreement.

COVENANTS

NOW THEREFORE, the parties agree hereto as follows:

1. A new Section 2(f) is hereby added to the Employment Agreement as follows:

Executive shall be reimbursed for all reasonable costs incurred by Executive in selling his current primary residence in Breckenridge, Colorado, including reasonable legal fees, transfer and stamp taxes, and other customary closing costs. Reimbursement shall be made to Executive within 15 days of written request therefor accompanied by appropriate documentation of such expenses.

2. A new Section 2(g) is hereby added to the Employment Agreement as follows:

Should Executive purchase a primary residence in Vail, Colorado (the "Residence"), VA shall make a contribution toward the purchase price of the same up to fifty percent of the purchase price (excluding any personal property associated with the purchase), not to exceed One Million dollars (\$1,000,000.00). Upon making such contribution, VA shall hold a proportionate undivided interest in the Residence in co-tenancy with Executive. Executive may resale the Residence at his election at any time during the term of the Employment Agreement by providing VA thirty (30) days advance written notice. Executive agrees to list the Residence for sale with Slifer, Smith & Frampton/Vail Associates Real Estate ("SSF") or other brokerage designated by VA ("Broker") at a fair market value ("Listing Price") as Executive and VA mutually determine in their reasonable judgment, which Listing Price may be changed from time to time with VA's consent, which consent shall not be unreasonably withheld or delayed. Upon any sale or transfer of the Residence, VA shall be entitled to receive its proportionate share of the re-sale price, net of normal and customary closing costs (e.g. brokers' commission, title insurance premiums, transfer taxes, etc.) and material home improvements made in excess of Ten Thousand dollars (\$10,000.00). For example:

Executive purchases the Residence in 1999 for \$2,040,467.00;

VA contributes \$1,000,000.00;

Accordingly, VA's undivided interest is 49.01%.

Executive sells the Residence in 2001 for \$3,000,000.00;

Closing costs equal \$375,000.00;

No material home improvements made;

Accordingly, VA would receive \$1,286,512.50 on the re-sale.

Should Executive undertake any material home improvements or significant remodeling, not to include ordinary maintenance and repair (e.g. painting, re-carpeting, etc.) to the Residence in excess of \$10,000.00 (e.g. addition of a spa/jacuzzi), Executive may deduct the net excess cost of the same from the re-sale price. Executive shall keep adequate records to verify such expenditures and shall notify VA in writing when any such work is being undertaken. Executive and VA acknowledge that while any material home improvements to the Residence may increase the value of the Residence, the parties acknowledge that it would be difficult to attribute any appreciation in the Residence value directly to any material home improvement(s). Accordingly, due to such uncertainty, the parties agree that the re-sale price of the Residence and any appreciation recognized thereby shall only be net of (i) the normal and customary closing costs and (ii) the expenditures made by Executive for any material home improvement(s) in excess of \$10,000.00. For example:

As in the previous example, assume VA's interest is 49.01%;

Executive sells the Residence in 2001 for \$3,000,000.00;

Closing costs equal \$375,000.00;

\$75,000.00 in material home improvements made;

Accordingly, VA would receive \$1,254,656.00 on the re-sale

If the Residence has not been previously sold or transferred, no later than six (6) months after the termination of the Employment Agreement for any reason (without regard to any time period of salary continuation thereunder), Executive agrees to list the Residence for sale with SSF, unless VA designates Broker, at a Listing Price as VA and Executive mutually determine in their reasonable judgment, which Listing Price may be changed from time to time with VA's consent, which consent shall not be unreasonably withheld or delayed. If the Residence has not sold (and is not under contract with a ready, willing and able buyer) within one (1) year after being listed, VA and Executive shall each retain an appraiser at their respective expense. The two selected appraisers shall select one additional appraiser who shall be paid for equally by VA and Executive. Each of the appraisers will prepare an appraisal on the Residence. Thereafter, VA shall have the right to require that Executive buy-out VA's interest, in full with good funds, in the Residence by paying VA its proportionate share based on the average of the three appraisals. For example:

As in the previous example, assume VA's interest is 49.01%;

The first appraisal is \$2,900,000.00;

The second appraisal is \$3,000,000.00;

The third appraisal is \$3,100,000.00;

\$75,000.00 in material home improvements made;

Accordingly, Executive would purchase VA's interest in the Residence for

\$1,438,443.50.

If VA elects to require that Executive purchase VA's interest in the Residence, the closing of such transaction shall occur within thirty (30) days after the three appraisals have been prepared. If VA elects not to require that Executive purchase VA's interest in the Residence, the Residence shall again be listed with SSF, unless VA designates Broker, at a Listing Price as VA and Executive mutually determine in their reasonable judgment, which Listing Price may be changed from time to time with VA's

consent, which consent shall not be unreasonably withheld or delayed. If the Residence has not sold within one (1) year thereafter, VA and Executive agree to have the three previously named appraisers update their respective appraisals and VA and Executive shall equally share in the costs thereof. Based on the average of the three appraisals, Executive shall buy-out VA's interest in the Residence within thirty (30) days after the updated appraisals have been prepared.

