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

FORM 10-Q. --QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

[X] Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the quarterly period ended October 31, 1999

[_] Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the transition period from ____________________ to ________________________

Commission File Number: 1-9614

Vail Resorts, Inc.
(Exact name of registrant as specified in its charter)

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

(970) 476-5601
(Registrant's telephone number, including area code)

None.
(Former name, former address and former fiscal year, if changed since last report)

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

[X] Yes [_] No

As of December 9, 1999, 7,439,834 shares of Class A Common Stock and 27,177,698 shares of Common Stock were issued and outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements


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

| | October 31, 1999 | July 31, 1999 | October 31, 1998 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 18,954 | $ 25,324 | $ 20,542 |
| Receivables, net | 26,304 | 29,650 | 25,485 |
| Income taxes receivable | 268 | -- | -- |
| Inventories | 29,013 | 22,805 | 28,329 |
| Deferred income taxes | 10,404 | 10,404 | 12,126 |
| Other current assets | 6,993 | 4,512 | 4,673 |
| Total current assets | 91,936 | 92,695 | 91,155 |
| Property, plant and equipment, net | 626,549 | 611,141 | 536,954 |
| Real estate held for sale and investment | 156,628 | 152,508 | 156,683 |
| Deferred charges and other assets | 31,235 | 31,391 | 19,540 |
| Intangible assets, net | 198,924 | 201,504 | 199,801 |
| Total assets | $ 1,105,272 | $1,089,239 | $ 1,004,133 |
| **Liabilities and Stockholders' Equity** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ 121,007 | $ 89,445 | $ 104,623 |
| Income taxes payable | -- | 1,633 | 2,239 |
| Long-term debt due within one year (Note 4) | 1,478 | 2,057 | 737 |
| Total current liabilities | 122,485 | 93,135 | 107,599 |
| Long-term debt (Note 4) | 424,102 | 396,129 | 356,475 |
| Other long-term liabilities | 30,726 | 31,146 | 27,068 |
| Deferred income taxes | 67,772 | 84,728 | 64,833 |
| Commitments and contingencies (Note 2) | -- | -- | -- |
| Minority interest in net assets of consolidated joint venture | 5,612 | 7,326 | 5,443 |
| Stockholders' equity: | | | |
| Common stock-- | | | |
| Class A common stock, $0.01 par value, 20,000,000 shares authorized, 7,439,834, 7,439,834 and 7,439,834 shares issued and outstanding at October 31, 1999, July 31, 1999 and October 31, 1998, respectively | 74 | 74 | 75 |
| Common stock, $0.01 par value, 40,000,000 shares authorized, 27,137,285, 27,092,901 and 27,026,781 shares issued and outstanding at October 31, 1999, July 31, 1999 and October 31, 1998, respectively | 271 | 271 | 270 |
| Additional paid-in capital | 403,167 | 402,923 | 402,111 |
| Retained earnings | 51,063 | 73,507 | 40,259 |
| Total stockholders' equity | 454,575 | 476,775 | 442,715 |
| Total liabilities and stockholders' equity | $ 1,105,272 | $1,089,239 | $ 1,004,133 |

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

| | Three Months Ended October 31, 1999 | Three Months Ended October 31, 1998 |
|---|---|---|
| Net revenues: | | |
| Resort | $ 56,859 | $ 34,985 |
| Real estate | 8,970 | 13,571 |
| Total net revenues | 65,829 | 48,556 |
| Operating expenses: | | |
| Resort | 77,298 | 60,000 |
| Real estate | 5,863 | 7,610 |
| Depreciation and amortization | 14,900 | 11,801 |
| Total operating expenses | 98,061 | 79,411 |
| Loss from operations | (32,232) | (30,855) |
| Other income (expense): | | |
| Investment income | 355 | 415 |
| Interest expense | (8,883) | (5,660) |
| Gain (loss) on disposal of fixed assets | (42) | 13 |
| Other income (expense) | (17) | 3 |
| Minority interest in consolidated joint venture | 1,444 | 1,114 |
| Loss before income taxes | (39,375) | (34,970) |
| Credit for income taxes | 16,931 | 14,512 |
| Net loss | $ (22,444) | $ (20,458) |
| Net loss per common share (Note 3): | | |
| Basic | $ (0.65) | $ (0.59) |
| Diluted | $ (0.64) | $ (0.59) |

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

| | Three Months Ended October 31, 1999 | Three Months Ended October 31, 1998 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ (22,444) | $ (20,458) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,900 | 11,801 |
| Non-cash cost of real estate sales | 3,081 | 5,048 |
| Non-cash compensation related to stock grants | 81 | 90 |
| Non-cash equity income | (2,042) | (653) |
| Deferred financing costs amortized | 478 | 146 |
| Loss (gain) on disposal of fixed assets | 42 | (13) |
| Deferred income taxes, net | (16,956) | (14,512) |
| Minority interest in consolidated joint venture | (1,444) | (5,443) |
| Changes in assets and liabilities: | | |
| Receivables, net | 3,346 | 2,012 |
| Inventories | (6,208) | (14,822) |
| Accounts payable and accrued expenses | 31,562 | 43,884 |
| Income taxes payable and receivable | (1,900) | -- |
| Other assets and liabilities, net | (2,124) | 623 |
| Net cash provided by operating activities | 372 | 7,703 |
| **Cash flows from investing activities:** | | |
| Cash paid in hotel acquisitions, net of cash acquired | -- | (33,800) |
| Cash paid by consolidated joint venture in acquisition of retail operations | -- | (10,516) |
| Resort capital expenditures | (26,392) | (23,428) |
| Investments in real estate | (8,058) | (12,031) |
| Net cash used in investing activities | (34,450) | (79,775) |
| **Cash flows from financing activities:** | | |
| Proceeds from the exercise of stock options | 314 | 112 |
| Proceeds from borrowings under long-term debt | 51,750 | 74,366 |
| Payments on long-term debt | (24,356) | (1,376) |
| Net cash provided by financing activities | 27,708 | 73,102 |
| Net increase (decrease) in cash and cash equivalents | (6,370) | 1,030 |
| **Cash and cash equivalents:** | | |
| Beginning of period | 25,324 | 19,512 |
| End of period | $ 18,954 | $ 20,542 |

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

1. Basis of Presentation

Vail Resorts, Inc. ("Vail Resorts") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in two business segments--resort and real estate. Vail Associates, Inc., an indirect wholly owned subsidiary of Vail Resorts, and its subsidiaries, (collectively, "Vail Associates") operate four of the world's largest skiing facilities on Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado. In addition to the ski resorts, Vail Associates owns and operates Grand Teton Lodge Company ("Grand Teton"), 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. Vail Resorts Development Company ("VRDC"), a wholly owned subsidiary of Vail Associates, conducts the Company's real estate development activities. The Company's mountain resort businesses are seasonal in nature. The Company's ski resort businesses and related amenities typically have operating seasons from mid-October through mid-May; the Company's operations at Grand Teton generally run from mid-May through mid-October.

In the opinion of the Company, the accompanying consolidated condensed financial statements reflect all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire year. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 1999, included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1999.

2. Commitments and Contingencies

Smith Creek Metropolitan District ("SCMD") and Bachelor Gulch Metropolitan District ("BGMD") were organized in November 1994 to cooperate in the financing, construction and operation of basic public infrastructure serving the Company's Bachelor Gulch Village development. SCMD was organized primarily to own, operate and maintain water, street, traffic and safety, transportation, fire protection, parks and recreation, television relay and translation, sanitation and certain other facilities and equipment of BGMD. SCMD is comprised of approximately 150 acres of open space land owned by the Company and members of the Board of Directors of SCMD. In two planned unit developments, Eagle County has granted zoning approval for 1,395 dwelling units within Bachelor Gulch Village, including various single family homesites, cluster homes, townhomes, and lodging units. As of October 31, 1999, the Company has sold 104 single-family homesites and eight parcels to developers for the construction of various types of dwelling units. Currently, SCMD has outstanding $44.5 million of variable rate revenue bonds maturing on October 1, 2035, which have been enhanced with a $47.2 million letter of credit issued against the Company's Credit Facility as defined herein. It is anticipated that, as Bachelor Gulch Village expands, BGMD will become self supporting and that within 25 to 30 years it will issue general obligation bonds, the proceeds of which will be used to retire the SCMD revenue bonds. Until that time, the Company has agreed to subsidize the interest payments on the SCMD revenue bonds. The Company has estimated the present value of the remaining aggregate subsidy to be $13.4 million at October 31, 1999. The Company has allocated $9.8 million of that amount to the Bachelor Gulch Village homesites which were sold as of October 31, 1999 and has recorded that amount as a liability in the accompanying financial statements. The total subsidy incurred as of October 31, 1999 and July 31, 1999 was $5.2 million and $4.3 million, respectively.

At October 31, 1999 the Company had various other letters of credit outstanding in the aggregate amount of $42.3 million.

2. Commitments and Contingencies (Continued)

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

The Company is a party to various lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage and accrued loss contingencies for all matters and that, although the ultimate outcome of such claims cannot be ascertained, current pending and threatened claims are not expected to have a material adverse impact on the financial position, results of operations and cash flows of the Company.

The Company has executed as lessee operating leases for the rental of office space, employee residential units and office equipment through fiscal 2008. For the three months ended October 31, 1999 and 1998, lease expense of $3.2 million and $2.2 million, respectively, related to these agreements was recorded and is included in the accompanying consolidated statements of operations.

Future minimum lease payments under these leases as of October 31, 1999 are as follows (in thousands):

| | |
|---|---|
| Due during fiscal year ending July 31: | |
| 2000 | $ 4,218 |
| 2001 | 3,846 |
| 2002 | 2,575 |
| 2003 | 2,031 |
| 2004 | 2,073 |
| Thereafter | 4,358 |
| Total | $ 19,101 |

## 3. Net Earnings Per Common Share

Basic earnings per share ("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.

| | Three Months Ended October 31, | | | |
|---|---|---|---|---|
| | 1999 | | 1998 | |
| | (In thousands, except per share amounts) | | | |
| | Basic | Diluted | Basic | Diluted |
| Net loss per common share: | | | | |
| Net loss | $ (22,444) | $ (22,444) | $ (20,458) | $ (20,458) |
| Weighted average shares outstanding | 34,647 | 34,647 | 34,519 | 34,519 |
| Effect of dilutive stock options | | 206 | | 303 |
| Total shares | 34,647 | 34,853 | 34,519 | 34,822 |
| Net loss per common share | $ (0.65) | $ (0.64) | $ (0.59) | $ (0.59) |

## 4. Long-Term Debt

Long-term debt as of October 31, 1999 and July 31, 1999 is summarized as follows (in thousands):

| | Maturity(e) | October 31, 1999 | July 31, 1999 |
|---|---|---|---|
| Industrial Development Bonds(a) | 2002-2020 | $ 63,200 | $ 63,200 |
| Credit Facilities (b) | 2003 | 157,800 | 130,300 |
| Senior Subordinated Notes (c) | 2009 | 200,000 | 200,000 |
| Other(d) | 2000-2029 | 4,580 | 4,686 |
| | | 425,580 | 398,186 |
| Less: Maturities due within 12 months | | 1,478 | 2,057 |
| | | $ 424,102 | $ 396,129 |

a) The Company has $41.2 million of outstanding Industrial Development Bonds (the "Industrial Development Bonds") issued by Eagle County, Colorado that mature, subject to prior redemption, on August 1, 2019. These bonds accrue interest at 6.95% per annum, with interest being payable semi-annually on February 1 and August 1. In addition, the Company has outstanding two series of refunding bonds. The Series 1990 Sports Facilities Refunding Revenue Bonds have an aggregate outstanding principal amount of $19.0 million, which matures in installments in 2006 and 2008. These bonds bear interest at a rate of 7.75% for bonds maturing in 2006 and 7.875% for bonds maturing in 2008. The Series 1991 Sports Facilities Refunding Revenue Bonds have an aggregate outstanding principal amount of $3.0 million and bear interest at 7.125% for bonds maturing in 2002 and 7.375% for bonds maturing in 2010.

4. Long-Term Debt (Continued)

b) The Company's credit facilities consist of a revolving credit facility ("Credit Facility") that provides for debt financing up to an aggregate principal amount of $450 million. In conjunction with the debt offering discussed in c) below, the Company amended its Credit Facility on May 11, 1999. Borrowings under the Credit Facility as amended bear interest annually at the Company's option at the rate of (i) LIBOR (5.40% at October, 31, 1999) plus a margin ranging from 0.75% to 2.25% or (ii) the agent's prime lending rate, (8.25% at October 31, 1999) plus a margin of up to 0.75%. The Company also pays a quarterly unused commitment fee ranging from 0.20% to 0.50%. The interest margins fluctuate based upon the ratio of the Company's total Funded Debt to the Company's Resort EBITDA (as defined in the underlying Credit Facility). The Credit Facility matures on December 19, 2002.