Executive covenants and agrees to (i) use the Residence as Executive's personal and primary place of abode, in compliance with all ordinances, covenants and restrictions governing the Residence, and not lease or rent the same, (ii) keep the Residence in good order and repair, (iii) insure the Residence for full replacement value with VA named as a loss payee; (iv) not mortgage the Residence for more than Executive's proportionate interest in the Residence based on the total fair market value of the Residence established by any appraisal obtain at Executive's expense (e.g. using examples above, Executive's interest would be 50.99%) and timely and fully perform all obligations under any mortgage, including without limitation making all mortgage and escrow payments when due; (v) timely pay or cause to be paid all real property taxes and other assessments and/or dues affecting the Residence; (vi) timely pay or cause to be paid all costs for work done in or to the Residence and keep the same free and clear of all mechanics' or materialmens' liens, and (vii) not to transfer or sell Executive's interest in the Residence except in strict compliance with this Second Amendment. Notwithstanding the foregoing, VA shall pay for 49.01% of the annual homeowner's insurance premium attributable to insuring the Residence for full replacement value, excluding personal property therein and homeowner/personal liability coverage in excess of \$300,000.00, and 49.01% of the annual real property taxes for the Residence.

In the event Executive breaches any of the his promises, covenants or obligations contained herein, VA shall have the right to seek equitable relief, including without limitation the right to seek specific performance, in addition to all remedies available to VA under the Employment Agreement or pursuant to Colorado law. In addition, should Executive transfer or sell or attempt to transfer or sell the Residence in violation of this Second Amendment, VA shall have the elective right to immediately cause Executive to purchase VA's interest in the Residence based on the average of three appraisals as provided for above, except that the Residence shall not be required to be listed for sale for any period of time as a condition precedent. If VA does not make such election, VA shall still receive its proportionate share on the unauthorized resale of the Residence as otherwise provided for herein.

Executive agrees to provide his consent and cause his spouse to provide her consent by signatures to that certain Consent of Borrower granted in connection with that certain Agreement Regarding Notice, Cure, and Redemption Rights between VA and Norwest Bank Colorado, National Association, attached hereto and incorporated herein by reference (collectively "Loan Default Cure Agreement"). In the event Executive as borrower defaults on any payment or other obligation under the Loan Agreement and related documents (as defined in the Loan Default Cure Agreement), Executive shall be deemed to have breached this Second Amendment. In the event of such default VA, in addition to the rights VA has pursuant to the Loan Default Loan Agreement, shall have the elective right to immediately cause Executive to purchase VA's interest in the Residence based on the average of three appraisals as provided for above, except that the Residence shall not be required to be listed for sale for any period of time as a condition precedent. If VA cures the Executive's default pursuant to the Loan Default Cure Agreement, the amount paid by VA to cure such default and any expenses VA incurs to cure the default, including without limitation reasonable attorneys fees and costs, shall be immediately reimbursed by Executive in addition to the amount paid to purchase VA's interest in the Residence if VA elects to cause Executive to purchase VA's interest in the Residence. Any amount paid by VA to cure Executive's default shall accrue interest at the rate of 18% per annum.

This Second Amendment shall be binding upon Executive, his spouse as acknowledged and agreed below, and the heirs, estate and personal representatives of Executive. This Second Amendment shall run with the Residence and shall survive the termination or expiration of the Employment Agreement. This Second Amendment may be disclosed to all persons and entities as necessary to enforce its terms or as may be required by law, including without limitation proxy statements of VA's parent company or otherwise, and VA, in its sole and absolute discretion, may record this Second Amendment in the office of the Clerk and Recorder of Eagle County, Colorado.

All other terms and conditions stated in the Employment Agreement shall remain in full force and effect. To the extent there is any conflict between the terms of this Second Amendment and the terms of the Employment Agreement, the terms of this Second Amendment shall control.

IN WITNESS whereof, the parties have executed this Second Amendment as of the day first written above.

EXECUTIVE: VAIL ASSOCIATES, INC.
By: _____

WILLIAM A. JENSEN Its: _____

ACKNOWLEDGED AND AGREEMENT BY CHERYL S. ARMSTRONG-JENSEN.

I Cheryl S. Armstrong-Jensen, acknowledge that although I am not a party to the Employment Agreement or this Second Amendment, I specifically agree that, in connection with any ownership interest that I may have or hereafter acquire in the Residence, I will be bound by the terms of this Second Amendment and agree to cooperate with VA and Executive such that the terms of this Second Amendment may be fully performed for the benefit of VA.

Date: _____
Cheryl S. Armstrong-Jensen

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of July 17, 2000 by and between VAIL ASSOCIATES, INC., a Colorado corporation ("VA") and Roger McCarthy (hereinafter referred to as "Executive").

RECITALS

1. VA desires to employ Executive to render services to it for the period and upon the terms and conditions provided for in this Agreement; and
2. Executive wishes to serve in the employ of VA for its benefit for the period and upon the terms and conditions provided for in this Agreement.

COVENANTS

NOW, THEREFORE, the parties hereto agree as follows:

1. Employment.

(a) VA hereby employs Executive to serve as Senior Vice President & Chief Operating Officer – Breckenridge Ski Resort on the terms and conditions set forth herein. In such capacity, Executive shall have the responsibilities normally associated with such position, subject to the supervision and control of the President (the "President"), the Board of Directors (the "Board") and chief executive officer (the "CEO") of Vail Resorts, Inc., a Delaware corporation, the sole indirect shareholder of VA.