On December 30, 1998, SSI Venture LLC established a credit facility ("SSV Facility") that provides debt financing up to an aggregate principal amount of $20 million. On October 15, 1999, the SSV Facility was amended to increase the aggregate principal amount to $25 million. The amended SSV Facility consists of (i) a $15 million Tranche A revolving credit facility and (ii) a $10 million Tranche B term loan facility. The SSV Facility matures on the earlier of December 31, 2003 or the termination date of the Credit Facility discussed above. Vail Associates guarantees the SSV Facility. Minimum amortization under the Tranche B Term Loan Facility as amended is $0.75 million, $1.0 million, $1.0 million, $1.0 million and $5.25 million during fiscal years 2000, 2001, 2002, 2003, and 2004, respectively. The SSV Facility bears interest annually at the rates prescribed above for the Credit Facility. SSI Venture LLC also pays a quarterly unused commitment fee at the same rates as the unused commitment fee for the Credit Facility.

c) The Company completed a $200 million debt offering of Senior Subordinated Notes (the "Notes") on May 11, 1999. The Notes have a fixed annual interest rate of 8.75%, with interest due semi-annually on May 15 and November 15, beginning November 15, 1999. The Notes will mature on May 15, 2009 and no principal payments are due to be paid until maturity. The Company has certain early redemption options under the terms of the Notes. Substantially all of the Company's subsidiaries have guaranteed the Notes. The Notes are subordinated to certain of the Company's debts, including the Credit Facility, and will be subordinated to certain of the Company's future debts. The proceeds of the offering were used to reduce the Company's outstanding debt under the Credit Facility.

d) Other obligations bear interest at rates ranging from 0.0% to 6.5% and have maturities ranging from 2000 to 2028.

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

Aggregate maturities for debt outstanding are as follows (in thousands):

| Due during fiscal years ending July 31. | As of October 31, 1999 |
|---|---|
| 2000 | $ 1,221 |
| 2001 | 1,447 |
| 2002 | 1,444 |
| 2003 | 151,105 |
| 2004 | 5,558 |
| Thereafter | 264,805 |
| Total Debt | $ 425,580 |

5. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 8 3/4% Senior Subordinated Notes due 2009 (see Note 4), 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 the Non-Guarantor Subsidiaries (as defined below), the "Guarantor Subsidiaries") except for SSI Venture, LLC and Vail Associates Investments, Inc. (together, the "Non-Guarantor Subsidiaries"). SSI Venture, LLC is a 51.9%-owned joint venture which owns and operates certain retail and rental operations. Vail Associates Investments, Inc. is a 100%-owned corporation which owns certain real estate held for sale.

Presented below is the consolidated condensed financial information of Vail Resorts, Inc. (the "Parent Company"), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of October 31, 1999 and 1998 and for the three months then ended.

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 Non-Guarantor Subsidiaries and intercompany balances and transactions. 5.

5. Guarantor Subsidiaries and Non-Guarantor Subsidiaries (Continued)

Supplemental Condensed Consolidating Balance Sheet
(in thousands)

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | October 31, 1999 | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ -- | $ 18,173 | $ 781 | $ -- | $ 18,954 |
| Receivables | 321 | 25,657 | 326 | -- | 26,304 |
| Income taxes receivable | -- | 268 | -- | -- | 268 |
| Inventories, net | -- | 7,172 | 21,841 | -- | 29,013 |
| Deferred income taxes | 1,353 | 9,051 | -- | -- | 10,404 |
| Other current assets | -- | 6,069 | 924 | -- | 6,993 |
| Total current assets | 1,674 | 66,390 | 23,872 | -- | 91,936 |
| Property, plant and equipment, net | -- | 615,657 | 10,892 | -- | 626,549 |
| Real estate held for sale | -- | 151,352 | 5,276 | -- | 156,628 |
| Deferred charges and other assets | 8,688 | 22,299 | 248 | -- | 31,235 |
| Intangible assets, net | -- | 186,109 | 12,815 | -- | 198,924 |
| Investments in subsidiaries and advances to (from) subsidiaries | 646,207 | (27,146) | (5,610) | (613,451) | -- |
| Total assets | $ 656,569 | $ 1,014,661 | $ 47,493 | $ (613,451) | $ 1,105,272 |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | $ 866 | $ 101,565 | $ 18,576 | $ -- | $ 121,007 |
| Income taxes payable | -- | -- | -- | -- | -- |
| Long-term debt due within one year | -- | 463 | 1,015 | -- | 1,478 |
| Total current liabilities | 866 | 102,028 | 19,591 | -- | 122,485 |
| Long-term debt | 200,000 | 208,302 | 15,800 | -- | 424,102 |
| Other long-term liabilities | 1,128 | 29,598 | -- | -- | 30,726 |
| Deferred income taxes | -- | 67,772 | -- | -- | 67,772 |
| Minority interest in net assets of consolidated joint venture | -- | -- | 5,612 | -- | 5,612 |
| Total stockholders' equity | 454,575 | 606,961 | 6,490 | (613,451) | 454,575 |
| Total liabilities and stockholders' equity | $ 656,569 | $ 1,014,661 | $ 47,493 | $ (613,451) | $ 1,105,272 |
| | October 31, 1998 | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ -- | $ 21,777 | $ (1,235) | $ -- | $ 20,542 |
| Receivables | 321 | 24,681 | 483 | -- | 25,485 |
| Inventories, net | -- | 6,493 | 21,836 | -- | 28,329 |
| Deferred income taxes | 1,353 | 10,773 | -- | -- | 12,126 |
| Other current assets | -- | 4,321 | 352 | -- | 4,673 |
| Total current assets | 1,674 | 68,045 | 21,436 | -- | 91,155 |
| Property, plant and equipment, net | -- | 527,853 | 9,101 | -- | 536,954 |
| Real estate held for sale | -- | 152,357 | 4,326 | -- | 156,683 |
| Deferred charges and other assets | 34 | 18,369 | 1,137 | -- | 19,540 |
| Intangible assets, net | -- | 187,348 | 12,453 | -- | 199,801 |
| Investments in subsidiaries and advances to (from) subsidiaries | 443,472 | 206,538 | (19,954) | (630,056) | -- |
| Total assets | $ 445,180 | $ 1,160,510 | $ 28,499 | $ (630,056) | $ 1,004,133 |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | $ 1,337 | $ 86,205 | $ 17,081 | $ -- | $ 104,623 |
| Income taxes payable | -- | 2,239 | -- | -- | 2,239 |
| Long-term debt due within one year | -- | 601 | 136 | -- | 737 |
| Total current liabilities | 1,337 | 89,045 | 17,217 | -- | 107,599 |
| Long-term debt | -- | 356,460 | 15 | -- | 356,475 |
| Other long-term liabilities | 1,128 | 25,940 | -- | -- | 27,068 |
| Deferred income taxes | -- | 64,833 | -- | -- | 64,833 |
| Minority interest in net assets of consolidated joint venture | -- | -- | 5,443 | -- | 5,443 |
| Total stockholders' equity | 442,715 | 624,232 | 5,824 | (630,056) | 442,715 |
| Total liabilities and stockholders' equity | $ 445,180 | $ 1,160,510 | $ 28,499 | $ (630,056) | $ 1,004,133 |

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

5. Guarantor Subsidiaries and Non-Guarantor Subsidiaries (Continued)

Supplemental Condensed Consolidating Statement of Operations
(in thousands)

| | Parent Company | Non-Guarantor Subsidiaries | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | For the Three Months Ended October 31, 1999 | | | | |
| Total revenues | $ -- | $ 54,108 | $ 11,860 | $ (139) | $ 65,829 |
| Total operating expenses | 706 | 82,921 | 14,573 | (139) | 98,061 |
| Income (loss) from operations | (706) | (28,813) | (2,713) | -- | (32,232) |
| Other income (expense) | (4,326) | (3,972) | (289) | -- | (8,587) |
| Minority interest in net income of consolidated joint venture | -- | -- | 1,444 | -- | 1,444 |
| Income (loss) before income taxes | (5,032) | (32,785) | (1,558) | -- | (39,375) |
| Benefit (provision) for income taxes | 2,164 | 14,767 | -- | -- | 16,931 |
| Net income (loss) before equity in income of consolidated subsidiaries | (2,868) | (18,018) | (1,558) | -- | (22,444) |
| Equity in income of consolidated subsidiaries | (19,576) | (1,558) | -- | 21,134 | -- |
| Net income (loss) | $ (22,444) | $ (19,576) | $ (1,558) | $ 21,134 | $ (22,444) |
| | For the Three Months Ended October 31, 1998 | | | | |
| Total revenues | $ -- | $ 39,542 | $ 9,162 | $ (148) | $ 48,556 |
| Total operating expenses | 265 | 67,938 | 11,356 | (148) | 79,411 |
| Income (loss) from operations | (265) | (28,396) | (2,194) | -- | (30,855) |
| Other income (expense) | -- | (5,106) | (123) | -- | (5,229) |
| Minority interest in net income of consolidated joint venture | -- | -- | 1,114 | -- | 1,114 |
| Income (loss) before income taxes | (265) | (33,502) | (1,203) | -- | (34,970) |
| Benefit (provision) for income taxes | 110 | 14,402 | -- | -- | 14,512 |
| Net income (loss) before equity in income of consolidated subsidiaries | (155) | (19,100) | (1,203) | -- | (20,458) |
| Equity in income of consolidated subsidiaries | (20,303) | (1,203) | -- | 21,506 | -- |
| Net income (loss) | $ (20,458) | $ (20,303) | $ (1,203) | $ 21,506 | $ (20,458) |

5. Guarantor Subsidiaries and Non-Guarantor Subsidiaries (Continued)

Supplemental Condensed Consolidating Statement of Cash Flows
For the Three Months Ended October 31, 1999
(in thousands)

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | For the Three Months Ended October 31, 1999 | | | | |
| Cash flows from operating activities | $ (1,311) | $ 1,458 | $ 225 | $ -- | $ 372 |
| Cash flows from investing activities: | | | | | |
| Resort capital expenditures | -- | (25,254) | (1,138) | -- | (26,392) |
| Investments in real estate | -- | (8,058) | -- | -- | (8,058) |
| Net cash provided by (used in) investing activities | -- | (33,312) | (1,138) | -- | (34,450) |
| Cash flows from financing activities: | | | | | |
| Proceeds from the exercise of stock options | 314 | -- | -- | -- | 314 |
| Proceeds from borrowings under long-term debt | -- | 49,772 | 1,978 | -- | 51,750 |
| Payments on long-term debt | -- | (24,356) | -- | -- | (24,356) |
| Advances to (from) affiliates | 997 | (485) | (512) | -- | -- |
| Net cash provided by financing activities | 1,311 | 24,931 | 1,466 | -- | 27,708 |
| Net increase in cash and cash equivalents | -- | (6,923) | 553 | -- | (6,370) |
| Cash and cash equivalents: | | | | | |
| Beginning of period | -- | 25,096 | 228 | -- | 25,324 |
| End of period | $ -- | $ 18,173 | $ 781 | $ -- | $ 18,954 |
| | For the Three Months Ended October 31, 1998 | | | | |
| Cash flows from operating activities | $ (20,953) | $ 35,752 | $ (7,096) | $ -- | $ 7,703 |
| Cash flows from investing activities: | | | | | |
| Cash paid in hotel acquisitions, net of cash acquired | -- | (33,800) | -- | -- | (33,800) |
| Cash paid by consolidated joint venture in acquisition of retail operations | -- | -- | (10,516) | -- | (10,516) |
| Resort capital expenditures | -- | (21,562) | (1,866) | -- | (23,428) |
| Investments in real estate | -- | (12,031) | -- | -- | (12,031) |
| Net cash provided by (used in) investing activities | -- | (67,393) | (12,382) | -- | (79,775) |
| Cash flows from financing activities: | | | | | |
| Proceeds from the exercise of stock options | 112 | -- | -- | -- | 112 |
| Proceeds from borrowings under long-term debt | -- | 74,366 | -- | -- | 74,366 |
| Payments on long-term debt | -- | (1,376) | -- | -- | (1,376) |
| Advances to (from) affiliates | 20,841 | (39,084) | 18,243 | -- | -- |
| Net cash provided by financing activities | 20,953 | 33,906 | 18,243 | -- | 73,102 |
| Net increase in cash and cash equivalents | -- | 2,265 | (1,235) | -- | 1,030 |
| Cash and cash equivalents: | | | | | |
| Beginning of period | -- | 19,512 | -- | -- | 19,512 |
| End of period | $ -- | $ 21,777 | $ (1,235) | $ -- | $ 20,542 |

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

The following discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the Company's July 31, 1999 Annual Report on Form 10-K and the consolidated condensed interim financial statements as of October 31, 1999 and 1998 and for the three month periods ended October 31, 1999 and 1998, 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.