(b) Executive accepts employment by VA and agrees that, during the term of his employment, he will devote substantially all his time during normal business hours and best efforts to the performance of his duties hereunder, which duties shall be performed in an efficient and competent manner and to the best of his ability. Executive further agrees that, during the term of this Agreement, he will not, without the prior written consent of the President, directly or indirectly engage in any manner in any business or other endeavor, either as an owner, employee, officer, director, independent contractor, agent, partner, advisor, or in any other capacity calling for the rendition of his personal services. This restriction will not preclude Executive from having passive investments, and devoting reasonable time to the supervision thereof (so long as such does not create a conflict of interest or interfere with Executive's obligations hereunder), in any business or enterprise which is not in competition with any business or enterprise of VA or any of its subsidiaries or affiliates (collectively, the "Companies").

2. Compensation.

For all services rendered by Executive to or on behalf of the Companies, VA shall provide to Executive, subject to any and all withholdings and deductions required by law, the following:

(a) Base Salary. Executive shall receive regular compensation at the initial rate of Two Hundred Forty Thousand Dollars (\$240,000.00) per year (the "Base Salary"), which Base Salary shall be adjusted effective October 1, 2000 to Two Hundred Fifty Thousand Dollars (\$250,000.00), payable in accordance with the normal payroll practices of VA. Executive's Base Salary shall be reviewed annually by the President, the CEO and the Board; Executive's initial review shall occur on or before September 30, 2001. Any increases or decreases in such Base Salary shall be at the discretion of the President, the CEO and the Board, and Executive acknowledges that the President, the CEO and the Board are not obligated to make any increases. Executive's Base Salary shall not be lowered from the initial Base Salary set forth above during the term of this Agreement without his written consent.

(b) Bonuses, Stock Options, etc. Executive shall also be considered annually for bonuses, and/or stock options based upon his performance in light of objectives established by the Board, it being understood that any such awards are at the discretion of the President, the CEO and the Board. Without limiting the generality of the foregoing, Executive shall be eligible to participate in (i) the Management Incentive Plan of VA (the "MIP"), and (ii) any other bonus, incentive, and fringe benefit plans as VA shall make generally available to other employees in senior executive positions in accordance with the terms of the relevant contracts, policies or plans providing such benefits, all on such terms as the Board may determine. If any such compensation or benefits are paid or made available, it shall be at such time or times as the Board shall determine, based upon such factors, if any, as the Board may establish. Notwithstanding the above, (x) Executive's bonus for fiscal year 2000 shall be equal to Forty Five Thousand Dollars (\$45,000.00), (y) Executive shall be granted the option to buy up to 30,000 shares of common stock Tranche A through the Vail Resorts, Inc. 1999 Long Term Incentive and Share Award Plan ("1999 Plan") upon terms as specifically set forth in the Vail Resorts, Inc.'s standard stock option, which terms shall include vesting over three years, recognizing the period of time Executive served as a consultant to VA, (with the first anniversary being February 24, 2001) and an exercise price equal to the closing market price on February 24, 2000, and (z) Executive shall be eligible to participate in annual option grant(s) made by the Board under the 1999 Plan for 2001 (a number of shares of common stock Tranche B, if any, granted by the Board in its discretion on or before November 18, 2000, at an exercise price equal to the closing market price on the day of the grant, if made by the Board, all subject to the terms of the applicable stock option agreement).

(c) Insurance. Executive shall also receive, at VA's expense, health, medical, dental, long-term disability and life insurance pursuant to such plans as are from time to time adopted by the Board.

(d) Expense Reimbursement; Club Memberships. Executive shall have a travel and entertainment budget which is reasonable in light of his position and responsibilities and shall be reimbursed for all reasonable business-related travel and entertainment expenses incurred by him thereunder upon submission of appropriate documentation thereof. Executive shall, subject to applicable rules in effect from time to time, be entitled to use of the Keystone Ranch Golf Course and The River Course at Keystone free of greens and cart fees. Executive shall be solely responsible for the payment of any and all other charges incurred at such facility.

3. Term and Termination.

(a) Term and Renewal. The "Effective Date" of this Agreement shall be July 17, 2000. Unless terminated earlier, as hereinafter provided, the term of this Agreement shall be for the period commencing with the Effective Date and continuing through September 30, 2002; provided, however, that unless either VA or Executive gives written notice of non-renewal to the other not less than 120 days prior to the then-current scheduled expiration date, this Agreement shall thereafter be automatically renewed for successive one-year periods.

(b) Termination for Cause. VA, acting through the President, may terminate this Agreement at any time for cause by giving Executive written notice specifying the effective date of such termination and the circumstances constituting such cause. For purposes of this Agreement, "cause" shall mean (i) any conduct involving dishonesty, gross negligence, gross mismanagement, the unauthorized disclosure of confidential information or trade secrets or a violation of VA's code of conduct which has a material detrimental impact on the reputation, goodwill or business position of any of the Companies; (ii) gross obstruction of business operations or illegal or disreputable conduct by Executive which materially impairs the reputation, goodwill or business position of any of the Companies, including acts of unlawful sexual harassment; or (iii) any action involving a material breach of the terms of the Agreement including, without limitation after 15 days' written notice and opportunity to cure to the Board's satisfaction, material inattention to or material neglect of duties. In the event of a termination for cause, Executive shall be entitled to receive only his then-current Base Salary through the date of such termination and any fully vested stock options or shares and other applicable benefits generally available to terminated executives at VA (not to be deemed to include severance payments or salary continuation). Further, Executive acknowledges that in the event of such a termination for cause, he shall not be entitled to receive any MIP or other bonus for the year of termination.