Three Months Ended October 31, 1999 versus Three Months Ended October 31, 1998

| | Three Months Ended October 31, 1999 | 1998 | Increase | Percentage Increase |
|---|---|---|---|---|
| | (unaudited) (dollars in thousands) | | | |
| Resort Revenue | $ 56,859 | $ 34,985 | $21,874 | 62.5 |
| Resort Operating Expense | 77,298 | 60,000 | 17,298 | 28.8 |

Resort Revenue. Resort Revenue for the three months ended October 31, 1999 and 1998 is presented by category as follows:

| | Three Months Ended October 31, 1999 | 1998 | Increase | Percentage Increase |
|---|---|---|---|---|
| | (unaudited) (dollars and skier days in thousands) | | | |
| Lift Ticket | $ 465 | $ 177 | $ 288 | 162.7 |
| Ski School | 36 | 19 | 17 | 89.5 |
| Dining | 11,789 | 6,808 | 4,981 | 73.2 |
| Retail/Rental | 14,964 | 9,396 | 5,568 | 59.3 |
| Hospitality | 15,468 | 9,934 | 5,534 | 55.7 |
| Other | 14,137 | 8,651 | 5,486 | 63.4 |
| Total Resort Revenue | $ 56,859 | $ 34,985 | $ 21,874 | 62.5 |
| Total Skier Days | 19 | 10 | 9 | 90.0 |
| ETP | $ 24.47 | $ 17.70 | $ 6.77 | 38.3 |

Lift ticket revenue increased due to a 90.0% increase in total skier days as well as a 38.3% increase in ETP (effective ticket price ("ETP") is defined as total lift ticket revenue divided by total skier days). The increase in skier days is due to an earlier opening of Breckenridge Mountain for the 1999-2000 ski season as compared to the 1998-1999 season. The increase in ETP is primarily attributable to a higher sales price on the Company's Buddy Pass season pass product, a discounted season pass product for Keystone and Breckenridge Mountains. Buddy Pass users make up a significant portion of early season resort guests.

The increase in Ski School revenue is consistent with the increase in skier days.

Dining revenue increased primarily as a result of the addition of eight dining operations with the acquisition of Grand Teton Lodge Company ("GTLC") on June 14, 1999, as well as the increase in skier days at the Company's Colorado resorts. In addition, the Company experienced increased conference business, which contributed to the revenue increase through increased banquet services.

The increase in Retail/Rental revenue is attributable to the acquisition of additional retail/rental outlets by the Company's retail/rental joint venture, Specialty Sports Venture LLC, in October 1998.

Hospitality revenue increased as a result of the Company's acquisition of GTLC in June 1999, which included three lodging operations. In addition, existing operations had modest growth as a result of the increase in skier days and increased conference business.

The increase in Other revenue is primarily attributable to the GTLC acquisition, which provided a golf course operation and substantial other recreational services. In addition, the Company had increased private club membership sales related to the new Arrowhead Alpine Club and membership resales at Beaver Creek Club. The Company's Licensing and Sponsorship activity increased, and an increase in brokerage operations also contributed to the increase in Other revenue.

Resort Operating Expense. Resort Operating Expense for the three months ended October 31, 1999 was $77.3 million, an increase of $17.3 million, or 28.8%, compared to the three months ended October 31, 1998. The increase in Resort Operating Expense is primarily attributable to the incremental operating expenses contributed by GTLC's operations. A portion of the increase can also be attributed to a shift in the revenue mix from lift tickets to revenues derived from lower-margin lines of business such as dining, retail/rental and hospitality operations. These operations tend to have a greater level of variable operating expenses proportionate to revenues as compared to lift operations.

Real Estate Revenue. Revenue from real estate operations for the three months ended October 31, 1999 was $9.0 million, a decrease of $4.6 million, or 33.9%, compared to the three months ended October 31, 1998. The decrease is due to a decrease in the Company's profit share from its investment in Keystone/Intrawest LLC, as there is less inventory available for sale in the first quarter of fiscal 2000 as compared to the first quarter of fiscal 1999. Profits generated by Keystone/Intrawest LLC during the quarter ended October 31, 1999 included the sale of 30 village condominium units, primarily at the River Run development. In addition, during the first quarter of fiscal 2000, the Company sold two multi-family homesites at Bachelor Gulch Village and one multi-unit development site at Arrowhead Village. Profits from Keystone/Intrawest LLC during the quarter ended October 31, 1998 included the sale of 106 village condominium units and 56 single-family homesites surrounding the golf course; the Company also sold one single-family homesite at Bachelor Gulch Village and three multi-unit developer sites at Arrowhead.

Real Estate Operating Expense. Real estate operating expense for the three months ended October 31, 1999 was $5.9 million, a decrease of $1.7 million, or 23.0%, compared to the three months ended October 31, 1998. Real estate operating expense consists primarily of the cost of sales and related real estate commissions associated with the Bachelor Gulch and Arrowhead real estate sales detailed above for both fiscal 2000 and fiscal 1999. Profits generated by Keystone/Intrawest LLC are recorded using the equity method, therefore there are no operating expenses associated with this joint venture. Real estate operating expense also includes the selling, general and administrative expenses associated with the Company's real estate operations.

Depreciation and Amortization. Depreciation and amortization expense increased by $3.1 million, or 26.3%, for the three months ended October 31, 1999 as compared to the three months ended October 31, 1998. The increase was primarily attributable to the inclusion of depreciation and amortization associated with the GTLC acquisition and an increased fixed asset base due to fiscal 1999 capital improvements.

Interest expense. During the three months ended October 31, 1999 and October 31, 1998, the Company recorded interest expense of $8.9 million and $5.7 million, respectively, relating primarily to the Company's Credit Facility and the Industrial Development Bonds. In addition, the three months ended October 31, 1999 reflect interest expense related to the Company's subordinated debt issued in May 1999. The increase in interest expense for the three months ended October 31, 1999 related to the subordinated debt is partially offset by a reduction in the balance outstanding on the Credit Facility.

Other. As the Company previously announced, we have softer than normal bookings for the second quarter of fiscal 2000, especially during the millennium holiday period, which is showing weakness across the whole of the U.S. travel industry, although the current bookings for the Company's third quarter of fiscal 2000 are encouraging. As the Company also stated, there have been positive business developments for the Company for the 1999-2000 ski season including increased season pass sales, positive booking trends at Vail/Eagle County Airport and the scheduled opening of Vail Mountain's Blue Sky Basin on January 6, 2000.

Liquidity and Capital Resources

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

The Company's cash flows used for investing activities have historically consisted of payments for acquisitions, resort capital expenditures, and investments in real estate. During the three months ended October 31, 1999, the Company made payments of $26.4 million for resort capital expenditures and $8.1 million for investments in real estate. The primary projects included in resort capital expenditures were a) continued construction of the Blue Sky Basin expansion on Vail Mountain, b) reconstruction and expansion of Two Elk lodge on Vail Mountain, c) a new high-speed six-passenger chairlift at Breckenridge Mountain, and d) construction of a new private on-mountain dining facility at Beaver Creek. The primary projects included in investments in real estate were a) continued construction of the Arrowhead Alpine Club, b) architectural and engineering planning for future developments at Breckenridge, Vail and Avon, c) continued development of Bachelor Gulch and Arrowhead Villages, and d) investments in developable land at strategic locations at Breckenridge.

The Company estimates that it will make resort capital expenditures totaling between $40 and $50 million during the remainder of fiscal 2000. The primary projects are anticipated to include a) construction of a 37,500 square foot exhibit hall at the Keystone Conference Center, and b) continuing enhancements and upgrades to existing facilities at all resorts. Investments in real estate during the remainder of fiscal 2000 are expected to total approximately $42 million. The primary projects are anticipated to include a) continued development of Bachelor Gulch and Arrowhead Villages, b) architectural and engineering planning for future developments at Breckenridge, Vail and Avon, c) golf course development near Beaver Creek, d) completion of construction of the Arrowhead Alpine Club, and e) investments in developable land at strategic locations at all four Colorado resorts. The Company plans to fund these capital expenditures and investments in real estate with cash flow from operations and borrowings under the Credit Facility.

During the three months ended October 31, 1999, the Company generated $27.7 million in cash flows from its financing activities consisting of net long-term debt borrowings of $27.4 million and $0.3 million received from the exercise of employee stock options.

During the three months ended October 31, 1999, 35,633 employee stock options were exercised at exercise prices ranging from $6.85 to $10.75. Additionally, 8,751 shares were issued to management under the Company's restricted stock plan.

Based on current levels of operations and cash availability, 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.

Year 2000 Compliance

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

State of Readiness. The Year 2000 issue is being addressed internally by the Company's individual business units under the direction of the information systems department. The Company has established a Year 2000 task force consisting of representatives from all major business units to coordinate its Year 2000 efforts, and progress is reported periodically to a Year 2000 executive committee consisting of certain senior management members.

The Company has committed resources to conduct risk assessments and to take corrective action, where required, within each of the following areas: information technology, operations equipment, and external parties. Information technology includes telecommunications as well as traditional computer software and hardware in the mainframe, midrange and distributed applications environments. Operations equipment includes all automation and embedded chips used in business operations. External parties include any third party with whom the Company interacts, or upon whom the Company relies in the performance of day-to-day operations. The Company's program for addressing the Year 2000 issue includes the following phases: (1) inventory; (2) assessment; (3) remediation; (4) testing; and (5) contingency planning. Approximately 10% of the Company's normal information technology work has been deferred due to the fact that personnel of the information systems department have dedicated certain portions of their time to the Year 2000 issue. However, the Company plans to complete and implement its information technology projects as planned.

The Company has traditionally upgraded and replaced its information technology systems on a regular basis. As a result of this process, most of the Company's information technology systems and applications are currently Year 2000 compliant. In the remaining information technology area, inventory and assessment audits in the telecommunications, mainframe, midrange and distributed applications areas are complete. With respect to operations equipment, the Company has identified areas that it considers "mission critical", in that a Year 2000 failure could impact the health or safety of employees or resort guests or could have a material adverse effect on the Company's operations. The Company has engaged a third party consultant to assist in completing inventory and assessment audits of operations equipment, these audits are substantially complete. The Company has substantially completed remediation, verification and testing with respect to operations.

The Company is communicating with its significant suppliers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 issue. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with our systems, would not have a material adverse effect on the Company's operations. Many of the external parties that the Company relies on provide commodity goods or services that are widely available from a range of vendors; therefore, third party impact is expected to be minimal. The Company is seeking confirmation of Year 2000 compliance from critical suppliers and identifying alternative suppliers as part of its contingency plans. The Company will seek letters of compliance or other satisfactory evidence of compliance (for example, web site disclosures) from certain non-critical suppliers based on risk assessment of such suppliers. Risk assessment with respect to external parties has been completed, although monitoring of risk in this area will continue throughout 1999, as many external parties will not have completed their work with respect to the Year 2000 issue.

Costs. The total estimated multi-year cost of the Year 2000 project is estimated to be between $900,000 and $1,100,000 and is being funded from operating cash flow. These costs are not expected to be material to the Company's consolidated results of operations, liquidity or capital resources. Of the total project cost, approximately $600,000 is attributable to the purchase of new software or equipment that will be capitalized. The remaining costs will be expensed as incurred. In a number of instances, the Company may decide to install new software or upgraded versions of current software programs that are Year 2000 compliant. In these instances, the Company may capitalize certain costs of the new system in accordance with current accounting guidelines. As of October 31, 1999, $800,000 of the total estimated Year 2000 project costs have been incurred, of which $300,000 has been expensed and $500,000 was capitalized. Fiscal 1999 and 1998 expensed costs were approximately $150,000 and $150,000, respectively. Costs exclude expenditures for systems that were replaced under the Company's regularly planned schedule.

Risks. Failure to address a Year 2000 issue could result in a business disruption that could materially affect the Company's operations, liquidity or capital resources. Management believes that the most reasonably likely worst case scenario would consist of isolated instances of minor system or equipment failures, for which the Company will have developed contingency plans.

There is still uncertainty around the scope of the Year 2000 issue and its implications for the Company. At this time management cannot quantify the potential impact of these failures. Due to the general uncertainty inherent in the Year 2000 problem, as well as, in part, the uncertainty of the Year 2000 readiness of suppliers and the current status of the Company's Year 2000 program, management is unable to determine at this time whether any Year 2000 failures will have material adverse consequences on the Company's results of operations, liquidity or financial condition. The Company's Year 2000 program and related contingency plans are being developed to address issues within the Company's control and to reduce the level of the Company's uncertainty about its Year 2000 issues. The program minimizes, but does not eliminate, the issues relating to external parties. Further, there can be no assurance that the Company will successfully identify or remediate its potential Year 2000 problems and failure to do so may have a material adverse effect on the Company.

Contingency Plans. The Company is developing contingency plans which will consider, among other factors, the results and responses from communications with material third parties in determining the nature and the scope of such contingency plans. However, generally, the Company's contingency plans will include, but are not limited to, development of manual work-arounds to system failures, identification of alternative sources for goods and services and reasonable increases in the amount of on-hand goods and supplies. Typically these plans address the anticipated consequences of single events, while the scope of the Year 2000 issues may cause multiple concurrent events for a longer duration. Development of contingency plans is now expected to be completed by December 15, 1999.

The costs of the project, estimated completion dates, worst-case scenario and other forward-looking statements above are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantees that these estimates will be achieved, or that events will occur as projected, and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, timely implementation of and allocation of resources to the Company's Year 2000 program, success in identifying computer systems and non-information technology systems that contain two digit date codes, appropriate risk assessment and prioritization of such systems, the nature and amount of programming and testing required and the time it actually takes to upgrade, replace or otherwise take corrective action with respect to each of the affected systems and the success of the Company's suppliers and other external parties with which the Company interacts in addressing their Year 2000 issues.

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. 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:

- a significant downturn in general business and economic conditions,
- adverse weather conditions, particularly inadequate snowfall for the millennium holiday period and the 1999/2000 ski season,
- Year 2000 failures, including Year 2000 impacts on travel patterns,
- competition in the ski and resort industry, and
- failure to successfully integrate acquisitions.