(c) Termination Without Cause or Non-Renewal. VA may terminate this Agreement at any time without cause, by giving Executive written notice specifying the effective date of such termination. In the event of a termination without cause, or if VA gives notice of non-renewal of this Agreement as provided in Section 3(a), and provided that Executive executes a written release in connection with such termination substantially in the form attached hereto as Annex I (the "Release"), Executive shall be entitled to receive (i) his then-current Base Salary through the date of such termination or non-renewal, (ii) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination or non-renewal occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to VA's senior executives generally, (iii) continuation of his then-current Base Salary through the first anniversary of the date of termination or non-renewal, and (iv) any fully vested stock options or shares. Notwithstanding the foregoing, should VA and Executive mutually agree to waive, in writing, Executive's compliance with the provisions of Section 4 hereof within 60 days of such termination or expiration, then

Executive shall be under an obligation to mitigate damages by seeking other employment and the Base Salary continuation shall be reduced by compensation received by Executive from other employment or self-employment following such waiver.

(d) Termination By Executive For Good Reason. Executive shall be entitled to terminate this Agreement at any time for good reason by giving VA not less than ninety (90) days prior written notice. For purposes of this Agreement, "good reason" shall mean (i) VA shall breach its obligations hereunder in any material respect and shall fail to cure such breach within 60 days following written notice thereof from Executive, (ii) VA shall decrease Executive's then current Base Salary and/or (iii) VA shall effect a material diminution in Executive's reporting responsibilities, titles, authority, offices or duties as in effect immediately prior to such change. In such event, provided that Executive has executed the Release, Executive shall be entitled to receive (w) his then-current Base Salary through the date of such termination, (x) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to VA's senior executives generally, (y) continuation of his then-current Base Salary through the first anniversary of the date of such termination, and (z) any fully vested stock options or shares.

(e) Termination By Executive Without Good Reason. Executive may also terminate this Agreement at any time without good reason by giving VA at least one hundred twenty (120) days prior written notice. In such event, provided that Executive has executed the Release, Executive shall be entitled to receive only his then-current Base Salary through the date of termination and any fully vested stock options or shares and other applicable benefits generally available to terminated executives at VA (not to be deemed to include severance payments or salary continuation). Further, Executive acknowledges that in the event of such a termination without good reason, he shall not be entitled to receive any MIP or other bonus for the year of termination.

(f) Termination Due To Disability. In the event that Executive becomes permanently disabled (as determined by the President and the Board in good faith according to applicable law), VA shall have the right to terminate this Agreement upon written notice to Executive; provided, however, that in the event that Executive executes the Release, Executive shall be entitled to receive (i) his then-current Base Salary through the date of such termination, (ii) in the event the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to VA's senior executives generally, and (iii) continuation of his then-current Base Salary through the earlier of (x) the scheduled expiration date of this Agreement (but in no event less than 12 months from the date of disability) or (y) the date on which his long-term disability insurance payments commence. Further, Executive shall be entitled to retain all fully vested stock options and shares.

(g) Termination Due To Death. This Agreement shall be deemed automatically terminated upon the death of Executive. In such event, provided Executive's personal representative executes a release substantially in the form or the Release, Executive's personal representative shall be entitled to receive (i) the Executive's then-current Base Salary through such date of termination, and (ii) in the event that the applicable Board-established performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally. Further, Executive's personal representative shall be entitled to retain any stock options pursuant to the terms of the applicable stock option agreement.

(h) Other Benefits. During any period in which Executive is entitled to Base Salary continuation following termination or expiration of this Agreement under the terms of this Section 3, Executive shall also be entitled to continuation of then-current health, dental and other insurance benefits for Executive and his dependents at VA's expense. Except as expressly set forth in this Section 3, Executive shall not be entitled to receive any compensation or other benefits in connection with termination of his employment.

(i) Payment of Salary Continuation. Payment of Base Salary following termination of this Agreement as required by this Section 3 shall be made in accordance with VA's normal payroll practices; provided, however, that in the event of a breach by Executive of the provisions of Sections 4, 5, 6 or 7 hereof, VA shall be entitled to cease all such payments. No termination of this Agreement shall affect any of the rights and obligations of the parties hereto under Sections 4, 5, 6 and 7, but such rights and obligations shall survive such termination in accordance with the terms of such sections.

4. Non-Competition.

The provisions of this Section 4 shall apply for a period of one (1) year beginning with the date of termination of Executive's employment with VA for any reason. During such period, Executive will not, without the prior written consent of the President, directly or indirectly, become associated, either as owner, employee, officer, director, independent contractor, agent, partner, advisor or in any other capacity calling for the rendition of personal services, with any individual, partnership, corporation, or other organization in the states of Colorado, Nevada, Idaho, California or Utah whose business or enterprise is alpine or nordic ski area operation; provided, however, that the foregoing shall not preclude Executive from having passive investments in less than five percent (5%) of the outstanding capital stock of a competitive corporation which is listed on a national securities exchange or regularly traded in the over-the-counter market or which have been approved in writing by the President. If, for any reason, any portion of this covenant shall be held to be unenforceable it shall be deemed to be reformed so that it is enforceable to the maximum extent permitted by law.