Readers are also referred to the uncertainties and risks identified in the Company's Registration Statement on Form S-4 for its Senior Subordinated Debt exchange notes (Commission File No. 333-80621) and the Annual Report on Form 10-K for the year ended July 31, 1999.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk. The Company enters into interest rate swap agreements ("Swap Agreements") to reduce its exposure to interest rate fluctuations on its floating-rate debt. Swap Agreements exchange floating-rate for fixed-rate interest payments periodically over the life of the agreement without exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not represent an amount of exposure to credit loss. For interest rate instruments that effectively hedge interest rate exposures, the net cash amounts paid or received on the agreements are accrued and recognized as an adjustment to interest expense. As of October 31, 1999 the Company had Swap Agreements in effect with notional amounts totaling $150.0 million, of which $75.0 million will mature in February 2000. The remaining $75.0 million will mature December 2002. Borrowings not subject to Swap Agreements at October 31, 1999 totaled $275.6 million. Swap Agreement rates are based on one-month LIBOR. Based on average floating-rate borrowings outstanding during the year ended October 31, 1999, a 100-basis point change in LIBOR would have caused the Company's monthly interest expense to change by $31,951. Management believes that these amounts are not significant to the Company's earnings.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes In Securities And Use Of Proceeds.

On November 1, 1999 the Company issued 40,413 shares of Common Stock in the aggregate in connection with the acquisition of VailNet, Inc. and InterNetWorks, Inc. as partial consideration for the purchase price. The securities were issued in a private placement in reliance on Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission Of Matters To A Vote Of Security Holders.

None

Item 5. Other Information.

None

Item 6. Exhibits And Reports On Form 8-K.

a) Index to Exhibits

The following exhibits are 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 33-52854) including all amendments thereto.) | |
| 3.2 | Amended and Restated By-Laws adopted on the Effective Date. (Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 4.2 | Form of Class 2 Common Stock Registration Rights Agreements between the Company and holders of Class 2 Common Stock. (Incorporated by reference to Exhibit 4.13 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 4.2 | Purchase Agreement, dated as of May 6, 1999 among Vail Resorts, Inc., the guarantors named on Schedule I thereto, and Bear Sterns & Co. Inc., NationsBanc Montgomery Securities LLC, BT Alex. Brown Incorporated, Lehman Brothers Inc. and Salomon Smith Barney Inc. (Incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-4 of Vail Resorts, Inc. (Registration No. 333-80621) including all amendments thereto.) | |

| Exhibit Number | Description | Sequentially Numbered Page |
|---|---|---|
| 4.3 | Indenture, dated as of May 11, 1999, among Vail Resorts, Inc, the guarantors named therein and the United States Trust Company of New York, as trustee. (Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-4 of Vail Resorts, Inc. (Registration No. 333-80621) including all amendments thereto.) | |
| 4.4 | Form of Global Note (Included in Exhibit 4.3 incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-4 of Vail Resorts, Inc. (Registration No. 333-80621) including all amendments thereto.) | |
| 4.5 | Registration Rights Agreement, dated as of May 11, 1999 among Vail Resorts, Inc., the guarantors signatory thereto and Bear Stearns & Co. Inc., NationsBanc Montgomery Securities LLC, BT Alex. Brown Incorporated, Lehman Brothers Inc. and Salomon Smith Barney Inc. (Incorporated by reference to Exhibit 4.5 of the Registration Statement on Form S-4 of Vail Resorts, Inc. (Registration No. 333-80621) including all amendments thereto.) | |
| 4.6 | First Supplemental Indenture, dated as of August 22, 1999, among the Company, the guarantors named therein and the United States Trust Company of New York, as trustee. (Incorporated by reference to Exhibit 4.6 of the Registration Statement on Form S-4 of Vail Resorts, Inc. (Registration No. 333-80621) including all amendments thereto.) | |
| 10.1 | Management Agreement by and between Beaver Creek Resort Company of Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.2 | Forest Service Term Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 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.) | |
| 10.6 | Joint Liability Agreement by and among Gillett Holdings, Inc. and the subsidiaries of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.10 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.7 | Management Agreement between Gillett Holdings, Inc. and Gillett Group Management, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.11 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.8 | Amendment to Management Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |

| Exhibit Number | Description | Sequentially Numbered Page |
|---|---|---|
| 10.9(a) | Tax Sharing Agreement between Gillett Holdings, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.9(b) | Amendment to Tax Sharing Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.13(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.10 | Form of Gillett Holdings, Inc. Deferred Compensation Agreement for certain GHTV employees. (Incorporated by reference to Exhibit 10.13(b) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.11(a) | Credit Agreement dated as of January 3, 1997 among the Vail Corporation, the Lenders named therein and NationsBank of Texas, N.A. as agent. (Incorporated by reference to Exhibit 10.11(a) of the report on Form 10-K of Vail Resorts, Inc. for the year ended September 30, 1997.) | |
| 10.11(b) | Pledge Agreement dated as of January 3, 1997 among the Vail Corporation and NationsBank of Texas, N.A. as agent. (Incorporated by reference to Exhibit 10.11(b) of the report on Form 10-K of Vail Resorts, Inc. for the year ended September 30, 1997.) | |
| 10.11(c) | Credit Agreement dated as of October 10, 1997 among the Vail Corporation and NationsBank of Texas, N.A., as lender. (Incorporated by reference to Exhibit 10-11(c) of the report on Form 10-K of Vail Resorts, Inc. for the year ended September 30, 1997.) | |
| 10.11(d) | Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado, and Colorado National Bank, as Trustee, securing Sports Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.16(g) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.11(e) | First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports and Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(f) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.11(f) | Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado, and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.16(h) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.11(g) | First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(h) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |

| Exhibit Number | Description | Sequentially Numbered Page |
| --- | --- | --- |
| 10.11(h) | Sports and Housing Facilities Financing Agreement dated as of September 1, 1992 between Eagle County, Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.16(i) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.11(i) | First Amendment to Sports and Housing Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 between Eagle County, Colorado, Vail Associates, Inc. and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(j) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.11(j) | Sports Facilities Financing Agreement dated as of September 1, 1992 between Eagle County, Colorado and Beaver Creek Associates, Inc., with Vail Associates, Inc. as Guarantor. (Incorporated by reference to Exhibit 10.16(j) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.11(k) | First Amendment to Sports Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 by and among Eagle County, Colorado, Beaver Creek Associates, Inc., Vail Associates, Inc., and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(l) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.11(l) | Guaranty dated as of September 1, 1992, by Vail Associates, Inc. delivered to Colorado National Bank, as Trustee. (Incorporated by reference to Exhibit 10.16(k) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto.) | |
| 10.12(a) | Agreement for Purchase and Sale dated as of August 25, 1993 by and among Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(a) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.12(b) | Amendment to Agreement for Purchase and Sale dated September 8, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.12(c) | Second Amendment to Agreement for Purchase and Sale dated September 22, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(c) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |

| Exhibit Number | Description | Sequentially Numbered Page |
| --- | --- | --- |
| 10.12(d) | Third Amendment to Agreement for Purchase and Sale dated November 30, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail/Arrowhead, Inc. (Incorporated by reference to Exhibit 10.19(d) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.13 | 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.) | |
| 10.14 | Agreement to Settle Prospective Litigation and for Sale of Personal Property dated May 10, 1993, between the Company, Clifford E. Eley, as Chapter 7 Trustee of the Debtor's Bankruptcy Estate, and George N. Gillett, Jr. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.) | |
| 10.15 | Employment Agreement dated October 1, 1996 between Vail Associates, Inc. and Andrew P. Daly. (Incorporated by reference to Exhibit 10.5 of the report on Form S-2/A of Vail Resorts, Inc. (Registration # 333-5341) including all amendments thereto.) | |
| 10.16 | 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.) | |
| 10.17 | Shareholder Agreement among Vail Resorts, Inc., Ralston Foods, Inc., and Apollo Ski Partners dated January 3, 1997. (Incorporated by reference to Exhibit 2.4 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997.) | |
| 10.18 | 1996 Stock Option Plan (Incorporated by reference from the Company's Registration Statement on Form S-3, File No. 333-5341). | |
| 10.19 | Agreement dated October 11, 1996 between Vail Resorts, Inc. and George Gillett. (Incorporated by reference to Exhibit 10.27 of the report on form S-2/A of Vail Resorts, Inc. (Registration # 333-5341) including all amendments thereto.) | |
| 10.20 | Amended and Restated Credit Agreement among the Vail Corporation (d/b/a "Vail Associates, Inc.") and NationsBank of Texas, N.A. (Incorporated by reference to Exhibit 10 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended January 31, 1998.) | |
| 10.21 | Sports and Housing Facilities Financing Agreement among 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.) | |
| 10.22 | Credit agreement dated December 30, 1998 among SSI Venture LLC and NationsBank of Texas, N.A., (Incorporated by reference to Exhibit 10.24 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended January 31, 1999.) | |

| Exhibit Number | Description | Sequentially Numbered Page |
| --- | --- | --- |
| 10.23 | Amended and Restated Credit Agreement among The Vail Corporation (d/b/a "Vail Associates, Inc"), and NationsBank, N.A. and NationsBanc Montgomery Securities LLC dated as of May 1, 1999. (Incorporated by reference to Exhibit 10.25 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1999.) | |
| 10.24 | Employment Agreement dated October 28, 1996 by and between Vail Resorts, Inc. and James P. Donohue. | 14 |
| 21 | Subsidiaries of Vail Resorts, Inc. (Incorporated by reference to Exhibit 21 of the report on Form 10-K of Vail Resorts, Inc. for the fiscal year ended July 31, 1999.) | |
| 27 | Financial Data Schedules | |

b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on December 14, 1999.

VAIL RESORTS, INC.

Date: December 14, 1999

By /s/ James P. Donohue

James P. Donohue
Senior Vice President and
Chief Financial Officer

Exhibit 10.24

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of October 28, 1996 by and between VAIL RESORTS, INC., a Delaware corporation ("VRI") and JAMES P. DONOHUE (hereinafter referred to as "Executive").

RECITALS

1. VRI 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 VRI 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) VRI hereby employs Executive to serve as Senior Vice President & Chief Financial Officer of VRI 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 Board of Directors (the "Board") and chief executive officer (the "CEO").

(b) Executive accepts employment by VRI 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 VRI or an of its subsidiaries or affiliates, including Vail Associates, Inc., (collectively, the "Companies").

2. Compensation.

For all services rendered by Executive to or on behalf of the Companies, VRI 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 VRI:

(a) Base Salary. Executive shall receive regular compensation at the initial rate of Three Hundred Thousand Dollars ($300,000) per year (the "Base Salary"). Executive's Base Salary shall be reviewed annually by the CEO and the Board. Any increases or decreases in such Base Salary shall be at the discretion of the CEO and the Board, and Executive acknowledges that 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, 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 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 VRI (the "LTIP"), and (ii) any other bonus, incentive, deferred compensation and fringe benefit plans as VRI 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.

(c) Insurance. Executive shall also receive, at VRI'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 Beaver Creek Club and the Game 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 $100,000 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 by Executive in selling his residence in California, including legal fees, transfer and stamp taxes, brokers' commissions, and other customary closing costs, and (ii) 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 October 1, 1996. 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, 1999; provided, however, that unless either VRI 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. VRI, 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 VRI'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 VRI (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. VRI 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 VRI 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 VRI'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 VRI'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 VRI 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 VRI not less than ninety (90) days prior written notice. For purposes of this Agreement, "good reason" shall mean (i) VRI 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) VRI or Vail Associates, Inc. shall cease to operate any major ski resort in Colorado, or (iii) VRI 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 VRI'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 VRI'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 VRI 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 VRI (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), VRI 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 VRI'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 VRI (i) this Agreement is terminated by VRI without cause, (ii) this Agreement is terminated by Executive for good reason, or (iii) VRI 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 VRI'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 VRI or Vail Associates, Inc. representing either a majority of the combined ordinary voting power of all outstanding voting securities of VRI or Vail Associates, Inc. or a majority of the common equity interest in VRI or Vail Associates, Inc.

(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 VRI'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 VRI'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 VRI 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, VRI 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 VRI 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 VRI 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 VRI at the time of Executive's termination.

5. Document Return; Resignations.

Upon termination of Executive's employment with VRI for any reason, Executive agrees that he shall promptly surrender to VRI 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 VRI 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 VRI, 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 VRI (the "Associations").

6. Confidentiality.

During the term of this Agreement, and at all times following tile termination of Executive's employment with VRI 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 VRI 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. VRI shall similarly not disparage Executive following such termination, it being understood that, subject to the terms of this Section 7, VRI 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, VRI 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 VRI 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 VRI, 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 VRI 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 VRI or Executive to perform in full all of its obligations hereunder, VR1 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:

James P. Donohue
P.O. Box 1526
Avon, Colorado 81620

Vail Resorts, Inc.
P.O. Box 7
Vail, Colorado 81658
Attn: Chief Executive Officer
cc: General Counsel

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 28th day of October, 1996.

EMPLOYER:

VAIL RESORTS, INC.

By: ______________________________________
Its: _____________________________________

EXECUTIVE:

_________________________________________
James P. Donohue

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