Further, Executive covenants and agrees that, during his employment by VA and for the period of one year thereafter, Executive will not solicit for another business or enterprise any person who is a managerial or higher level employee of Vail Resorts, Inc. or any of its subsidiaries at the time of Executive's termination.

5. Document Return; Resignations.

Upon termination of Executive's employment with VA for any reason, Executive agrees that he shall promptly surrender to VA all letters, papers, documents, instruments, records, books, products, and any other materials owned by any of the Companies or used by Executive in the performance of his duties under this Agreement. Additionally, upon termination of Executive's employment with VA for any reason, Executive agrees to immediately resign from, and execute appropriate resignation letters relating to, all officer, director, management or board positions he may have by reason of his employment or involvement with VA, specifically including but not limited to the Board, the boards of any of the Companies and any other boards, districts, homeowner and/or industry associations in which Executive serves at the direction of VA, including but not limited to the Beaver Creek Resort Company, the Beaver Creek Governing Board, and the Smith Creek Metro District (collectively the "Associations").

6. Confidentiality.

During the term of this Agreement, and at all times following the termination of Executive's employment with VA for any reason, Executive shall not disclose, directly or indirectly, to any person, firm or entity, or any officer, director, stockholder, partner, associate, employee, agent or representative thereof, any confidential information or trade secrets of any of the Companies or the Associations.

7. Non-Disparagement.

For a period of five (5) years following the termination of Executive's employment with VA for any reason, Executive agrees that he shall not make any statements disparaging of any of the Companies, the Board, and the officers, directors, stockholders, or employees of any of the Companies or the Associations. VA shall similarly not disparage Executive following such termination, it being understood that, subject to the terms of this Section 7, VA and Executive, as appropriate, may respond truthfully to inquiries from prospective employers of Executive, or as may be required by any governmental or judicial body acting in their official capacity.

8. Injunctive Relief.

The parties acknowledge that the remedy at law for any violation or threatened violation of Sections 4, 5, 6, 7 and/or 9 of this Agreement may be inadequate and that, accordingly, either party shall be entitled to injunctive relief in the event of such a violation or threatened violation without being required to post bond or other surety. The above stated remedies shall be in addition to, and not in limitation of, any other rights or remedies to which either party is or may be entitled at law, in equity, or under this Agreement.

9. Non-Assignability.

It is understood that this Agreement has been entered into personally by the parties. Neither party shall have the right to assign, transfer, encumber or dispose of any duties, rights or payments due hereunder, which duties, rights and payments with respect hereto are expressly declared to be non-assignable and non-transferable, being based upon the personal services of Executive, and any attempted assignment or transfer shall be null and void and without binding effect on either party; provided, however, that VA may assign this Agreement to any affiliate or successor corporation.

10. Complete Agreement.

This Agreement constitutes the full understanding and entire employment agreement of the parties, and supersedes and is in lieu of any and all other understandings or agreements between VA and Executive. Nothing herein is intended to limit any rights or duties Executive has under the terms of any applicable stock option, incentive or other similar agreements.

11. Arbitration.

Other than the parties right to seek injunctive relief in accordance with Section 8 of this Agreement, any controversy or claim arising out of or in relation to this Agreement or any breach thereof shall be resolved by final and binding arbitration, in accordance with the rules for contractual disputes, by the Judicial Arbitrator Group ("JAG"), Denver, Colorado, and judgment on the award rendered may be entered in any court having jurisdiction. In the event that any controversy or claim is submitted for arbitration hereunder relating to the failure or refusal by VA or Executive to perform in full all of its obligations hereunder, VA or Executive, as applicable, shall have the burden of proof (as to both production of evidence and persuasion) with respect to the justification for such failure or refusal. The arbitrator(s) shall award the prevailing party its reasonable attorneys' fees and costs. The arbitrator(s) shall not have the power to direct equitable relief.

12. Amendments.

Any amendment to this Agreement shall be made only in writing and signed by each of the parties hereto.

13. Governing Law.

The internal laws of the State of Colorado law shall govern the construction and enforcement of this Agreement.

14. Notices.

Any notice required or authorized hereunder shall be deemed delivered with deposited, postage prepaid, in the United States mail, certified, with return receipt requested, addressed to the parties as follows:

Mr. Roger McCarthy

P.O. Box _____

Breckenridge, Colorado 80424

Vail Associates, Inc.

PO Box 7

Vail, Colorado 81658

Attn.: President

cc: General Counsel

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day of first written above.

EMPLOYER:

VAIL ASSOCIATES, INC.

By: _____

Its: _____

EXECUTIVE:

Roger McCarthy

MUTUAL RELEASE

This mutual release (this "Release") is entered into as of this _____ day of _____, _____ (the "Release Date") by Roger McCarthy ("Employee"), on the one hand and Vail Associates, Inc., ("VA") on the other hand.

- Reference is hereby made to the employment agreement dated July 17, 2000 (the "Employment Agreement") by the parties hereto setting forth the agreements among the parties regarding the termination of the employment relationship between Employee and VA. Capitalized terms used but not defined herein have the meanings ascribed to them in the Employment Agreement.
- Employee, for himself, his wife, heirs, executors, administrators, successors, and assigns, hereby releases and discharges VA and its respective direct and indirect parents and subsidiaries, and other affiliated companies, and each of their respective past and present officers, directors, agents and employees, from any and all actions, causes of action, claims, demands, grievances, and complaints, known and unknown, which Employee or his wife, heirs, executors, administrators, successors, or assigns ever had or may have at any time through the Release Date. Employee acknowledges and agrees that this Release is intended to and does cover, but is not limited to, (i) any claim of employment discrimination of any kind whether based on a federal, state, or local statute or court decision, including the Age Discrimination in Employment Act with appropriate notice and recision periods observed; (ii) any claim, whether statutory, common law, or otherwise, arising out of the terms or conditions of Employee's employment at VA and/or Employee's separation from VA including, but not limited to, any claims in the nature of tort or contract claims, wrongful discharge, promissory estoppel, intentional or negligent infliction of emotional distress, and/or breach of covenant of good faith and fair dealing; enumeration of specific rights, claims, and causes of action being released shall not be construed to limit the general scope of this Release. It is the intent of the parties that by this Release Employee is giving up all rights, claims and causes of action occurring prior to the Release Date, whether or not any damage or injury therefrom has yet occurred. Employee accepts the risk of loss with respect to both undiscovered claims and with respect to claims for any harm hereafter suffered arising out of conduct, statements, performance or decisions occurring before the Release Date.
- VA hereby releases and discharges Employee, his wife, heirs, executors, administrators, successors, and assigns, from any and all actions, causes of actions, claims, demands, grievances and complaints, known and unknown, which VA ever had or may have at any time through the Release Date. VA acknowledges and agrees that this Release is intended to and does cover, but is not limited to, (i) any claim, whether statutory, common law, or otherwise, arising out of the terms or conditions of Employee's

employment at VA and/or Employee's separation from VA, and (ii) any claim for attorneys' fees, costs, disbursements, or other like expenses. The enumeration of specific rights, claims, and causes of action being released shall not be construed to limit the general scope of this Release. It is the intent of the parties that by this Release VA is giving up all of its respective rights, claims, and causes of action occurring prior to the Release Date, whether or not any damage or injury therefrom has yet occurred. VA accepts the risk of loss with respect to both undiscovered claims and with respect to claims for any harm hereafter suffered arising out of conduct, statements, performance or decisions occurring before the Release Date.

4. This Release shall in no event (i) apply to any claim by either Employee or VA arising from any breach by the other party of its obligations under the Employment Agreement occurring on or after the Release Date, (ii) waive Employee's claim with respect to compensation or benefits earned or accrued prior to the Release Date to the extent such claim survives termination of Employee's employment under the terms of the Employment Agreement, or (iii) waive Employee's right to indemnification under the by-laws of the Company.

5. This Mutual Release shall be effective as of the Release Date and only if executed by both parties.

IN WITNESS WHEREOF, each party hereto, intending to be legally bound, has executed this Mutual Release on the date indicated below.

VAIL ASSOCIATES, INC.

By: _____

Roger McCarthy

Date: _____

Date: _____

ADDENDUM

This Addendum is dated as of July 17, 2000 by and between Vail Associates, Inc. ("VA") and Roger McCarthy ("Executive").

RECITALS

A. VA and Executive are parties to that certain Employment Agreement dated as of July 17, 2000 ("Employment Agreement"), whereby Executive agreed to render certain services and serve in the employ of VA under the terms and conditions provided for in the Employment Agreement; and

B. VA and Executive wish to amend certain terms and conditions of the Employment Agreement as hereinafter provided. All terms not defined herein shall have the meaning given in the Employment Agreement.

COVENANTS

NOW THEREFORE, the parties agree hereto as follows:

Should Executive purchase a primary residence in Breckenridge, Colorado (the "Residence"), VA shall make a contribution toward the purchase price of the same up to fifty percent of the purchase price (excluding any personal property associated with the purchase), not to exceed Four Hundred Thousand dollars (\$400,000.00). Upon making such contribution, VA shall hold a proportionate undivided interest in the Residence in co-tenancy with Executive. Executive may resale the Residence at his election at any time during the term of the Employment Agreement by providing VA thirty (30) days advance written notice. Executive agrees to list the Residence for sale with a real estate brokerage designated by VA ("Broker") at a fair market value ("Listing Price") as Executive and VA mutually determine in their reasonable judgment, which Listing Price may be changed from time to time with VA's consent, which consent shall not be unreasonably withheld or delayed. Upon any sale or transfer of the Residence, VA shall be entitled to receive its proportionate share of the re-sale price, net of normal and customary closing costs (e.g. brokers' commission, title insurance premiums, transfer taxes, etc.) and material home improvements made in excess of Ten Thousand dollars (\$10,000.00). For example:

Executive purchases the Residence in 2000 for \$980,000.00;

VA contributes \$400,000.00;

Accordingly, VA's undivided interest is 40.816%.

Executive sells the Residence in 2001 for \$1,200,000.00;

Closing costs equal \$120,000.00;

No material home improvements made;

Accordingly, VA would receive \$440,812.40 on the re-sale.

Should Executive undertake any material home improvements or significant remodeling, not to include ordinary maintenance and repair (e.g. painting, re-carpeting, etc.) to the Residence in excess of \$10,000.00 (e.g. addition of a spa/jacuzzi), Executive may deduct the net excess cost of the same from the re-sale price. Executive shall keep adequate records to verify such expenditures and shall notify VA in writing when any such work is being undertaken. Executive and VA acknowledge that while any material home improvements to the Residence may increase the value of the Residence, the parties acknowledge that it would be difficult to attribute any appreciation in the Residence value directly to any material home improvement(s). Accordingly, due to such uncertainty, the parties agree that the re-sale price of the Residence and any appreciation recognized thereby shall only be net of (i) the normal and customary closing costs and (ii) the expenditures made by Executive for any material home improvement(s) in excess of \$10,000.00. For example:

As in the previous example, assume VA's interest is 40.816%;

Executive sells the Residence in 2001 for \$1,200,000.00;

Closing costs equal \$120,000.00;

\$40,000.00 in material home improvements made;

Accordingly, VA would receive \$424,486.40 on the re-sale

If the Residence has not been previously sold or transferred, no later than six (6) months after the termination of the Employment Agreement for any reason (without regard to any time period of salary continuation thereunder), Executive agrees to list the Residence for sale with VA's designated Broker, at a Listing Price as VA and Executive mutually determine in their reasonable judgment, which Listing Price may be changed from time to time with VA's consent, which consent shall not be unreasonably withheld or delayed. If the Residence has not sold (and is not under contract with a ready, willing and able buyer) within one (1) year after being listed, VA and Executive shall each retain an appraiser at their respective expense. The two selected appraisers shall select one additional appraiser who shall be paid for equally by VA and Executive. Each of the appraisers will prepare an appraisal on the Residence. Thereafter, VA shall have the right to require that Executive buy-out VA's interest, in full with good funds, in the Residence by paying VA its proportionate share based on the average of the three appraisals. For example:

As in the previous example, assume VA's interest is 40.816%;

The first appraisal is \$1,200,000.00;

The second appraisal is \$1,100,000.00;

The third appraisal is \$1,600,000.00;

Accordingly, Executive would purchase VA's interest in the Residence for \$530,608.00

If VA elects to require that Executive purchase VA's interest in the Residence, the closing of such transaction shall occur within thirty (30) days after the three appraisals have been prepared. If VA elects not to require that Executive purchase VA's interest in the Residence, the Residence shall again be listed VA's designated Broker, at a Listing Price as VA and Executive mutually determine in their reasonable judgment, which Listing Price may be changed from time to time with VA's consent, which consent shall not be unreasonably withheld or delayed. If the Residence has not sold with one (1) year thereafter, VA and Executive agree to have the three previously named appraisers update their respective appraisals and VA and Executive shall equally share in the costs thereof. Based on the average of the three appraisals, Executive shall buy-out VA's interest in the Residence within thirty (30) days after the updated appraisals have been prepared.

Executive covenants and agrees to (i) use the Residence as Executive's personal and primary place of abode, in compliance with all ordinances, covenants and restrictions governing the Residence, and not lease or rent the same, (ii) keep the Residence in good order and repair, (iii) insure the Residence for full replacement value with VA named as a loss payee; (iv) not mortgage the Residence for more than Executive's proportionate interest in the Residence based on the total fair market value of the Residence established by any appraisal obtain at Executive's expense (e.g. using examples above, Executive's interest would be 59.184%) and timely and fully perform all obligations under any mortgage, including without limitation making all mortgage and escrow payments when due; (v) timely pay or cause to be paid all real property taxes and other assessments and/or dues affecting the Residence; (vi) timely pay or cause to be paid all costs for work done in or to the Residence and keep the same free and clear of all mechanics' or materialmens' liens, and (vii) not to transfer or sell Executive's interest in the Residence except in strict compliance with this Second Amendment. Notwithstanding the foregoing, VA shall pay for 40% of the annual homeowner's insurance premium attributable to insuring the Residence for full replacement value, excluding personal property therein and homeowner/personal liability coverage in excess of \$300,000.00, and 40% of the annual real property taxes for the Residence.

In the event Executive breaches any of his promises, covenants or obligations contained herein, VA shall have the right to seek equitable relief, including without limitation the right to seek specific performance, in addition to all remedies available to VA under the Employment Agreement or pursuant to Colorado law. In addition, should Executive transfer or sell or attempt to transfer or sell the Residence in violation of this Addendum, VA shall have the elective right to immediately cause Executive to purchase VA's interest in the Residence based on the average of three appraisals as provided for above, except that the Residence shall not be required to be listed for sale for any period of time as a condition precedent. If VA does not make such election, VA shall still receive its proportionate share on the unauthorized resale of the Residence as otherwise provided for herein.

Executive agrees to provide his cooperation and cause his spouse to provide her cooperation should VA desire to obtain an agreement from Executive's lender whereby VA obtains the right to receive notice of a mortgage loan default and the right to cure the same, including redemption rights ("Loan Default Cure Agreement). In the event Executive as borrower defaults on any payment or other obligation under Executive's mortgage loan agreement and related documents, Executive shall be deemed to have breached this Addendum. In the event of such default VA, in addition to the rights VA may have pursuant to the Loan Default Cure Agreement, shall have the elective right to immediately cause Executive to purchase VA's interest in the Residence based on the average of three appraisals as provided for above, except that the Residence shall not be required to be listed for sale for any period of time as a condition precedent. If VA cures the Executive's default pursuant to the Loan Default Cure Agreement, the amount paid by VA to cure such default and any expenses VA incurs to cure the default, including without limitation reasonable attorneys fees and costs, shall be immediately reimbursed by Executive in addition to the amount paid to purchase VA's interest in the Residence if VA elects to cause Executive to purchase VA's interest in the Residence. Any amount paid by VA to cure Executive's default shall accrue interest at the rate of 18% per annum.

This Addendum shall be binding upon Executive, his spouse as acknowledged and agreed below, and the heirs, estate and personal representatives of Executive. This Addendum shall run with the Residence and shall survive the termination or expiration of the Employment Agreement. This Addendum may be disclosed to all persons and entities as necessary to enforce its terms or as may be required by law, including without limitation proxy statements of VA's parent company or otherwise, and VA, in its sole and absolute discretion, may record this Addendum in the office of the Clerk and Recorder of Summit County, Colorado.

All other terms and conditions stated in the Employment Agreement shall remain in full force and effect. To the extent there is any conflict between the terms of this Addendum and the terms of the Employment Agreement, the terms of this Addendum shall control.

IN WITNESS whereof, the parties have executed this Addendum as of the day first written above.

EXECUTIVE: VAIL ASSOCIATES, INC.
By: _____

ROGER MCCARTHY Its: _____

ACKNOWLEDGED AND AGREEMENT BY _____McCarthy.

I _____ McCarthy, acknowledge that although I am not a party to the Employment Agreement or this Addendum, I specifically agree that, in connection with any ownership interest that I may have or hereafter acquire in the Residence, I will be bound by the terms of this Addendum and agree to cooperate with VA and Executive such that the terms of this Addendum may be fully performed for the benefit of VA.

_____ Date: _____

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

I, Adam M. Aron, certify that:

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

Date: December 10, 2004

/s/ ADAM M. ARON
Adam M. Aron

Chairman of the Board and
Chief Executive Officer

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

I, Jeffrey W. Jones, certify that:

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

Dated: December 10, 2004

/s/ Jeffrey W. Jones
Jeffrey W. Jones

Senior Vice President and
Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his capacity as an officer of Vail Resorts, Inc. (the "Company") that the quarterly report of the Company on Form 10-Q for the quarter ended October 31, 2004 (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: December 10, 2004

/s/ ADAM M. ARON
Adam M. Aron

Chairman of the Board and
Chief Executive Officer

Date: December 10, 2004

/s/ Jeffrey W. Jones
Jeffrey W. Jones

Senior Vice President and
Chief Financial Officer

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

TERMINATION AGREEMENT

Termination Agreement (the "Agreement"), dated as of October 5, 2004, by and among Vail Resorts, Inc., a Delaware corporation ("Vail"), Ralcorp Holdings, Inc., a Missouri corporation (formerly Ralston Foods, Inc.) ("Ralcorp") and Apollo Ski Partners, L.P., a Delaware limited partnership ("Apollo").

Reference is made to the Shareholder Agreement, dated as of January 3, 1997, as amended, by and among Vail, Ralcorp and Apollo (the "Shareholder Agreement").

A G R E E M E N T:

Distribution of Vail Equity. Apollo hereby covenants to distribute by October 31, 2004 (or such later date as is reasonably practicable) (the "Distribution") all of the Vail Equity owned by Apollo on the date hereof to its partners.

Termination of Shareholder Agreement. Except as set forth in paragraph 3 hereof, pursuant to Section 12.15(i) of the Shareholder Agreement, and in reliance on Apollo's covenant in paragraph 1 hereof, the parties hereto agree that the Shareholder Agreement and the parties' rights and obligations thereunder are hereby terminated and of no further force and effect as of the date set forth above.

Survival of Registration Rights. Notwithstanding paragraph 2 above, the registration rights and indemnification provisions in Articles V, VI, and VII of the Shareholder Agreement as they relate to Ralcorp shall survive until the later of (i) the 18-month anniversary of this Agreement or (ii) the date upon which a Registration Statement (as defined in the Shareholder Agreement) demanded by Ralcorp prior to the 18-month anniversary of this Agreement is declared effective. Further, clause (ii) of Section 5.1(c) of the Shareholder Agreements shall not be applicable with respect to the registration statement to be filed by the Company registering certain of the shares to be received by certain Apollo distributees in the Distribution. Article VIII of the Shareholder Agreement shall survive termination of the Shareholder Agreement and termination of the aforementioned registration rights.

Governing Law, Etc. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Capitalized terms used herein without definition have the meaning set forth in the Shareholder Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first written above.

VAIL RESORTS, INC.

By: _____

Name:

Title:

RALCORP HOLDINGS, INC.

By: _____

Name:

Title:

APOLLO SKI PARTNERS, L.P.

By: Apollo Investment Fund, L.P.

By: Apollo Advisors, L.P.

By: Apollo Capital Management, Inc.

By: _____

Name:

Title: