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] 1. Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For the quarterly period ended January 31, 2002

[ ] 2. Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

[No Fee Required]

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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.;

(Title of class)

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 March 8, 2002, 7,439,834 shares of Class A Common Stock and 27,709,295 shares of Common Stock were issued and outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements-Unaudited

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

	January 31, 2002	July 31, 2001	January 31, 2001
Assets			
Current assets:			
Cash and cash equivalents	$ 26,230	$ 27,994	$ 25,644
Trade receivables, net	40,346	25,752	43,163
Income taxes receivable	939	939	--
Inventories, net	29,538	26,891	27,580
Deferred income taxes	9,206	9,206	10,364
Other current assets	9,679	8,677	6,878
Total current assets	115,938	99,459	113,629
Property, plant and equipment, net	779,711	680,272	677,616
Real estate held for sale and investment	172,231	159,177	143,610
Deferred charges and other assets	53,841	47,093	47,208
Goodwill, net	135,097	133,381	131,864
Intangible assets, net	70,707	61,583	59,502
Total assets	$1,327,525	$1,180,965	$1,173,429
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 182,521	$ 122,440	$ 159,027
Income taxes payable	--	--	616
Long-term debt due within one year (Note 5)	3,361	1,746	2,044
Total current liabilities	185,882	124,186	161,687
Long-term debt (Note 5)	471,725	386,634	380,513
Other long-term liabilities	27,909	27,931	33,403
Deferred income taxes	100,866	101,962	88,924
Commitments and contingencies (Note 3)	--	--	--
Minority interest in net assets of consolidated joint ventures	23,651	21,081	17,002
Stockholders' equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	--	--	--
Common stock:			
Class A common stock, convertible to common stock, $0.01 par value, 20,000,000 shares authorized, 7,439,834 shares issued and outstanding	74	74	74
Common stock, $0.01 par value, 80,000,000 shares authorized, 27,703,821, 27,681,391, and 27,489,630 shares issued and outstanding as of January 31, 2002, July 31, 2001, and January 31, 2001, respectively	277	277	275
Additional paid-in capital	411,082	411,275	407,750
Retained earnings	106,059	107,545	83,801
Total stockholders' equity	517,492	519,171	491,900
Total liabilities and stockholders' equity	$1,327,525	$1,180,965	$1,173,429

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

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

	Three Months Ended January 31,	
	2002	**2001**
Net revenue:		
Resort	$ 179,991	$ 178,934
Real estate	36,651	9,811
Technology	1,190	660
Total net revenue	217,832	189,405
Operating expense:		
Resort	123,533	126,938
Real estate	28,292	6,732
Technology	1,269	639
Depreciation and amortization	16,066	16,183
Total operating expense	169,160	150,492
Income from operations	48,672	38,913
Other income (expense):		
Investment income	243	613
Interest expense	(10,364)	(9,219)
Gain (loss) on disposal of fixed assets	(179)	96
Other expense	(19)	(9)
Minority interest in net income of consolidated joint ventures	(2,297)	(2,809)
Income before income taxes	36,056	27,585
Provision for income taxes	(13,123)	(11,448)
Net income	$ 22,933	$ 16,137
Net income per common share (Note 4):		
Basic	$ 0.65	$ 0.46
Diluted	$ 0.65	$ 0.46

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

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

	Six Months Ended January 31,	
	2002	**2001**
Net revenue:		
Resort	$ 237,412	$ 239,651
Real estate	52,500	18,787
Technology	2,249	1,403
Total net revenue	292,161	259,841
Operating expense:		
Resort	205,504	206,278
Real estate	37,831	11,041
Technology	2,392	1,261
Depreciation and amortization	31,428	31,826
Total operating expense	277,155	250,406
Income from operations	15,006	9,435
Other income (expense):		
Investment income	955	1,286
Interest expense	(18,226)	(18,120)
Loss on disposal of fixed assets	(127)	(166)
Other expense	(50)	(18)
Minority interest in net loss (income) of consolidated joint ventures	43	(1,039)

Loss before benefit for income taxes	(2,399)	(8,622)
Benefit for income taxes	913	3,578
Net loss	$ (1,486)	$ (5,044)
Net loss per common share (Note 4):		
Basic	$ (0.04)	$ (0.14)
Diluted	$ (0.04)	$ (0.14)

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

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

	Six Months Ended January 31,	
	2002	2001
Cash flows from operating activities:		
Net loss	$ (1,486)	$ (5,044)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	31,428	31,826
Non-cash cost of real estate sales	26,214	5,331
Non-cash compensation related to stock grants	728	210
Non-cash equity income	(1,312)	(2,027)
Deferred financing costs amortized	1,242	879
Loss on disposal of fixed assets	127	166
Deferred income taxes, net	(1,096)	(3,653)
Minority interest in net income of consolidated joint venture	(43)	1,039
Changes in assets and liabilities:		
Accounts receivable, net	(14,490)	(3,736)
Inventories	(2,303)	(3,488)
Accounts payable and accrued expenses	58,153	52,449
Income taxes receivable/payable	--	(2,029)
Other assets and liabilities	(5,553)	(4,895)
Net cash provided by operating activities	91,609	67,028
Cash flows from investing activities:		
Investments in joint ventures, net	479	5,205
Cash paid in acquisitions	(77,520)	--
Capital expenditures	(35,477)	(23,832)
Investments in real estate	(36,625)	(27,154)
Proceeds from disposal of fixed assets	(109)	539
Net cash used in investing activities	(149,252)	(45,242)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	263	3,192
Cash financing provided to equity-method investees	--	(7,400)
Deferred financing costs paid	(7,314)	--
Proceeds from cancellation of swap agreements	--	1,076
Proceeds from borrowings under long-term debt	568,801	111,600
Payments on long-term debt	(505,871)	(123,278)
Net cash provided by (used in) financing activities	55,879	(14,810)
Net increase (decrease) in cash and cash equivalents	(1,764)	6,976
Cash and cash equivalents:		
Beginning of period	27,994	18,668
End of period	$ 26,230	$ 25,644

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

Vail Resorts, Inc.
Notes to Consolidated Condensed Financial Statements

(Unaudited)

1. 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 three business segments: Resort, Real Estate, and Technology. The Vail Corporation (d/b/a Vail Associates, Inc.), an indirect wholly owned subsidiary of Vail Resorts, and its subsidiaries (collectively, "Vail Associates") operate four world-class ski resorts and related amenities at Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado. In addition to the ski resorts, Vail Associates owns Grand Teton Lodge Company ("GTLC"), which operates three resorts within Grand Teton National Park (under a National Park Service concessionaire contract) and the Jackson Hole Golf & Tennis Club in Wyoming. Vail Associates also owns a 51% interest in Snake River Lodge & Spa ("SRL&S") located near Jackson, Wyoming and owns the Lodge at Rancho Mirage ("Rancho Mirage") near Palm Springs, California. V ail Resorts Development Company ("VRDC"), a wholly owned subsidiary of Vail Associates, conducts the operations of the Company's Real Estate segment. The Technology segment is engaged in the development and sale of technology-based products and services for the hospitality and resort industries, and includes the operations of Resort Technology Partners, LLC ("RTP"), a 51%-owned joint venture. The Company's resort businesses are seasonal in nature. The Company's ski resort businesses and related amenities typically have operating seasons from late October through late April; the Company's operations at GTLC generally run from mid-May through mid-October. SRL&S and Rancho Mirage operate year-round.

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, 2001 included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2001.

2. Summary of Significant Accounting Policies

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

Reclassifications--Certain reclassifications have been made to the accompanying consolidated condensed financial statements as of July 31, 2001 and the three and six months ended January 31, 2001 to conform to the present period presentation.

New Accounting Pronouncements--In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board ("APB") Opinion No. 17, "Intangible Assets". SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in business combinations) should be accounted for in financial statements upon their acquisition, and also addresses how goodwill and other intangible assets (including those acquired in business combinations) should be accounted for after they have been initially recognized in the financial statements. The major provisions of SFAS No. 142 and differences from APB Opinion No. 17 include (a) no amortization of goodwill and other certain intangible assets with indefinite lives, including excess reorganization value, (b) a more aggregate view of goodwill and accounting for goodwill based on units of the combined entity, (c) a better defined "two-step" approach for testing impairment of goodwill, (d) a better defined process for testing other intangible assets for impairment, and (e) disclosure of additional information related to goodwill and intangible assets. The "two-step" impairment approach to testing goodwill is required to be performed at least annually with the first step involving a screen for potential impairment and the second step measuring the amount of impairment. The provisions of SFAS No. 142 are required to be applied starting with fiscal years after December 15, 2001. Earlier application is permitted for entities with fiscal years beginning after March 15, 2001. The Company adopted the provisions of SFAS No. 142 as of August 1, 2001 and is therefore required to have completed the first "step" of its goodwill impairment testing by the end of its second fiscal quarte r and the transitional impairment testing of its other intangible assets by the end of its first fiscal quarter. The Company did not identify any impairments as a result of the first "step" of goodwill impairment testing performed, except for goodwill associated with SRL&S and Village at Breckenridge. The Company is required to quantify these impairments by July 31, 2002. Pursuant to SFAS No. 142, the Company is no longer amortizing goodwill and its intangible assets that carry indefinite lives, and will therefore not incur approximately $1.9 million per quarter in amortization expense on a prospective basis. The Company has not yet determined what impact the remaining provisions of SFAS No. 142, including its final tests for goodwill impairment, will have on its financial position or results of operations. However, there may be more volatility in reported income than under previous standards because impairment losses, if incurred, are likely to occur irregularly and in varying amounts.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not currently have any obligations falling under the scope of SFAS No. 143, and therefore does not believe its adoption will have a material impact on its financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", but retains the requirements of SFAS No.121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the asset. SFAS No. 144 removes goodwill from its scope as the impairment of goodwill is addressed prospectively pursuant to SFAS No. 142. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those years. The Company does not expect the adoption of SFAS No. 144 to have a material impact on its financial position or results of operations.

3. Commitments and Contingencies

Smith Creek Metropolitan District ("SCMD") and Bachelor Gulch Metropolitan District ("BGMD") were organized in November 1994 to cooperate in the financing, construction and operation of basic public infrastructure serving the Company's Bachelor Gulch Village development. SCMD was organized primarily to own, operate and maintain water, street, traffic and safety, transportation, fire protection, parks and recreation, television relay and translation, sanitation and certain other facilities and equipment of 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. The current SCMD Board of Director members are employees of the Company. 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. The developers' current plans, however, call for approximately 960 dwelling units to be constructed over the next 10 years. As of January 31, 2002, the Company has sold 104 single-family homesites and 20 parcels to developers for the construction of various types of dwelling units. Currently, SCMD has outstanding $38.4 million of variable rate revenue bonds maturing on October 1, 2035, which have been enhanced with a $40.7 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 35 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 $20.9 million at January 31, 2002. The Company has recorded $12.3 million as a liability related to the subsidy in the accompanying financial statements as of Ja nuary 31, 2002. The total subsidy incurred as of January 31, 2002 and July 31, 2001 was $9.3 million and $8.5 million, respectively.

Holland Creek Metropolitan District ("HCMD") and Red Sky Ranch Metropolitan District ("RSRMD") were organized in December 2000 to cooperate in the financing, construction and operation of basic public infrastructure serving the Company's Red Sky Ranch development. HCMD 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 RSRMD. HCMD is comprised of approximately 150 acres of open space land owned by the Company and members of the Board of Directors of HCMD. The current HCMD Board of Director members are employees of the Company. In two planned unit developments, Eagle County has granted zoning approval for 87 dwelling units, two golf courses, and related facilities for the property within the districts. The developers' current plans call for approximately 60 home sites to be sold over the next two years, and all 87 units to be constructed over the next eleven years. As of January 31, 2002, the Company has sold 23 single-family homesites. Currently, HCMD has outstanding $12 million of variable rate revenue bonds maturing on June 1, 2041, which have been enhanced with a $12.1 million letter of credit issued against the Company's Credit Facility (as defined herein). It is anticipated that, as Red Sky Ranch expands, RSRMD will become self supporting and that within 5 to 15 years it will issue general obligation bonds, the proceeds of which will be used to retire the HCMD revenue bonds. Until that time, the Company has agreed to subsidize the interest payments on the HCMD revenue bonds. The Company has estimated the present value of the aggregate subsidy to be $3 million at January 31, 2002. The total subsidy incurred as of January 31, 2002 was $38 thousand.

The Company has ownership interests in four entities (BC Housing LLC, The Tarnes at BC, LLC, Tenderfoot Seasonal Housing, LLC and Breckenridge Terrace, LLC) which were formed to construct, own and operate employee housing facilities in and around Beaver Creek, Keystone and Breckenridge. The Company's ownership interest in each entity ranges from 31% to 50%. Each entity has issued interest only taxable bonds with weekly low-floater rates tied to LIBOR (the "Housing Bonds") in two series, Tranche A and Tranche B. The Housing Bonds do not have stated maturity dates. The Tranche A Housing Bonds have principal amounts which range from $5.7 million to $15 million, enhanced with letters of credit issued against the Company's Credit Facility in amounts ranging from $5.8 million to $15.2 million ($38.3 million in aggregate). The Tranche B Housing Bonds range in principal amount from $1.5 million to $5.9 million ($14.8 million in aggregate) and are collateralized by the assets of the entities. The proceeds of the H ousing Bonds were used to construct the housing facilities. The housing facilities are located on land owned by the Company, leased to each respective entity with the exception of Breckenridge Terrace. The Company master leases, under operating lease agreements, the units in the housing facilities to provide seasonal housing for its employees.

At January 31, 2002 the Company had various other letters of credit outstanding in the aggregate amount of $31.7 million.

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.

In July 1999, the U.S. Army Corps of Engineers alleged that certain road construction which the Company undertook as part of the Blue Sky Basin expansion involved discharges of fill material into wetlands in violation of the Clean Water Act. A subsequent review confirmed that the wetland impact involved approximately seven-tenths of one acre, although subsequent judicial decisions under the Clean Water Act may reduce the extent of the jurisdictional impact. Under the Clean Water Act, unauthorized discharges of fill material can give rise to administrative, civil and criminal enforcement actions seeking monetary penalties and injunctive relief, including removal of the unauthorized fill. In October 1999, the Environmental Protection Agency, the lead enforcement agency in this matter, ordered the Company to stabilize the road temporarily and restore the wetland in the summer of 2000. (EPA--Region VIII, Docket No. CWA-8-2000-01). The Company has completed the restoration work on the wetland i mpact (subject to future monitoring requirements), pursuant to the restoration plan approved by the EPA. The EPA is considering enforcement action, and settlement discussions between the EPA and the Company are continuing. Although the Company cannot guarantee a particular result, based on the facts and circumstances of the matter, the Company does not anticipate that the ultimate outcome will have a material adverse impact on its financial performance or results of operations.

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 six months ended January 31, 2002 and 2001, the Company recorded lease expense related to these agreements of $9.4 million and $7.2 million, respectively, which is included in the accompanying consolidated statements of operations.

Future minimum lease payments under these leases as of January 31, 2002 are as follows (in thousands):

Due during fiscal years ending July 31:	
2002	$ 7,632
2003	12,400
2004	9,991
2005	8,898
2006	8,753
Thereafter	6,620
Total	$ 54,294

4. Net Income Per Common Share

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

	Three Months Ended January 31,			
	2002		2001	
	Basic	Diluted	Basic	Diluted
Net income per common share:				

Net income	$ 22,933	$ 22,933	$ 16,137	$ 16,137
Weighted-average shares outstanding	35,125	35,125	34,980	34,980
Effect of dilutive securities	--	42	--	283
Total shares	35,125	35,167	34,980	35,263
Net income per common share	$ 0.65	$ 0.65	$ 0.46	$ 0.46

	Six Months Ended January 31,			
	2002		2001	
	Basic	Diluted	Basic	Diluted
Net loss per common share:				
Net loss	$ (1,486)	$ (1,486)	$ (5,044)	$ (5,044)
Weighted-average shares outstanding	35,134	35,134	34,838	34,838
Net loss per common share	$ (0.04)	$ (0.04)	$ (0.14)	$ (0.14)

The calculation of diluted EPS for the six months ended January 31, 2002 and 2001 does not include the effect of dilutive stock options, as such effect is actually anti-dilutive due to the net loss position of the Company.

The number of shares issuable on the exercise of common stock options that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 2,172,655 and 1,816,741, for the three and six months ended January 31, 2002 and 2001, respectively.

5. Long-Term Debt

Long-term debt as of January 31, 2002 and July, 31 2001 is summarized as follows (in thousands):

	(f) Maturity	January 31, 2002	July 31, 2001
Industrial Development Bonds (a)	2003-2020	$ 63,200	$ 63,200
Credit Facilities (b)	2003	30,900	121,400
Senior Subordinated Notes(c)	2009	360,000	200,000
Discount on Senior Subordinated Notes (c)		(7,241)	--
Olympus Note (d)	2004	25,000	--
Discount on Olympus Note (d)		(3,400)	--
Other (e)	2002-2029	6,627	3,780
		475,086	388,380
Less: Current Maturities		3,361	1,746
		$ 471,725	$ 386,634

(a) The Company has $63.2 million of outstanding Industrial Development Bonds (the "Industrial Development Bonds"). $41.2 million of the Industrial Development Bonds were issued by Eagle County, Colorado and 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 million and bear interest at 7.125% for bonds maturing in 2002 and 7.375% for bonds maturing in 2010.

(b) In November 2001 the Company entered into a new three-year revolving credit facility ("Credit Facility") to replace its existing credit facility, which had been scheduled to terminate at the end of 2002. The Company's subsidiary, The Vail Corporation, is the borrower under the new credit facility with Bank of America, N.A. as agent and certain other financial institutions as lenders. The new credit facility provides for debt financing up to an aggregate principal amount of $421.0 million. The Vail Corporation's obligations under the new credit facility are guaranteed by the Company and certain of its subsidiaries and are secured by a pledge of all of the capital stock of The Vail Corporation and substantially all of its subsidiaries. The proceeds of the loans made under the new credit facility may be used to fund the Company's working capital needs, capital expenditures and other general corporate purposes, including the issuance of letters of credit. Borrowings under the Credit Facility, as amended, bear interest annually at the Company's option at the rate of (i) LIBOR (1.85% at January 31, 2002) plus a margin or (ii) the agent's prime lending rate, (4.75% at January 31, 2002) plus a margin. The Company also pays a quarterly unused commitment fee ranging from 0.35% to 0.50%. The interest margins fluctuate based upon the ratio of the Company's total Funded Debt to the Company's Adjusted EBITDA (as defined in the underlying Credit Facility). The Credit Facility matures on November 13, 2004.

Specialty Sports Venture LLC ("SSV"), a retail/rental joint venture in which the company has a 51.9% ownership interest, has a credit facility ("SSV Facility") that provides debt financing up to an aggregate principal amount of $25 million. The 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. The principal amount outstanding on the Tranche B term loan was $7.0 million at January 31, 2002. Future minimum amortization under the Tranche B term loan facility is $0.50 million, $1.0 million, and $5.5 million during fiscal years 2002, 2003, and 2004. The SSV Facility bears interest annually at the rates prescribed above for the Credit Facility. SSV also pays a quarterly unused commitment fee at the same rates as the unused commitment fee for the Credi t Facility.

(c) The Company has outstanding $360 million of Senior Subordinated Notes (the "Notes"), $200 million of which were issued in May 1999 (the "1999 Notes") and $160 million of which were issued in November 2001 (the "2001 Notes"). The 1999 Notes and 2001 Notes have substantially similar terms. The 2001 Notes were issued with an original issue discount for federal income tax purposes that yielded gross proceeds to the Company of approximately $152.6 million. The proceeds of the 2001 Notes were used to repay a portion of the indebtedness under the Credit Facility. The exchange offer for the 2001 Notes was registered under the Securities Act of 1933 in February 2002, and is scheduled to close March 27, 2002, subject to extension. The Notes have a fixed annual interest rate of 8.75%, with interest due semi-annually on May 15 and November 15. 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.

(d) In connection with the Company's acquisition of Rancho Mirage in November 2001, the Company entered into a note payable to Olympus Real Estate Partners (the "Olympus Note"). The Olympus Note has a principal amount of $25 million and matures November 15, 2003. The terms of the Olympus Note do not provide for interest, therefore the Company has imputed an interest rate of 8% per annum, which has been recorded as a discount on the Olympus Note and is being amortized as interest expense over the life of the Olympus Note.

(e) Other obligations bear interest at rates ranging from 5.45% to 8.0% and have maturities ranging from 2002 to 2029.

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

Aggregate maturities for debt outstanding as of January 31, 2002 are as follows (in thousands):

Due during the twelve months ending July 31:	
2002	$ 2,040
2003	2,983
2004	38,501
2005	13,541
2006	584
Thereafter	417,437
Total debt	$475,086

The Company was in compliance with all of its financial and operating covenants required to be maintained under its debt instruments for all periods presented.

6. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 8.75% Senior Subordinated Notes due 2009 (see Note 5) 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 Boulder/Beaver LLC, Colter Bay Corporation, Eagle Park Reservoir Company, Forest Ridge Holdings, Inc., Gros Ventre Utility Company, Jackson Lake Lodge Corporation, Jenny Lake Lodge, Inc., Mountain Thunder, Inc., Resort Technology Partners, LLC, RT Partners, Inc., SSV, Vail Associates Investments, Inc., and VR Holdings, Inc. (together, the "Non-Guarantor Subsidiaries").

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 January 31, 2002 and July 31, 2001 and for the six months ended January 31, 2002 and 2001.

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.

Supplemental Condensed Consolidating Balance Sheet
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			January 31, 2002		
Current assets:					
Cash and cash equivalents	$ --	$ 22,952	$ 3,278	$ --	$ 26,230
Trade receivables	--	37,266	3,080	--	40,346
Taxes receivable	939	--	--	--	939
Inventories, net	--	8,149	21,389	--	29,538
Deferred income taxes	1,138	8,068	--	--	9,206
Other current assets	--	8,517	1,162	--	9,679
Total current assets	2,077	84,952	28,909	--	115,938
Property, plant and equipment, net	--	762,468	17,243	--	779,711
Real estate held for sale and investment	--	162,004	10,227	--	172,231
Deferred charges and other assets	9,574	43,736	531	--	53,841
Intangible assets, net	--	185,325	20,479	--	205,804
Investments in subsidiaries and advances to (from) subsidiaries	878,722	(67,425)	(10,061)	(801,236)	--
Total assets	$ 890,373	$ 1,171,060	$ 67,328	$ (801,236)	$ 1,327,525
Current liabilities:					
Accounts payable and accrued expenses	$ 19,586	$ 144,578	$ 18,357	$ --	$ 182,521
Long-term debt due within one year	--	2,361	1,000	--	3,361
Total current liabilities	19,586	146,939	19,357	--	185,882
Long-term debt	352,759	102,066	16,900	--	471,725
Other long-term liabilities	536	27,373	--	--	27,909
Deferred income taxes	--	99,223	1,643	--	100,866
Minority interest in net assets of consolidated joint ventures	--	11,177	12,474	--	23,651
Total stockholders' equity	517,492	784,282	16,954	(801,236)	517,492
Total liabilities and stockholders' equity	$ 890,373	$ 1,171,060	$ 67,328	$ (801,236)	$ 1,327,525
			July 31, 2001		
Current assets:					
Cash and cash equivalents	$ --	$ 27,650	$ 344	$ --	$ 27,994
Trade receivables, net	--	25,163	589	--	25,752
Taxes receivable	939	--	--	--	939
Inventories, net	--	8,972	17,919	--	26,891
Deferred income taxes	1,138	7,054	1,014	--	9,206
Other current assets	--	7,893	784	--	8,677
Total current assets	2,077	76,732	20,650	--	99,459
Property, plant and equipment, net	--	667,187	13,085	--	680,272
Real estate held for sale and investment	--	148,950	10,227	--	159,177
Deferred charges and other assets	5,750	30,382	80	--	36,212
Notes receivable, long-term	--	10,881	--	--	10,881
Intangible assets, net	--	182,220	12,744	--	194,964
Investments in subsidiaries and advances to (from) subsidiaries	716,581	(9,521)	(10,909)	(696,151)	--
Total assets	$ 724,408	$ 1,106,831	$ 45,877	$ (696,151)	$ 1,180,965
Current liabilities:					
Accounts payable and accrued expenses	$ 4,703	$ 106,367	$ 11,370	$ --	$ 122,440
Long-term debt due within one year	--	746	1,000	--	1,746
Total current liabilities	4,703	107,113	12,370	--	124,186
Long-term debt	200,000	171,434	15,200	--	386,634
Other long-term liabilities	534	27,397	--	--	27,931
Deferred income taxes	--	101,962	--	--	101,962
Minority interest in net assets of consolidated joint ventures	--	13,051	8,030	--	21,081
Total stockholders' equity	519,171	685,874	10,277	(696,151)	519,171
Total liabilities and stockholders' equity	$ 724,408	$ 1,106,831	$ 45,877	$ (696,151)	$ 1,180,965

Supplemental Condensed Consolidating Statement of Operations
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	For the Six Months Ended January 31, 2002				
Total revenue	$ --	$ 230,934	$ 54,458	$ 6,769	$ 292,161
Total operating expense	4,029	214,371	51,986	6,769	277,155
Income (loss) from operations	(4,029)	16,563	2,472	--	15,006
Other expense	(12,003)	(4,999)	(446)	--	(17,448)
Minority interest in net income of consolidated joint ventures	--	1,025	(982)	--	43
Income (loss) before benefit (provision) for income taxes	(16,032)	12,589	1,044	--	(2,399)
Benefit (provision) for income taxes	6,092	(5,149)	(30)	--	913
Net income (loss) before equity in income of consolidated subsidiaries	(9,940)	7,440	1,014	--	(1,486)
Equity in income of consolidated subsidiaries	8,454	1,014	--	(9,468)	--
Net income (loss)	$ (1,486)	$ 8,454	$ 1,014	$ (9,468)	$ (1,486)
	For the Six Months Ended January 31, 2001				
Total revenue	$ --	$ 213,013	$ 48,079	$ (1,268)	$ 259,824
Total operating expense	278	205,989	45,390	(1,268)	250,389
Income (loss) from operations	(278)	7,024	2,689	--	9,435
Other expense	(9,103)	(7,279)	(636)	--	(17,018)
Minority interest in net income of consolidated joint ventures	--	--	(1,039)	--	(1,039)
Income (loss) before benefit (provision) for income taxes	(9,381)	(255)	1,014	--	(8,622)
Benefit (provision) for income taxes	3,893	(315)	--	--	3,578
Net income (loss) before equity in income of consolidated subsidiaries	(5,488)	(570)	1,014	--	(5,044)
Equity in income of consolidated subsidiaries	444	1,014	--	(1,458)	--
Net income (loss)	$ (5,044)	$ 444	$ 1,014	$ (1,458)	$ (5,044)

Supplemental Condensed Consolidating Statement of Cash Flows
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
	For the Six Months Ended January 31, 2002			
Cash flows provided by operating activities	$ 3,409	$ 86,913	$ 1,174	$ 91,496
Cash flows from investing activities:				
Resort capital expenditures	--	(31,109)	(4,368)	(35,477)
Investments in real estate	--	(36,625)	--	(36,625)
Cash paid in acquisitions	--	(77,520)	--	(77,520)
Investments in/distributions from equity investments, net	--	479	--	479
Cash flows from other investing activities	--	(109)	--	(109)
Net cash used in investing activities	--	(144,884)	(4,368)	(149,252)
Cash flows from financing activities:				
Proceeds from borrowings under long-term debt	152,872	414,029	1,700	568,601
Payments on long-term debt	--	(505,558)	--	(505,558)
Advances to (from) affiliates	(152,264)	151,840	424	--
Other financing activities	(4,017)	(3,034)	--	(7,051)

Net cash provided by (used in) financing activities	(3,409)	57,277	2,124	55,992
Net decrease in cash and cash equivalents	--	(694)	(1,070)	(1,764)
Cash and cash equivalents:				
Beginning of period	--	25,585	2,409	27,994
End of period	$ --	$ 24,891	$ 1,339	$ 26,230

	For the Six Months Ended January 31, 2001			
Cash flows provided by (used in) operating activities	$ (8,608)	$ 70,520	$ 5,116	$ 67,028
Cash flows from investing activities:				
Resort capital expenditures	--	(18,048)	(5,784)	(23,832)
Investments in real estate	--	(27,154)	--	(27,154)
Cash flows from other investing activities	--	5,744	--	5,744
Net cash used in investing activities	--	(39,458)	(5,784)	(45,242)
Cash flows from financing activities:				
Proceeds from borrowings under long-term debt	--	110,700	900	111,600
Payments on long-term debt	--	(122,778)	(500)	(123,278)
Advances to (from) affiliates	5,416	(5,658)	242	--
Other financing activities	3,192	(6,324)	--	(3,132)
Net cash provided by (used in) financing activities	8,608	(24,060)	642	(14,810)
Net increase (decrease) in cash and cash equivalents	--	7,002	(26)	6,976
Cash and cash equivalents:				
Beginning of period	--	18,346	322	18,668
End of period	$ --	$ 25,348	$ 296	$ 25,644

7. Related Party Transactions

In connection with the employment of Edward E. Mace as President of Rockresorts International, LLC ("Rockresorts") and of Vail Resorts Lodging Company, Rockresorts agreed to invest up to $900,000, but not to exceed 50% of the purchase price, for the purchase of a residence for Mr. Mace and his family in Eagle County, Colorado (the "Colorado Residence"). Based on the actual amount invested by the Company, the Company will obtain a proportionate undivided ownership interest in the Colorado Residence. Upon the resale of the Colorado Residence, or within 18 months of the termination of Mr. Mace's employment with the Company, whichever is earlier, the Company shall be entitled to receive its proportionate share of the resale price of the Colorado Residence, less certain deductions. Mr. Mace currently owns a residence in California (the "California Residence"), which, if not sold within six months, Rockresorts has agreed to either purchase or pay certain costs associated with the first mortgage on the Calif ornia Residence.

In 1995, the spouse of Andrew P. Daly, the Company's President, received financial terms more favorable than those available to the general public in connection with her purchase of a homesite at Bachelor Gulch Village. Rather than payment of an earnest money deposit with the entire balance due in cash at closing, the contract provides for no earnest money deposit with the entire purchase price (which was below fair market value) to be paid under a promissory note of $438,750. Mrs. Daly's note is secured by a first deed of trust and amortized over 25 years at a rate of 8% per annum interest, with a balloon payment due on the earlier December 30, 2001 or one year from the date Mr. Daly's employment with the Company is terminated. The Company is currently in negotiations to extend the terms of the agreement.

8. Acquisitions and Business Combinations

In November 2001, the Company acquired a majority interest in Rockresorts, a luxury hotel management company, from Olympus Real Estate Partners ("Olympus") for total initial consideration of $7.5 million. The acquisition includes the assumption by the Company of the management contracts on Rockresorts' five resort hotels across the United States. The Company will control most operational decisions for Rockresorts, and will retain 100% of the cash flow resulting from current management contract fee income. Cash flows from new management contracts will be split between the Company and Olympus in accordance with the operating agreement. In 2004, the Company has the option to acquire the remaining interest in Rockresorts through an additional payment to Olympus, which is to be determined at that time based on growth of Rockresorts. In 2004-2005, Olympus has the option to sell its remaining interest in Rockresorts to the Company for an amount calculated at that time based on the growth of Rockresorts. The Rockresorts brand portfolio at the time of acquisition consisted of five Olympus-owned luxury resort hotels: the Cheeca Lodge in the Florida Keys, The Equinox in Manchester Village, Vermont, La Posada Resort & Spa in Santa Fe, New Mexico, Rosario Resort in the San Juan Islands, Washington, and Casa Madrona in Sausalito, California. Olympus will retain ownership of these properties, but Rockresorts will manage them. Additionally, five of the hotels the Company owns or has a majority interest in have been re-flagged as Rockresorts: The Great Divide Lodge in Breckenridge, The Lodge at Vail, The Keystone Lodge, The Pines Lodge in Beaver Creek, and Snake River Lodge & Spa. The purchase price allocation has not yet been completed for this acquisition.

Concurrent with the acquisition of Rockresorts, the Company acquired The Ritz-Carlton, Rancho Mirage from Olympus for total initial consideration of $20 million and a note payable to Olympus for $25 million in two years. The purchase price allocation for this acquisition has not yet been completed. The Ritz-Carlton, Rancho Mirage was renamed The Lodge at Rancho Mirage and is being managed as a Rockresort property. The four-star hotel is located in the Palm Springs area of California and has 240 guestrooms, including 21 suites. The facility also includes a full service spa, salon and fitness center, an outdoor swimming pool and Jacuzzi, three restaurants and a bar, almost 12,000 square feet of meeting space, and two leased retail spaces.

The Company also acquired the Vail Marriott Mountain Resort ("Vail Marriott") in December 2001 from Host Marriott Corporation for a total purchase price of $49.5 million. The purchase price allocation for this acquisition has not yet been completed. The property is operated by Vail Resorts Lodging Company as a Marriott franchisee, subject to various provisions of a franchise agreement with Marriott International. The Vail Marriott, located 150 yards from Vail's gondola, is the largest hotel in the Vail Valley with 349 rooms. The Vail Marriott's amenities also include a restaurant and bar, over 16,000 square feet of meeting space, indoor and outdoor pools, a full service spa, a 3,600 square foot fitness center, four tennis courts and over 4,500 square feet of commercial space.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's July 31, 2001 Annual Report on Form 10-K and the consolidated condensed interim financial statements as of January 31, 2002 and 2001 and for the three and six months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding the financial position, results of operations and cash flows of the Company.

The following discussion of the Company's financial performance makes reference to Resort EBITDA. Resort EBITDA (earnings before interest expense, income tax expense, depreciation and amortization) is defined as revenues from Resort operations less Resort operating expenses. Resort EBITDA is not a term that has an established meaning under generally accepted accounting principles ("GAAP"), and it might not be comparable to similarly titled measures reported by other companies. Information concerning Resort EBITDA has been included because management believes it is an indicative measure of a resort company's operating performance and is generally used by investors to evaluate companies in the resort industry. Resort EBITDA does not purport to represent cash provided by operating activities, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. For information regarding the Company's historical cash flows from operating, investing and fina ncing activities, see the Company's consolidated financial statements included elsewhere in this Form 10-Q.

Despite the overall economic environment and the downturn in the travel industry following the events of September 11, the Company's financial performance for the second quarter of fiscal 2002 exceeded management expectations, particularly within the Resort segment. Resort revenue for the quarter ended January 31, 2002 increased 0.6% to $180.0 million compared to the comparable period of fiscal 2001. Resort EBITDA for the same period increased 8.6% to $56.5 million compared to fiscal 2001.

The Company's successful financial performance during the second quarter of fiscal 2002 was driven by three major factors: 1) innovative sales and marketing strategies which focused on the Company's frequent skier program, effective lift ticket pricing strategies, aggressive e-marketing, and an initiative to drive visitation at the Company's ski resorts by discounting lodging rates at the Company's owned and managed lodging properties; 2) record season pass sales, fueled by the "Buddy" and "Colorado" season pass products, which also resulted in an increased share of the Colorado Front Range market (Denver/Boulder/Colorado Springs metropolitan areas); and 3) aggressive cost savings measures, which included a wage and hiring freeze, delay of seasonal staffing by three to five weeks, strategic snow making, and restricted discretionary expenditures. The acquisitions of the Vail Marriott, Rockresorts, and Rancho Mirage also contributed to the success of the quarter. In addition, the Company is benefiting from the management restructuring implemented in Spring 2001. As a result of the improved performance in the second fiscal quarter, the Company lifted the hiring freeze and granted merit increases to eligible employees in February 2002.

On a fiscal year-to-date basis through January 31, 2002, the Company's Resort revenue decreased 0.9% and Resort EBITDA decreased 4.4% compared to the same period in fiscal 2001, reflecting the impacts of the September 11 terrorist attacks and the political and economic aftermath of those events. The events of September 11 combined with a slow national economy resulted in a decline in conference bookings, air travel and destination visitors during the Company's first fiscal quarter. In addition, the lack of snow before the Thanksgiving holiday, which fell very early this year, contributed to a decline in business for November. As a result of the lack of snow, the Company's four ski resorts were either closed or had very limited terrain open over the Thanksgiving holiday.

While travel bookings at the Company's ski resorts are still unfavorable compared to last year, there has been some rebound. In mid-December 2001, lodging bookings at the Company's owned and managed lodging properties were 14% unfavorable to the same period last year; the latest data indicates that the same statistic is currently 1% unfavorable to last year. Similarly, in mid-December air bookings into the Eagle County Regional Airport, which serves Vail and Beaver Creek, were down 21% compared to last year, and currently that statistic is a decline of 8% compared to last year. Looking forward, the Company expects continued improvement in visitation and bookings throughout the third fiscal quarter, with strong destination guest visitation over the Spring Break period. In addition, conference business is expected to improve through the end of fiscal 2002. The Company is comfortable with analyst estimates for fiscal 2002 Resort EBITDA in the range of $113 million to $121 million.

The Company's Real estate segment also showed favorable financial performance during the three and six months ended January 31, 2002 as a result of earlier than expected closings on lot sales at the Arrowhead Mountain and Red Sky Ranch developments. The Company is comfortable with analyst estimates of $13 million to $15 million for fiscal 2002 Real estate operating income.

While the Company is pleased with its fiscal 2002 financial performance through January 31, 2002, management recognizes that there are potential obstacles to continuing this favorable financial performance through the fiscal year end as noted in the "Cautionary Statement" section of this Form 10-Q.

Presented below is comparative data for the three and six months ended January 31, 2002 as compared to the three and six months ended January 31, 2001.

Results of Operations

Three Months Ended January 31, 2002 versus Three Months Ended January 31, 2001 (dollars in thousands, except effective ticket price amounts)

	Three Months Ended January 31,		Increase (Decrease)	Percentage Increase (Decrease)
	2002	2001		
	(unaudited)			
Resort revenue	$ 179,991	$ 178,934	$ 1,057	0.6%
Resort operating expense	123,533	126,938	(3,405)	(2.7)%

Resort revenue. Resort revenue for the three months ended January 31, 2002 and 2001 is presented by category as follows:

	Three Months Ended January 31,		Increase (Decrease)	Percentage Increase (Decrease)
	2002	2001		
	(unaudited)			
Lift tickets	$ 66,490	$ 69,266	$ (2,776)	(4.0)%
Ski school	17,541	18,613	(1,072)	(5.8)%
Dining	14,835	16,292	(1,457)	(8.9)%

Retail/rental	34,792	34,675	117	0.3%
Hospitality	30,643	23,756	6,887	29.0%
Other	15,690	16,332	(642)	(3.9)%
Total Resort revenue	$ 179,991	$178,934	$ 1,057	0.6%
Total skier visits	2,122	2,245	(123)	(5.5)%
Effective ticket price	$ 31.33	$ 30.85	$ 0.48	1.6%

Resort revenue for the three months ended January 31, 2002 increased $1.1 million, or 0.6% as compared to the three months ended January 31, 2001. The increase in Resort revenue is primarily attributable to an increase in hospitality revenue during the period as a result of the recent acquisitions of the Vail Marriott and Rancho Mirage.

Lift ticket revenue decreased $2.8 million, or 4.0% during the quarter ended January 31, 2002 as compared to the quarter ended January 31, 2001 due to a 5.5% decline in skier visits during the period offset by a 1.6% increase in effective ticket price ("ETP", defined as total lift ticket revenue divided by total skier visits). The 5.5% decline in skier visits is a result of the early Thanksgiving holiday, an overall decrease in travel as a result of the events of September 11, 2001 and a weak national economy. The increase in ETP is the result of an increase in ticket pricing. Ski school and dining revenue also decreased as a result of the decline in skier visits during the period. In addition, the percentage of skier visits generated by destination guests declined, which unfavorably impacted these ancillary operations.

Resort operating expense. Resort operating expense for the three months ending January 31, 2002 was $123.5 million, a decrease of $3.4 million, or 2.7%, compared to the three months ending January 31, 2001. The decrease in resort operating expense is primarily attributable to the cost savings program discussed above.

Real estate revenue. Revenue from real estate operations for the three months ending January 31, 2002 was $36.7 million, an increase of $26.9 million, or 273.6%, compared to the three months ending January 31, 2001. This increase is primarily due to closings on sales of 23 single-family lots at Red Sky Ranch and 13 single-family lots at the Arrowhead Mountain development near Beaver Creek, versus the same period last year during which the Company closed on the sales of two development parcels and two residential condominiums. Real estate revenue also includes the Company's equity investment in Keystone/Intrawest LLC (the "Keystone JV"), the joint venture developing the River Run development at Keystone. Profits generated by the Keystone JV during the quarter ended January 31, 2002 included the sale of 21 condominiums at the River Run development.

Real estate operating expense. Real estate operating expense for the three months ending January 31, 2002 was $28.3 million, an increase of $21.6 million, or 320.3%, compared to the three months ending January 31, 2001. Real estate operating expense consists primarily of the cost of sales and related real estate commissions associated with sales of real estate. Real estate operating expense also includes the selling, general and administrative expenses associated with the Company's real estate operations. The increase in real estate operating expense for the three months ending January 31, 2002 as compared to the three months ending January 31, 2001 is commensurate with the increase in real estate sales noted above.

Depreciation and amortization. Depreciation and amortization expense was $16.1 million, a decrease of $0.1 million, or 0.7%, for the three months ending January 31, 2002 as compared to the three months ending January 31, 2001. The decrease was primarily attributable to a decrease in amortization expense due to the Company's adoption of SFAS No. 142 offset by an increased fixed asset base as a result of capital expenditures.

Interest expense. During the three months ending January 31, 2002 and 2001 the Company recorded interest expense of $10.4 million and $9.2 million, respectively, relating primarily to the Credit Facility, the Industrial Development Bonds and the Notes. The increase in interest expense for the three months ending January 31, 2002 compared to the three months ending January 31, 2001 is attributable to the 2001 Notes as well as increased amortization of deferred financing costs related to the amendment of the Credit Facility and issuance of the 2001 Notes.

Six Months Ended January 31, 2002 versus Six Months Ended January 31, 2001 (dollars in thousands, except ETP amounts)

	Six Months Ended January 31,			Percentage
	2002	2001	(Decrease)	(Decrease)
	(unaudited)			
Resort revenue	$ 237,412	$ 239,651	$ (2,239)	(0.9)%
Resort operating expense	205,504	206,278	(774)	(0.4)%

Resort revenue. Resort revenue for the six months ended January 31, 2002 and 2001 is presented by category as follows:

	Six Months Ended January 31,		Increase	Percentage Increase
	2002	2001	(Decrease)	(Decrease)
	(unaudited)			
Lift tickets	$ 66,697	$ 69,417	$ (2,720)	(3.9)%
Ski school	17,596	18,637	(1,041)	(5.6)%
Dining	19,197	20,680	(1,483)	(7.2)%
Retail/rental	49,433	48,137	1,296	2.7%
Hospitality	54,761	49,910	4,851	9.7%
Other	29,728	32,870	(3,142)	(9.6)%
Total resort revenue	$ 237,412	$239,651	$ (2,239)	(0.9)%

Total resort revenue	$ 257,412	$259,681	$ (2,269)	(0.9)%
Total skier visits	2,132	2,253	(121)	(5.4)%
ETP	$ 31.28	$ 30.81	$ 0.47	1.5%

Resort revenue for the six months ended January 31, 2002 decreased $2.2 million, or 0.9% as compared to the six months ended January 31, 2001. The decrease in Resort revenue is primarily attributable to a decrease in lift ticket revenue and related ancillary operations. Lift ticket revenue decreased $2.7 million, or 3.9% during the six months ended January 31, 2002 as compared to the six months ended January 31, 2001 due to a 5.4% decline in skier visits during the period offset by a 1.4% increase in ETP. The 5.4% decline in skier visits is a result of the early Thanksgiving holiday, an overall decrease in travel as a result of the events of September 11, 2001 and a weak national economy. The increase in ETP is due to an increase in ticket pricing. Ski school and dining revenue also decreased as a result of the decline in skier visits during the period. In addition, the percentage of skier visits generated by destination guests declined, which unfavorably impacted these ancilla ry operations.

Hospitality revenue increased $4.9 million or 9.7% for the six months ended January 31, 2002 as compared to the six months ended January 31, 2001. The increase is primarily the result of the recent acquisitions of the Vail Marriott and Rancho Mirage.

The $3.1 million decrease in other resort revenue for the six months ended January 31, 2002 as compared to the six months ended January 31, 2001 is due primarily to a decrease in golf and private club operations in the first fiscal quarter of 2002. Other resort revenue also consists of ancillary recreation operations such as Adventure Ridge and Adventure Point, municipal support services for the resort villages, brokerage operations and commercial leasing.

Resort operating expense. Resort operating expense for the six months ending January 31, 2002 was $205.5 million, a decrease of $0.8 million, or 0.4%, compared to the six months ending January 31, 2001. The decrease in resort operating expense is primarily attributable to the spending reduction plan previously discussed.

Real estate revenue. Revenue from real estate operations for the six months ending January 31, 2002 was $52.5 million, an increase of $33.7 million, or 179.4% compared to the six months ending January 31, 2001. This increase is primarily due to closings on the sales of two development land parcels and 36 single-family lots, versus closings on the sales of three development sites and two residential condominiums in the same period of fiscal 2001. Profits generated by the Keystone JV during the six months ended January 31, 2002 included the sale of 72 condominiums and one single-family homesite.

Real estate operating expense. Real estate operating expense for the six months ending January 31, 2002 was $37.8 million, an increase of $26.8 million, or 242.6%, compared to the six months ending January 31, 2001. The increase in real estate operating expense for the six months ending January 31, 2002 as compared to the six months ending January 31, 2001 is commensurate with the increase in real estate sales noted above.

Depreciation and amortization. Depreciation and amortization expense was $31.4 million, a decrease of $0.4 million, or 1.3%, for the six months ending January 31, 2002 as compared to the six months ending January 31, 2001. The decrease was primarily attributable to a decrease in amortization expense due to the Company's adoption of SFAS No. 142 offset by an increased fixed asset base as a result of capital expenditures.

Interest expense. The Company recorded interest expense of $18.2 million for the six months ending January 31, 2002 compared to interest expense of $18.1 million for the six months ending January 31, 2001. The interest expense relates primarily to the Credit Facility, the Industrial Development Bonds and the Notes. The increase in interest expense for the six months ending January 31, 2002 compared to the six months ending January 31, 2001 is attributable to the 2001 Notes and increased amortization of deferred financing costs related to the amendment of the Credit Facility and issuance of the 2001 Notes partially offset by reduced interest rates during the six months ending January 31, 2002.

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 six months ended January 31, 2002, cash flows used in investing activities included payments of $77.5 million for acquisitions, $35.5 million for resort capital expenditures, and $36.6 million for investments in real estate.

The primary projects included in resort capital expenditures were (i) the development of Peak 7 ski terrain in Breckenridge, (ii) implementation of an enterprise resource planning system, (iii) a new Children's Ski School facility at Breckenridge, (iv) expansion of the grooming fleet, and (v) upgrades and remodeling at the Village at Breckenridge and Lodge at Vail. The primary projects included in investments in real estate were (i) continued development of the Red Sky Ranch golf community, (ii) construction of the Mountain Thunder Lodge condominium project at Breckenridge, and (iii) planning and development of projects in and around each of the Company's resorts.

The Company estimates that it will make resort capital expenditures of approximately $25 to $35 million during the remainder of fiscal 2002. The primary projects are anticipated to include (i) ski area expansion of Peak 7 at Breckenridge, (ii) Keystone snowmaking improvements, (iii) upgrades to office and front line information systems, (iv) renovations to the Vail Marriott, and (v) renovations to Rancho Mirage. Investments in real estate during the remainder of fiscal 2002 are expected to total approximately $25 to $35 million. The primary projects are anticipated to include (i) planning and development of projects at Vail, Bachelor Gulch, Arrowhead, Avon, Breckenridge, Keystone and the Jackson Hole Valley, (ii) continued development of Red Sky Ranch, (iii) continued development of Mountain Thunder Lodge at Breckenridge and (iv) investments in developable land at strategic locations at all four ski 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.

In November 2001, the Company acquired a majority interest in Rockresorts, a luxury hotel management company, from Olympus for total initial consideration of $7.5 million. The acquisition includes the assumption by the Company of the management contracts on Rockresorts' five resort hotels across the United States. The Company will control most operational decisions for Rockresorts, and will retain 100% of the cash flow resulting from current management contract fee income. Cash flows from new management contracts will be split between the Company and Olympus in accordance with the operating agreement. In 2004, the Company has the option to acquire the remaining interest in Rockresorts through an additional payment to Olympus, which is to be determined at that time based on growth of Rockresorts. In 2004-2005, Olympus has the option to sell its remaining interest in Rockresorts to the Company for an amount calculated at that time based on the growth of Rockresorts. Concurrent with the acquisition of Rockre sorts, the Company acquired Rancho Mirage from Olympus for total initial consideration of $20 million and a non-interest bearing note payable with a principal amount of $25 million due in two years. The Company also acquired the Vail Marriott in December 2001 from Host Marriott Corporation for a total purchase price of $49.5 million. The acquisitions of Rockresorts, Rancho Mirage and the Vail Marriott were funded by borrowings under the Credit Facility.

During the six months ended January 31, 2002, the Company used $149.3 million in cash in its financing activities consisting of $63.0 million net long-term debt borrowings, $7.3 million paid in deferred financing costs, and $0.3 million received from the exercise of stock options. During the six months ended January 31, 2002, 18,585 employee stock options were exercised at exercise prices ranging from $6.85 to $19.06. Additionally, 3,845 shares of restricted stock were issued to management.

In November 2001 the Company entered into a new three-year revolving credit facility to replace its existing credit facility, which had been scheduled to terminate at the end of 2002. The Company's subsidiary, The Vail Corporation, is the borrower under the new credit facility, with Bank of America, N.A. as agent and certain other financial institutions as lenders. The new credit facility provides for debt financing up to an aggregate principal amount of $421.0 million. The Vail Corporation's obligations under the new credit facility are guaranteed by the Company and certain of its subsidiaries and are secured by a pledge of all of the capital stock of The Vail Corporation and substantially all of its subsidiaries. The proceeds of the loans made under the new credit facility may be used to fund the Company's working capital needs, capital expenditures and other general corporate purposes, including the issuance of letters of credit.

Also in November 2001, the Company sold $160 million principal amount of 8.75% senior subordinated notes due in 2009. The terms of the notes are substantially similar to those of the Company's 8.75% senior subordinated notes due in 2009 issued in May of 1999. The notes were issued with an original issue discount for federal income tax purposes that yielded gross proceeds to the Company of approximately $152.6 million. The Company used the proceeds of the notes to repay a portion of the indebtedness under the Company's Credit Facility.

Based on current anticipated 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.

Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the Company to select appropriate accounting policies, and to make judgments and estimates affecting the application of those accounting policies. In applying the Company's accounting policies, different business conditions or the use of different assumptions may result in materially different amounts reported in the consolidated financial statements.

In response to the Securities and Exchange Commission's ("SEC") Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies", the Company has identified the most critical accounting policies upon which the Company's financial status depends. The critical principles were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies identified relate to (i) revenue recognition; (ii) intangible assets, (iii) income taxes and (iv) real estate held for sale.

Revenue Recognition. Resort revenue is derived from a wide variety of sources, including sales of lift tickets, ski/snowboard school tuition, dining, retail stores, equipment rental, hotel operations, property management services, travel reservation services, private club dues and fees, real estate brokerage, conventions, golf course greens fees, licensing and sponsoring activities and other recreational activities, and are recognized as services are performed. Revenues from real estate sales are not recognized until title has been transferred, and revenue is deferred if the related receivable is subject to subordination until such time that all costs have been recovered. Until the initial down payment and subsequent collection of principal and interest are by contract substantial, cash received from the buyer is reported as a deposit on the contract.

Technology segment revenues are earned from various software licensing arrangements, professional services and hosting arrangements. Pursuant to the American Institute of Certified Public Accountants' Statement of Position No. 97-2, and related interpretations, the Company recognizes revenue on software licenses when persuasive evidence of an arrangement exists, the licensed software has been delivered, customer acceptance has occurred, payment is due within twelve months, and the fee is fixed or determinable and deemed collectible. For software licenses involving significant customization, production or modification of the software products, revenue is recognized on the percentage-of-completion method of contract accounting. Software maintenance and support revenue is recognized ratably over the term of each maintenance and support agreement. Revenue from professional service arrangements is recognized on either a time and materials or subscription basis as the services are performed and amounts due from the customer are deemed collectible and contractually non-refundable. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

The Emerging Issues Task Force is currently considering revenue recognition in multiple-element arrangements in EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" and the Financial Accounting Standards Board is expected to begin work on a revenue recognition project in the near future. The conclusions reached in these proceedings, and subsequent interpretations of those conclusions, may impact the Company's significant revenue recognition judgments.

Intangible Assets. The Company frequently obtains intangible assets primarily through business combinations. The assignment of value to individual intangible assets generally requires the use of specialist, such as an appraiser. The assumptions used in the appraisal process are forward-looking, and thus are subject to significant interpretation. Because individual intangible assets (i) may be expensed immediately upon acquisition (for example, purchased in-process research and development assets); (ii) amortized over their estimated useful life (for example, licenses and patents); or (iii) not amortized (for example, goodwill), the assigned values could have a material effect on current and future period results of operations. Further, intangibles are subject to certain judgments when evaluating impairment pursuant to Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets", discussed more below.

Income Taxes. The Company is required to estimate its income taxes in each jurisdiction in which it operates. This process requires the Company to estimate the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities on the Company's Consolidated Balance Sheets. The Company must then assess the likelihood that the deferred tax assets will be recovered from future taxable income, and to the extent recovery is not likely, must establish a valuation allowance. As of January 31, 2002, the Company had a net deferred tax asset of $9.2 million, which represented approximately 0.7% of total assets. The net deferred tax asset contains a valuation allowance representing the portion that management does not believe will be recovered from future taxable income. Management believes that sufficient taxable income will be generated in the future to realize the benefit of the Company's net deferred tax assets. The Company's assumptions of future profitable operations are supported by the Company's strong operating performance over the last several years and the absence of factors that would indicate this trend would be unlikely to continue.

Real Estate Held for Sale. The Company capitalizes as land held for sale the original acquisition cost (or appraised value, if applicable), direct construction and development costs, property taxes, interest incurred on costs related to land under development, and other related costs (engineering, surveying, landscaping, etc.) until the property reaches its intended use. The cost of sales for individual parcels of real estate or condominium units within a project is determined using the relative sales value method. Selling expenses are charged against income in the period incurred.

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets". SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in business combinations) should be accounted for in financial statements upon their

acquisition, and also addresses how goodwill and other intangible assets (including those acquired in business combinations) should be accounted for after they have been initially recognized in the financial statements. The major provisions of SFAS No. 142 and differences from APB Opinion No. 17 include (a) no amortization of goodwill and other certain intangible assets with indefinite lives, including excess reorganization value, (b) a more aggregate view of goodwill and accounting for goodwill based on units of the combined entity, (c) a bette r defined "two-step" approach for testing impairment of goodwill, (d) a better defined process for testing other intangible assets for impairment, and (e) disclosure of additional information related to goodwill and intangible assets. The "two-step" impairment approach to testing goodwill is required to be performed at least annually with the first step involving a screen for potential impairment and the second step measuring the amount of impairment. The provisions of SFAS No. 142 are required to be applied starting with fiscal years after December 15, 2001. Earlier application is permitted for entities with fiscal years beginning after March 15, 2001. The Company adopted the provisions of SFAS No. 142 as of August 1, 2001 and is therefore required to have completed the first "step" of its goodwill impairment testing by the end of its second fiscal quarter and the transitional impairment testing of its other intangible assets by the end of its first fiscal quarter. The Company did not identify any impairmen ts as a result of the first "step" of goodwill impairment testing performed, except for goodwill associated with SRL&S and Village at Breckenridge. The Company is required to quantify these impairments by July 31, 2002. Pursuant to SFAS No. 142, the Company is no longer amortizing goodwill and its intangible assets that carry indefinite lives, and will therefore not incur approximately $1.9 million per quarter in amortization expense on a prospective basis. The Company has not yet determined what impact the remaining provisions of SFAS No. 142, including its final tests for goodwill impairment, will have on its financial position or results of operations. However, there may be more volatility in reported income than under previous standards because impairment losses, if incurred, are likely to occur irregularly and in varying amounts.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not currently have any obligations falling under the scope of SFAS No. 143, and therefore does not believe its adoption will have a material impact on its financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", but retains the requirements of SFAS No.121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the asset. SFAS No. 144 removes goodwill from its scope as the impairment of goodwill is addressed prospectively pursuant to SFAS No. 142. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those years. The Company does not expect the adoption of SFAS No. 144 to have a material impact on its financial position or results of operations.

Cautionary Statement

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

- *a significant downturn in general business and economic conditions,*
- *unfavorable weather conditions, including inadequate snowfall in the early season,*
- *failure to attract and retain sufficient workforce,*
- *failure to obtain necessary approvals needed to implement planned development projects,*
- *competition in the ski, hospitality and resort industries,*
- *failure to successfully integrate acquisitions,*
- *adverse changes in vacation real estate markets, and*
- *adverse trends in the leisure and travel industry as a result of terrorist activities.*

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. 333-76956-01) and the Annual Report on Form 10-K for the year ended July 31, 2001.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. The Company's exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate indebtedness. At January 31, 2002, the Company had $30.9 million of variable rate indebtedness, representing 6.5% of the Company's total debt outstanding, at an average interest rate during the three months ended January 31, 2002 of 4.13% (see Note 5 of the Notes to Consolidated Financial Statements). Based on the average floating rate borrowings outstanding during the three months ended January 31, 2002, a 100 basis-point change in LIBOR would have caused the Company's monthly interest expense to change by approximately $73,000.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

The Company held its annual meeting of shareholders on January 9, 2002 in New York, New York. 23,037,855 shares of Class A Common Stock and Common Stock, 65.6% of outstanding shares, were represented at the meeting.

All of the Company's Class 1 director nominees were elected to serve until the next annual meeting of the

a) shareholders with the voting results for each as follows:

Director	For	Withheld
Leon D. Black	7,439,542	--
Craig M. Cogut	7,439,542	--
Andrew P. Daly	7,439,542	--
Robert A. Katz	7,439,542	--
William L. Mack	7,439,542	--
Antony P. Ressler	7,439,542	--
Marc J. Rowan	7,439,542	--
John J. Ryan, III	7,439,542	--
Bruce H. Spencer	7,439,542	--

b) All of the Company's Class 2 director nominees were elected to serve until the next annual meeting of the shareholders with the voting results for each as follows:

Director	For	Withheld
Adam M. Aron	14,750,323	847,990
Frank J. Biondi	14,774,932	823,381
Stephen C. Hilbert	14,774,922	850,391
Thomas H. Lee	14,769,252	829,061
Joe R. Micheletto	14,772,778	825,535
John F. Sorte	14,774,152	824,161
William P. Stiritz	14,768,478	829,835
James S. Tisch	14,752,572	845,741

c) Ratification of appointment of Arthur Andersen LLP as independent public accountants.

For	Against	Abstain	Broker Non-Vote
23,022,033	12,237	3,585	--

Item 5. Other Information.

The Board of Directors, pursuant to the Company's By-Laws and in accordance with Delaware law, adopted an amendment to the Company's By-Laws to provide for certain procedural matters in connection with action taken by shareholder consent. A copy of the Company's By-Laws is included as an Exhibit to this Form 10-Q.

Item 6. Exhibits and Reports on Form 8-K.

a) Index to Financial Statements and Financial Statement Schedules.

i) 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.	16
4.1	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, 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.)	
4.3(a)	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.)	
4.3(b)		

	Indenture, dated as of November 21, 2001, among Vail Resorts, Inc., the guarantors named therein and The Bank of New York, as trustee. (Incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-4 of Vail Resorts, Inc. (Registration No. 333-76956-01) 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, 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.)
10.5	Joint Liability Agreement by and between 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.)
10.6	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.)
10.7	Amendment to Management Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)
10.8(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.)
10.8(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.)
10.9	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.)
10.10(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.)
10.10(b)	Amendment to Agreement for Purchase and Sale dated September 8, 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(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(c)	Second Amendment to Agreement for Purchase and Sale dated September 22, 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(c) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993.)
10.10(d)	Third Amendment to Agreement for Purchase and Sale dated November 30, 1993 by and among 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.)	
10.11	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.)	
10.12	Agreement to Settle Prospective Litigation and for Sale of Personal Property dated May 10, 1993, among 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.)	
10.13	Employment Agreement dated October 1, 2000 by and between Vail Resorts, Inc., Vail Associates, Inc. and Andrew P. Daly. (Incorporated by reference to Exhibit 10.13 of the report on Form 10-K of Vail Resorts, Inc. for the year ended July 31, 2001.)	
10.14(a)	Employment Agreement dated July 29, 1996 between Vail Resorts, Inc. and Adam M. Aron. (Incorporated by reference to Exhibit 10.21 of the report on form S-2/A of Vail Resorts, Inc. (Registration # 333-5341) including all amendments thereto.)	
10.14(b)	Amendment to the Employment Agreement dated May 1, 2001 between Vail Resorts, Inc. and Adam M. Aron. (Incorporated by reference to Exhibit 10.14(b) of the report on form 10-K of Vail Resorts, Inc. for the year ended July 31, 2001.)	
10.15(a)	Shareholder Agreement among Vail Resorts, Inc., Ralston Foods, Inc., and Apollo Ski Partners, L.P. 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.)	
10.15(b)	First Amendment to the Shareholder Agreement dated as of November 1, 1999, among Vail Resorts, Inc., Ralcorp Holdings, Inc. (f/k/a Ralston Foods, Inc.) and Apollo Ski Partners, L.P. (Incorporated by reference to Exhibit 10.17(b) of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended January 31, 2000.)	
10.16	1996 Stock Option Plan (Incorporated by reference from the Company's Registration Statement on Form S-3, File No. 333-5341).	
10.17	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.)	
10.18(a)	Sports and Housing Facilities Financing Agreement between the Vail Corporation (d/b/a "Vail Associates, Inc.") and Eagle County, Colorado, dated April 1, 1998. (Incorporated by reference to Exhibit 10 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1998.)	
10.18(b)	Trust Indenture dated as of April 1, 1998 securing Sports and Housing Facilities Revenue Refunding Bonds by and between Eagle County, Colorado and U.S. Bank, N.A., as Trustee. (Incorporated by reference to Exhibit 10.1 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended April 30, 1998.)	
10.19	Credit agreement dated December 30, 1998 between 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.)	
10.20	Second Amended and Restated Credit Agreement among The Vail Corporation (d/b/a "Vail Associates, Inc"), Borrower, Bank of America, N.A., Agent, and the other lenders party thereto dated as of November 13, 2001.	34
10.21	Employment Agreement dated October 28, 1996 by and between Vail Resorts, Inc. and James P. Donohue. (Incorporated by reference to Exhibit 10.24 of the report on Form 10-Q of Vail Resorts, Inc. for the quarter ended October 31, 1999.)	
10.22	Vail Resorts, Inc. 1999 Long Term Incentive and Share Award Plan. (Incorporated by reference to the Company's registration statement on Form S-8, File No. 333-32320.)	

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 March 15, 2002.

Vail Resorts, Inc.

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

Dated: March 15, 2002

VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

February 12, 2002

33.1 Record Date for Action by Written Consent. In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this Section 33.1). If no record date has been fixed by the Board of Directors pursuant to the first sentence of this Section 33.1 or otherwise within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors pursuant to the first sentence of this Section 33.1, the record date for determining stockholders entitle d to consent to corporate action in writing without a meeting if prior action by the Board of Directors is required by law shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

33.2 Inspectors of Written Consent. In the event of the delivery, in the manner provided by Section 33.1 above, to the Corporation of written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage independent inspectors of elections for the purpose of performing promptly a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with Section 33.1 above represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this Section 33.2 shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation t hereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

33.3 Effectiveness of Written Consent. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated written consent received in accordance with Section 33.1, a written consent or consents signed by a sufficient number of holders to take action are delivered to the corporation in the manner prescribed in Section 33.1 above.

VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

October 1, 1997

36. Fiscal Year. The fiscal year of the Corporation means the period commencing August 1 of the preceding year and ending on July 31 of such year or such other date as may be fixed from time to time by the Board.

VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

September 1, 1997

36. Fiscal Year. The fiscal year of the Corporation means the period commencing August 1 of the preceding year and ending on July 31 of such year or such other date as may be fixed from time to time by the Board.

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VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

February 20, 1997

11. Number, Election, and Terms. The Board shall be comprised of 17 directors consisting of two-thirds (2/3) Class I directors and one-third (1/3) Class II directors. Each director shall serve a one year term. Unless provided by the Restated Certificate of Incorporation, directors need not be stockholders.

VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

July 22, 1996

11. Number, Election, and Terms. The Board shall be comprised of 16 directors consisting of two-thirds (2/3) Class I directors and one-third (1/3) Class II directors. Each director shall serve a one year term. Unless provided by the Restated Certificate of Incorporation, directors need not be stockholders.

VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

June 3, 1996

11. Number, Election, and Terms. The Board shall be comprised of 14 directors consisting of two-thirds (2/3) Class I directors and one-third (1/3) Class II directors. Each director shall serve a one year term. Unless provided by the Restated Certificate of Incorporation, directors need not be stockholders.

VAIL RESORTS, INC.

AMENDMENT TO RESTATED BYLAWS

As Adopted and in Effect on

January 31, 1995

11. Number, Election, and Terms. The Board shall be comprised of 12 directors consisting of 8 Class I directors and four Class II directors. Each director shall serve a one year term. Unless provided by the Restated Certificate of Incorporation, directors need not be stockholders.

GILLETT HOLDINGS, INC.

RESTATED BY-LAWS

As Adopted and in Effect on

October 8, 1992

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GILLETT HOLDINGS

RESTATED BY-LAWS

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STOCKHOLDER'S MEETING

1. Time and Place of Meetings. All meetings of the stockholders for the election of Directors or for any other purpose will be held at such time and place, within or without the State of Delaware, as may be designated by the Board or, in the absence of a designation by the Board, the Chairman, the President, or the Secretary, and stated in the notice of meeting. The Board may postpone and reschedule any previously scheduled annual or special meeting of the stockholders.

2. Annual Meeting. An annual meeting of the stockholders shall be held for the election of Directors, at which meeting the stockholders will elect the Directors to succeed those whose terms expire at such meeting and will transact such other business as may properly be brought before such meeting. The first annual meeting of the stockholders following the confirmation of the Plan of Reorganization will occur on such date during 1993 as may be fixed by the Board.

3. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called only by (a) the Chairman or (b) the Secretary within 10 calendar days after receipt of the written request of a majority of the Whole Board. For purposes of these By-Laws, "Whole Board" means all of the members of the board of directors of the Corporation. Any such request by a majority of the Whole Board must be sent to the Chairman and the Secretary and must state the purpose or purposes of the proposed meeting. At a special meeting of stockholders, only such business may be conducted or considered as (i) has been specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Chairman or a majority of the Whole Board or (ii) otherwise is properly brought before the meeting by the presiding officer of the meeting or by or at the direction of a majority of the Whole Board.

4. Notice of Meetings. Written notice of every meeting of the stockholders, stating the place, date, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be given not less than ten nor more than 60 calendar days before the date of the meeting to each stockholder of record entitled to vote at such meeting, except as otherwise provided herein or by law. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at its address as it appears in the records of the Corporation. When a meeting is adjourned to another place, date, or time, written notice need not be given of the adjourned meeting if the place, date, and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than 30 calendar days, or if after the adjournment a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting must be given in conformity herewith. At any adjourned meeting, any business may be transacted which properly could have been transacted at the original meeting.

5. Inspectors. The Board may appoint one or more inspectors of election to act as judges of the voting and to determine those entitled to vote at any meeting of the stockholders, or any adjournment thereof, in advance of such meeting or any adjournment thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer of the meeting may appoint one or more substitute inspectors.

6. Quorum. Except as otherwise provided by law or the Restated Certificate of Incorporation, the holders of a majority of the Common Stock issued and outstanding and entitled to vote, present in person or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum is not present or represented at any meeting of the stockholders, the stockholders entitled to vote, present in person or represented by proxy at such meeting, will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. For purposes of the foregoing, two or more series of Common Stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum, the stockholders so present and represented may, by vote of the holders of a majority of the shares of Common Stock of the Corporati on so present and represented, adjourn the meeting, in accordance with By-Law 4, until a quorum is present.

7. Voting. Except as otherwise provided in these By-Laws or by law or the Restated Certificate of Incorporation, each stockholder will be entitled at every meeting of the stockholders to one vote for each share of Common Stock having voting power standing in the name of such stockholder on the books of the Corporation on the record date for the meeting and such votes may be cast either in person or by written proxy (with a date not more than 90 days prior to the date of such meeting). If the Restated Certificate of Incorporation provides for more or less than one vote for any share, or any matter, every reference in these By-Laws to a majority or other proportion of the shares of Common Stock shall refer to such majority or other proportion of the votes of such shares of Common Stock. Every proxy must be duly executed and filed with the Secretary. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking t he proxy or another duly executed proxy bearing a later date with the Secretary. The vote upon any question brought before a meeting of the stockholders may be by voice vote, unless otherwise required by the Restated Certificate of Incorporation or these By-Laws or unless the Chairman or the holders of a majority of the outstanding shares of Common Stock entitled to vote thereon present in person or by proxy at such meeting otherwise determine. Every vote taken by written ballot will be counted by the inspectors of election. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter and which has actually been voted will be the act of the stockholders, except in the election of Class 2 Directors or as otherwise provided in these By-Laws, the Restated Certificate of Incorporation, or by law.

8. Order of Business. (a) The Chairman, if any, or, in his or her absence, the Vice Chairman, if any, or, in his or her absence, the President or, in his or her absence, such other officer of the Corporation designated by a majority of the Whole Board, will call meetings of the stockholders to order and will act as presiding officer thereof. Unless otherwise determined by the Whole Board prior to the meeting, the presiding officer of the meeting of the stockholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting including, without limitation, imposing restrictions on the persons (other than stockholders of the Corporation or their duly appointed proxies) who may attend any such stockholders' meeting, ascertaining whether any stockholder or his proxy may be excluded from any meeting of the stockholders based upon any determination by the presiding officer, in his or her sole discretion, that any such person ha s unduly disrupted or is likely to disrupt the proceedings thereat, and determining the circumstances in which any person may make a statement or ask questions at any meeting of the stockholders.

(b) At an annual meeting of the stockholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board, or (iii) otherwise properly requested to be brought before the meeting by a stockholder of the Corporation in accordance with By-Law 8(c).

(c) For business to be properly requested by a stockholder to be brought before an annual meeting, the stockholder must (i) be a stockholder of record of the Corporation at the time of the giving of the notice for such annual meeting provided for in these By- Laws, (ii) be entitled to vote at such meeting, and (iii) have given timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 30 calendar days prior to the annual meeting; provided, however, that in the event notice of the date of the annual meeting is not made at least 60 calendar days prior to the date of the annual meeting, notice by the stockholder to be timely must be so received not later than the close of business on the ninth calendar day following the day on which notice is first made of the date of the annual meeting. A stockholder's notice to the Secretary must set forth as to each matter the stockh older proposes to bring before the annual meeting (i) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class and number of shares of the Corporation that are owned beneficially and of record by the stockholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (iv) any material interest of such stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business. Notwithstanding anything in these By-Laws to the contrary, no business will be conducted at an annual meeting except in accordance with the procedures set forth herein. The presiding officer of the annual meeting will, if the fact s warrant, determine that business was not properly brought before the meeting in accordance with the procedures prescribed herein and, if so determined, so declare to the meeting and any such business not properly brought before the meeting will not be transacted.

9. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided by the Restated Certificate of Incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation or any action which may be taken at any annual or special meeting of such stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

DIRECTORS

10. Function. Unless otherwise provided by law, these By- Laws or the Restated Certificate of Incorporation, the business and affairs of the Corporation will be managed under the direction of the Board. In the event that a Director is offered, or becomes aware of, any business opportunity in a capacity other than as a Director of the Corporation, such Director shall have no duty to disclose such opportunity to other Directors, the Board or the Corporation.

11. Number, Election and Terms. The Board shall be comprised of nine Directors consisting of six Class 1 Directors and three Class 2 Directors. Each Director shall serve a one year term. Unless otherwise provided by the Restated Certificate of Incorporation, Directors need not be stockholders.

12. Vacancies and Newly Created Directorships. Newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause will be filled solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board, or by a sole remaining Director; provided, however, whenever the holders of Common Stock are entitled to elect one or more Directors by the provisions of the Restated Certificate of Incorporation, vacancies and newly created directorship of such class or classes shall be filled by the vote of a majority of the Directors elected by such class or classes then in office or by the vote of the sole remaining director so elected. Any Director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy o ccurred and until such Director's successor is elected and qualified. No decrease in the number of Directors constituting the Board will shorten the term of an incumbent Director.

13. Nominations of Directors; Election. (a) Other than persons nominated and elected pursuant to By-Law 12, only persons who are nominated in accordance with the following procedures will be eligible for election as Directors of the Corporation.

(b) Nominations of persons for election as Directors of the Corporation may be made at a meeting of stockholders (i) by or at the direction of the Board or (ii) by any stockholder who is a stockholder of record at the time of giving of notice provided for in this By-Law 13 who is entitled to vote for the election of such Director at the meeting and who complies with the procedures set forth in this By-Law 13; provided, however, whenever the holders of Common Stock are entitled to elect one or more Directors by the provisions of the Restated Certificate of Incorporation, nominations of persons for election as Directors shall be made by Directors elected by such class or classes or by any stockholder of such class or classes entitled to vote for such Director. All nominations by stockholders must be made pursuant to timely notice in proper written form to the Secretary.

(c) To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 30 calendar days prior to the meeting; provided, however, that in the event that notice of the date of the meeting is not made at least 60 calendar days prior to the date of the meeting, notice by the stockholder to be timely must be so received not later than the close of business on the ninth calendar day following the day on which notice is first made of the date of the meeting. To be in proper written form, such stockholder's notice must set forth or include (i) the name and address, as they appear on the Corporation's books, of the stockholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a representation that the stockholder giving the notice is a stockholder of record of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting for such Director to nominate the person or persons specified in the notice; (iii) the class and number of shares of stock of the Corporation owned beneficially and of record by the stockholder giving the notice and by the beneficial owner, if any, on whose behalf the nomination is made; (iv) a description of all arrangements or understandings between or among any of (A) the stockholder giving the notice, (B) the beneficial owner, if any, on whose behalf the notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder giving the notice; (v) the class of director, if any, for which nominated if applicable; (vi) such other information regarding each nominee proposed by the stockholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board; and (vii) the signed consent of each

nominee to serve as a Director of the Corporation if so elected. At the request of the Board, any person nominated by the Board for election as a Director must furnish to the Secretary that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. The presiding officer of the meeting for election of Directors will, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed by this By-Law 13, and if so determined, so declare to the meeting and the defective nomination will be disregarded.

14. Resignation. Any Director may resign at any time by giving written notice of resignation to the Chairman or the Secretary and such resignation will be effective upon actual receipt by any such person or, if later, as of the date and time specified in such written notice.

15. Regular Meetings. Regular meetings of the Board may be held immediately after the annual meeting of the stockholders and at such other time and place either within or without the State of Delaware as may from time to time be determined by a majority vote of the Board. Notice of regular meetings of the Board need not be given.

16. Special Meetings. Special meetings of the Board may be called by the Chairman, the Vice Chairman or the President on one day's notice to each Director by whom such notice is not waived, given either personally or by mail, telephone, telegram, telex, facsimile, or similar medium of communication, and will be called by the Chairman, Vice Chairman or the President in like manner and on like notice on the written request of a majority of the Directors. Special meetings of the Board may be held at such time and place either within or without the State of Delaware as is determined by the Board or specified in the notice of any such meeting. Notwithstanding anything contained in By-Law 1 herein to the contrary, a special meeting of the stockholders shall be held or a written consent of stockholders shall be obtained prior to January 31, 1993 for the sole purpose of electing the Class 2 Directors not previously elected or appointed.

17. Quorum. Except as provided herein to the contrary, at all meetings of the Board, a majority of the total number of Directors then in office will constitute a quorum for the transaction of business. Except for the designation of committees as hereinafter provided and except for actions required by these By-Laws or the Restated Certificate of Incorporation to be taken by a majority of the Whole Board, the act of a majority of the Directors present or voting by written proxy (with a date not more than 30 days prior to the date of such meeting) at any meeting at which there is a quorum will be the act of the Board. If a quorum is not present at any meeting of the Board, the Directors present thereat may adjourn the meeting from time to time to another place, time, or date, without notice other than announcement at the meeting, until a quorum is present.

18. Participation in Meetings by Telephone Conference. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or any such committee, as the case may be, by means of telephone conference or similar means by which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

19. Committees. (a) The Board may designate one or more committees, each such committee to consist of one or more Directors and each to have such lawfully delegable powers and duties as the Board may confer.

(b) Each committee of the Board will serve at the pleasure of the Board or as may be specified in any resolution from time to time adopted by the Board. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of such committee. In lieu of such action by the Board, in the absence or disqualification of any member of a committee of the Board, the members thereof present at any such meeting of such committee and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

(c) Unless otherwise prescribed by the Restated Certificate of Incorporation, a majority of the members of any committee of the Board will constitute a quorum for the transaction of business, and the act of a majority of the members present or voting by written proxy (with a date not more than 30 days prior to the date of such meeting) at a meeting at which there is a quorum will be the act of such committee. Each committee of the Board may prescribe its own rules for calling and holding meetings and its method of procedure, subject to these By-Laws and any rules prescribed by the Board, and will keep a written record of all actions taken by it.

20. Compensation. The Board may establish the compensation for, and reimbursement of the expenses of Directors for, membership on the Board or any committees of the Board, attendance at meetings of the Board or any committees of the Board, and for other services by Directors to the Corporation or any of its majority-owned subsidiaries.

21. Rules. The Board may adopt rules and regulations for the conduct of their meetings and the management of the affairs of the Corporation.

22. Action by Directors without a Meeting. Unless otherwise provided by the Restated Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board or any committee designated by the Board may be taken without a meeting if all members of the Board or of such committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or such committee.

NOTICES

23. Generally. Except as otherwise provided by law, whenever under the provisions of the Restated Certificate of Incorporation or these By-Laws notice is required to be given to any Director or stockholder, it will not be construed to require personal notice, but such notice may be given in writing, by mail, addressed to such Director or stockholder, at the address of such Director or stockholder as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same is deposited in the United States mail. Notice to Directors may also be given by telephone, telegram, telex, facsimile, or similar medium of communication or as otherwise may be permitted by these By-Laws.

24. Waivers. Whenever any notice is required to be given by law or under the provisions of the Restated Certificate of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to such notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

OFFICERS

25. Generally. The officers of the Corporation will be elected by the majority vote of the Board and will consist of a Chairman (who unless specified otherwise, will also be the Chief Executive Officer), a President, a Secretary, and a Treasurer. The Board may also choose any or all of the following: one or more Vice Chairmen, one or more Assistants to the Chairman, one or more Vice Presidents (who may be given particular designations with respect to authority, function, or seniority), and such other officers as the Board may from time to time determine. Any number of offices may be held by the same person. Any of the offices may be left vacant from time to time as the Board may determine. In the case of the absence or disability of any officer of the corporation or for any other reason deemed sufficient by a majority of the Board, the Board may delegate the absent or disabled officer's powers or duties to any other officer or to any Director.

26. Compensation. The compensation of all officers and agents of the Corporation who are also Directors of the Corporation shall be fixed by the Board. The Board may fix, or delegate the power to fix, the compensation of other officers and agents of the Corporation to an officer of the Corporation.

27. Succession. The officers of the Corporation will hold office until their successors are elected and qualified. Any officer may be removed at any time by a majority of the Board. Any vacancy occurring in any office of the Corporation may be filled by a majority of the Board.

28. Authority or Duties. Each of the officers of the Corporation will have such authority and will perform such duties as are customarily incident to their respective offices or as may be specified from time to time by the Board.

STOCK

29. Certificates. Certificates representing shares of stock of the Corporation will be in such form as is determined by the Board, subject to applicable legal requirements. Each such certificate will be numbered and its issuance recorded in the books of the corporation, and such certificate will exhibit the holder's name and the number of shares and will be signed by, or in the name of, the Corporation by the Chairman and the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, and will also be signed by, or bear the facsimile signature of, a duly authorized officer or agent of any properly designated transfer agent of the Corporation. Any or all of the signatures and the seal of the corporation, if any, upon such certificates may be facsimiles, engraved, or printed. Such certificates may be issued and delivered notwithstanding that the person whose facsimile signature appears thereon may have ceased to be such officer at the time the certificates are issued and deli vered.

30. Classes of Stock. The designations, preferences, and relative participating, optional, or other special rights of the various classes of stock or series thereof, and the qualifications, limitations, or restrictions thereof, will be set forth in full or summarized on the face or back of the certificates which the Corporation issues to represent its stock, or in lieu thereof, such certificates will set forth the office of the Corporation from which the holders of certificates may obtain a copy of such information.

31. Transfers. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, it shall be the duty of the Corporation to issue, or to cause its transfer agent to issue, a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

32. Lost Stolen or Destroyed Certificates. The Secretary may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact, satisfactory to the Secretary, by the person claiming the certificate or certificates to be lost, stolen, or destroyed. As a condition precedent to the issuance of a new certificate or certificates, the Secretary may require the owners of such lost, stolen, or destroyed certificate or certificates to give the Corporation a bond in such sum and with such surety or sureties as the Secretary may direct as indemnity against any claims that may be made against the Corporation with respect to the certificate or certificates alleged to have been lost, stolen, or destroyed or the issuance of the new certificate or certificates.

33. Record Dates. (a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which will not be more than 60 calendar days before the date of such meeting. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders will be at the close of business on the calendar day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the calendar day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders will apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date will not be more than 60 calendar days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose will be at the close of business on the calendar day on which the Board adopts the resolution relating thereto.

(c) The Corporation will be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation has notice thereof, except as expressly provided by applicable law.

IMDEMNIFICATION

34. Damages and Expenses. (a) Without limiting the generality or effect of Article Eight of the Restated Certificate of Incorporation, the Corporation will to the fullest extent permitted by applicable law as then in effect indemnify any person (an "Indemnitee") who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending, or completed investigation, claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative (including, without limitation, any action, suit, or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that on or after the Effective Date such person is or was or had agreed to become a Director, officer or employee of the Corporation, or on or after the Effective Date is or was or had agreed to become at the request of the Board or of an officer of the Corporation, a director, office r or employee of another corporation, partnership, joint venture, trust, or other entity, whether for profit or not for profit (including the heirs, executors, administrators, or estate of such person), or anything done or not by such person in any such capacity, against all expenses (including, without limitation, attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding. Such indemnification will be a contract right and will include the right to receive payment in advance of any expenses incurred by an Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

(b) If any provision or provisions of this By-Law 34 are held to be invalid, illegal, or unenforceable for any reason whatsoever: (i) the validity, legality, and enforceability of the remaining provisions of this By-Law 34 (including, without limitation, all portions of any paragraph of this By-Law 34 containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) will not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this By-Law 34 (including, without limitation, all portions of any paragraph of this By-Law 34 containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) will be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

35. Insurance, Contracts, and Funding. The Corporation may purchase and maintain insurance to protect itself and any Indemnitee against any expenses, judgments, fines, and amounts paid in settlement or incurred by any Indemnitee in connection with any proceeding referred to in By-Law 34 or otherwise, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any person entitled to indemnification under By-Law 34 or otherwise, and may create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in By-Law 34.

GENERAL

36. Fiscal Year. The fiscal year of the Corporation means the period commencing on the Monday after the Sunday closest to December 31 of the preceding year and ending on the Sunday nearest December 31 of such year or such other date as may be fixed from time to time by the Board.

37. Seal. The Board may adopt a corporate seal and use the same by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

38. Reliance upon Books, Reports, and Records. Each Director, each member of a committee designated by the Board, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports, or statements presented to the corporation by any of the Corporation's officers or employees, or committees of the Board, or by any other person or entity as to matters the Director, committee member, or officer believes are within such other person's or entity's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

39. Time Periods. In applying any provision of these By-Laws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days will be used unless otherwise specified, the day of the doing of the act will be excluded and the day of the event will be included.

40. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its Directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because the votes of such one or more Directors are counted for such purpose, if: (a) the material facts as to the relationship to or interest in the contract or transaction of such Director are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or (b) the material facts as to the relationship to or interest in the contract or transaction of such Director are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board, a committee thereof or the stockholders. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

41. Amendments. Except as otherwise provided by law and subject to the Restated Certificate of Incorporation, these By-Laws may be amended in any respect or repealed, either (i) at any meeting of stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting has been described or referred to in the notice of such meeting, or (ii) at any meeting of the Board, provided that no amendment adopted by the Board may vary or conflict with any amendment adopted by the stockholders.

42. Certain Defined Terms. Terms used herein with initial capital letters not otherwise defined herein that are defined in the Restated Certificate of Incorporation of the Corporation are used herein as so defined.

SECOND AMENDED AND RESTATED

CREDIT AGREEMENT

Dated as of November 13, 2001

among

THE VAIL CORPORATION

(d/b/a "Vail Associates, Inc.")

Borrower

BANK OF AMERICA, N.A.

Agent

and

THE OTHER LENDERS PARTY HERETO

BANC OF AMERICA SECURITIES LLC

Sole Lead Arranger, Sole Book Manager and Syndication Agent

FLEET NATIONAL BANK

Syndication Agent

U.S. BANK NATIONAL ASSOCIATION

Documentation Agent

BANKERS TRUST COMPANY

Documentation Agent

$421,000,000

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CREDIT AGREEMENT

This Second Amended and Restated Credit Agreement is entered into as of November 13, 2001, among The Vail Corporation, a Colorado corporation doing business as "Vail Associates, Inc." ("***Borrower***"), the Lenders (defined below), Bank of America, N.A., as Agent for itself and the other Lenders, and Banc of America Securities LLC, as Sole Lead Arranger, Sole Book Manager and Syndication Agent.

RECITALS

Borrower, certain lenders, and NationsBank of Texas, N.A., as Agent, were parties to a Credit Agreement dated as of December 19, 1997 (as amended, the "***Original Agreement***").

The Original Credit Agreement was amended and restated by that certain Amended and Restated Credit Agreement among Borrower, certain lenders and NationsBank, N.A. (successor by merger to NationsBank of Texas, N.A.), as Agent, dated as of May 1, 1999 (as amended, the "***Existing Agreement***").

Effective July 5, 1999, NationsBank, N.A. changed its name to Bank of America, N.A. Effective July 23, 1999 Bank of America, N.A. merged with and into Bank of America National Trust and Savings Association which then changed its name to Bank of America, N.A.

The parties wish to amend and restate the Existing Agreement on the terms and conditions of this Agreement.

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Existing Agreement is hereby amended and restated to read in its entirety as follows:

SECTION 1 DEFINITIONS AND TERMS.

1.1 Definitions.

Adjusted EBITDA means the *sum* of (a) Resort EBITDA, and (b) EBITDA of the Restricted Companies related to real estate activities in an amount not greater than 20% of Adjusted EBITDA.

Affiliate means with respect to any Person (the "*relevant Person*") (i) any other Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "*Controlling Person*") or (ii) any Person (*other than* the relevant Person) which is controlled by or is under common control with a Controlling Person. As used herein, the term "*control*" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Agent means Bank of America, N.A., a national banking association, and its successor or successors as agent for Lenders under this Agreement.

Agreement means this Second Amended and Restated Credit Agreement and all schedules and exhibits, as amended, supplemented, or restated from time to time.

Applicable Margin means, for any day, the margin of interest over the Base Rate or LIBOR, as the case may be, that is applicable when any interest rate is determined under this Agreement. The Applicable Margin is subject to adjustment (upwards or downwards, as appropriate) based on the ratio of Funded Debt to Adjusted EBITDA, as follows:

Level	Ratio of Funded Debt to Adjusted EBITDA	Applicable Margin for LIBOR Loans	Applicable Margin forBase Rate Loans
I	Less than 3.00 to 1.00	1.500%	0.000%
II	Greater than or equal to 3.00 to 1.00, but less than 3.50 to 1.00	1.750%	0.250%
III	Greater than or equal to 3.50 to 1.00, but less than 4.00 to 1.00	2.00%	0.500%
IV	Greater than or equal to 4.0 to 1.00	2.50%	0.750%

Prior to Agent's receipt of the Companies' consolidated unaudited Financial Statements for the Companies' fiscal quarter ended October 31, 2001, the ratio of Funded Debt to Adjusted EBITDA shall be fixed at Level III. Thereafter, the ratio of Funded Debt to Adjusted EBITDA shall be calculated on a consolidated basis for the Companies in accordance with GAAP for the most recently completed fiscal quarter of the Companies for which results are available. The ratio shall be determined from the Current Financials and any related Compliance Certificate and any change in the Applicable Margin resulting from a change in such ratio shall be effective as of the date of delivery of such compliance certificate. However, if Borrower fails to furnish to Agent the Current Financials and any related Compliance Certificate when required pursuant to ***Section 8.1***, then the ratio shall be deemed to be at Level IV until Borrower furnishes the required Current Financials and any related Compliance Certificate to Agent. Furthermore, if the Companies' audited Financial Statements subsequently delivered to Agent for any fiscal year pursuant to ***Section 8.1(a)(ii)*** result in a different ratio, such revised ratio (whether higher or lower) shall govern effective as of the date of such delivery. For purposes of determining such ratio, Adjusted EBITDA for any fiscal quarter shall include on a *pro forma* basis all EBITDA for such period relating to assets acquired in accordance with this Agreement (including Restricted Subsidiaries formed or organized) during such period, but shall exclude on a *pro forma*

basis all EBITDA for such period relating to any such assets disposed of in accordance with this Agreement during such period.

Applicable Percentage means, for any day, the commitment fee percentage applicable under ***Section 4.4*** when commitment fees are determined under this Agreement. The Applicable Percentage is subject to adjustment (upwards or downwards, as appropriate) based on the ratio of Funded Debt to Adjusted EBITDA, as follows:

Level	Ratio of Funded Debt to Adjusted EBITDA	Applicable Percentage
I	Less than 3.00 to 1.00	0.350%
II	Greater than or equal to 3.00 to 1.00, but less than 3.50 to 1.00	0.500%
III	Greater than or equal to 3.50 to 1.00, but less than 4.00 to 1.00	0.500%
IV	Greater than or equal to 4.00 to 1.00	0.500%

The ratio of Funded Debt to Adjusted EBITDA shall be determined as described in the definition of "*Applicable Margin*."

Apollo means any one or more of the following: Apollo Advisors, L.P., a Delaware limited partnership, or any fund, investment vehicle or account managed, advised or controlled by Apollo Advisors, L.P., or any of its Affiliates, *other than* the Companies.

Bank of America means Bank of America, N.A., a national banking association, in its individual capacity and not as Agent.

Base Rate means, for any day, the rate per annum equal to the higher of (a) the *sum* of the Federal Funds Rate for such day *plus* 0.5%, and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

Base Rate Loan means a Loan bearing interest at the *sum* of the Base Rate *plus* the Applicable Margin.

BC Housing L/C means the $9,232,709 irrevocable transferable L/C expiring June 15, 2002, issued by Agent to Colorado National Bank and any successor thereto as Trustee under the 1997 Trust Indenture with Eagle County, Colorado, as Issuer, relating to $9,100,000 of Eagle County, Colorado, Taxable Housing Facilities Revenue Bonds (BC Housing, LLC Project) Series 1997A, under the terms of which such Trustee will be entitled to draw, with respect to such Bonds, up to (a) an amount sufficient to pay (i) the principal of such Bonds when due, or (ii) the portion of the purchase price of such Bonds tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to the principal amount of such Bonds, *plus* (b) an amount equal to approximately 35 days of accrued interest on such Bonds (at up to 15% per annum), to pay (i) interest on such Bonds when due, or (ii) the portion of the purchase price of such Bonds tendered or deemed tendered for purchase in accordance with such Indenture

and not subsequently remarketed corresponding to accrued interest.

Bond L/Cs means the BC Housing L/C, the Smith Creek L/Cs, the Breckenridge Terrace L/C, the Tarnes L/C, the Tenderfoot Housing, L/C, the Red Sky L/C, and any L/C issued by Agent on or after the date hereof under this Agreement at the request of Borrower in support of revenue bonds or notes for municipal infrastructure or housing projects.

Borrower is defined in the preamble to this Agreement.

Breckenridge Terrace L/C means an irrevocable transferable L/C of up to $16,250,000 expiring December 15, 2002, to be issued by Agent to U.S. Bank National Association and any successor thereto as Trustee under the 1999 Trust Indenture with Breckenridge Terrace LLC as Issuer, relating to approximately $16,000,000 of Breckenridge Terrace LLC Taxable Housing Facilities Revenue Notes (Breckenridge Terrace Project), Series 1999A, under the terms of which such Trustee will be entitled to draw up to (a) an amount sufficient to pay (i) the principal of such Notes when due, or (ii) the portion of the purchase price of such Notes tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to the principal amount of such Notes, *plus* (b) an amount equal to approximately 35 days of accrued interest on such Notes (at up to 15% per annum), to pay (i) interest on such Notes when due, or (ii) the portion of the purchase price of such Notes tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to accrued interest.

Business Day means any day, *other than* Saturday, Sunday, and any other day that commercial banks are authorized or required by Law to be closed in Texas or New York or, for purposes of any LIBOR Loan, in London.

Capital Lease means any capital lease or sublease that has been (or under GAAP should be) capitalized on a balance sheet.

Change of Control Transaction means the occurrence of any transaction or event, *other than* the issuance and sale in a public offering of equity securities of VRI, as a result of which transaction or event Apollo shall cease to possess, and some other Person shall obtain, in either case directly or indirectly, the power to direct or cause the direction of the management or policies of VRI, whether through the ownership of voting securities, by contract or otherwise.

Closing Date means the date on which counterparts of this Agreement have been executed and delivered to Agent by each party hereto in accordance with ***Section 14.11***.

Co-Agent means any syndication agent, documentation agent, or other co-agent under this Agreement.

Code means the *Internal Revenue Code of 1986*, as amended from time to time, and related rules and regulations from time to time in effect.

Collateral is defined in ***Section 5.2.***

Commitment Usage means, at any time, the *sum* of (a) the aggregate Principal Debt, *plus* (b) the L/C Exposure.

Committed Sum means the amount (as reduced and canceled under this Agreement) stated beside a Lender's name for the Facility on ***Schedule 1*** as most recently amended under this Agreement.

Companies means VRI and each of VRI's Restricted and Unrestricted Subsidiaries now or hereafter existing.

Compliance Certificate means a certificate substantially in the form of ***Exhibit D*** and signed by Borrower's Chief Financial Officer, together with the calculation worksheet described therein.

Conversion Request means a request substantially in the form of ***Exhibit E***.

Current Financials means, initially, the consolidated Financial Statements of the Companies for the period ended July 31, 2001, and thereafter, the consolidated Financial Statements of the Companies most recently delivered to Agent under ***Section 6.1, 8.1(a)*** or ***8.1(b)***, as the case may be.

Debt of any Person means at any date, without duplication (and calculated in accordance with GAAP), (a) all obligations of such Person for borrowed money (whether as a direct obligation on a promissory note, bond, zero coupon bond, debenture or other similar instrument, or as an unfulfilled reimbursement obligation on a drawn letter of credit or similar instrument, or otherwise), including, without duplication, all Capital Lease obligations (*other than* the interest component of such obligations) of such Person, (b) all obligations of such Person to pay the deferred purchase price of property or services, *other than* (i) obligations under employment contracts or deferred employee compensation plans and (ii) trade accounts payable and other expenses or payables arising in the ordinary course of business, (c) all Debt of others secured by a Lien on any asset of such Person (or for which the holder of the Debt has an existing Right, contingent or otherwise, to be so secured), whether or not such Debt is assumed by such Person, and (d) all guarantees and other contingent obligations (as a general partner or otherwise) of such Person with respect to Debt of others.

Debtor Relief Laws means the *Bankruptcy Reform Act of 1978*, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments or similar Laws affecting creditors' Rights from time to time in effect.

Default is defined in ***Section 11***.

Default Rate means an annual rate of interest equal from day to day to the *lesser* of (a) the thenexisting Base Rate *plus* the Applicable Margin for Base Rate Loans *plus* 2%, and (b) the Maximum Rate.

Distribution means, with respect to any shares of any capital stock or other equity securities issued by a Person, (a) the retirement, redemption, purchase or other acquisition for value of those securities by such Person, (b) the payment of any dividend on or with respect to those securities by such Person, (c) any loan or advance by that Person to, or other investment by that Person in, the holder of any of those securities, and (d) any other payment by that Person with respect to those securities.

EBITDA means Net Income before interest expense, Taxes based on or measured by income, and Non-Cash Operating Charges, in each case to the extent deducted in determining Net Income, calculated on

a consolidated basis for the Companies in accordance with GAAP.

Eligible Assignee means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by Agent and, unless a Default or Potential Default exists at the time any assignment is effected in accordance with ***Section 14.12(c)***, Borrower, such approval not to be unreasonably withheld or delayed by Borrower, *provided, however, that* neither Borrower nor an Affiliate of Borrower shall qualify as an Eligible Assignee.

Employee Plan means an employee pension benefit plan covered by *Title IV* of ERISA and established or maintained by any Company.

Environmental Law means any Law that relates to the pollution or protection of ambient air, water or land or to Hazardous Substances.

ERISA means the *Employee Retirement Income Security Act of 1974*, as amended, and related rules and regulations.

Existing Agreement is defined in the Recitals of this Agreement.

Facility means the revolving credit facility and L/C Subfacility made available to Borrower under this Agreement.

Federal Funds Rate means, for any day, the annual rate (rounded upwards, if necessary, to the nearest 0.01%) determined (which determination is conclusive and binding, absent manifest error) by Agent to be equal to the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers on that day, as published by the Federal Reserve Bank of New York on the next Business Day, or, if those rates are not published for any day, the average rate charged to Agent (in its individual capacity) on such day on such transactions as determined by Agent.

Financial Hedge means a transaction between Borrower and any Lender or an Affiliate of any Lender (or another Person reasonably acceptable to Agent), which is intended to reduce or eliminate the risk of fluctuations in one or more interest rates, foreign currencies, commodity prices, equity prices, or other financial measures, whether or not such transaction is governed by or subject to any master agreement, and which is legal and enforceable under applicable Law.

Financial Statements of a Person means balance sheets, profit and loss statements, reconciliations of capital and surplus, and statements of cash flow prepared (a) according to GAAP, and (b) *other than* as stated in ***Section 1.3***, in comparative form to prior year-end figures or corresponding periods of the preceding fiscal year, as applicable.

Forest Service Permit Agreements means (a) that certain Multiparty Agreement regarding Forest Service Term Special Use Permit No. 4056-01; (b) that certain Multiparty Agreement regarding Forest Service Special Use Permit Nos. 4149-01 and 4149-02; (c) any similar agreement or instrument relating to any Forest Service Permit and authorized or contemplated by the provisions of the documents executed in connection with the issuance of the Vail Bonds; and (d) all renewals, extensions and restatements of, and

amendments and supplements to, any of the foregoing.

Forest Service Permits means (a) Ski Area Term Special Use Permit Holder No. 4056/01 issued by the Service to Borrower for the Vail ski area on November 23, 1993, and expiring on October 31, 2031; (b) Term Special Use Permit No. Holder 4065/03 issued by the Service to Borrower's wholly-owned subsidiary, Beaver Creek Associates, Inc., for the Beaver Creek ski area on November 10, 1999, and expiring on December 31, 2038; (c) Term Special Use Permit Holder No. 5289-01 for Keystone ski area issued by the Service to Ralston Resorts, Inc., now known as Vail Summit Resorts, on December 31, 1996, and expiring on December 31, 2032; (d) Term Special Use Permit Holder No. 5289-04 for Breckenridge ski area issued by the Service to Ralston Resorts, Inc., now known as Vail Summit Resorts, on December 31, 1996, and expiring on December 31, 2029; and (e) any replacements of any of the foregoing.

Funded Debt means the following, calculated on a consolidated basis for the Restricted Companies and SSI (to the extent of Borrower's membership interests in SSI) in accordance with GAAP: (a) all obligations for borrowed money (whether as a direct obligation on a promissory note, bond, zero coupon bond, debenture or other similar instrument, or as an unfulfilled reimbursement obligation on a drawn letter of credit or similar instrument, or otherwise), *plus* (but without duplication) (b) all Capital Lease obligations (*other than* the interest component of such obligations) of SSI or any Restricted Company.

Funding Loss means any loss or expense that any Lender reasonably incurs because (a) Borrower fails or refuses (for any reason whatsoever, *other than* a default by Agent or the Lender claiming such loss or expense) to take any Loan that it has requested under this Agreement, or (b) Borrower pays any LIBOR Loan or converts any LIBOR Loan to a Base Rate Loan, in each case, before the last day of the applicable Interest Period.

GAAP means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time.

Guaranty means a guaranty substantially in the form of ***Exhibit B***.

Hazardous Substance means any substance that is defined or classified as a hazardous waste, hazardous material, pollutant, contaminant or toxic or hazardous substance under any Environmental Law.

Intellectual Property means (a) common law, federal statutory, state statutory and foreign trademarks or service marks (including, without limitation, all registrations and pending applications and the goodwill of the business symbolized by or conducted in connection with any such trademark or service mark), trademark or service mark licenses and all proceeds of trademarks or service marks (including, without limitation, license royalties and proceeds from infringement suits), (b) U.S. and foreign patents (including, without limitation, all pending applications, continuations, continuations-in-part, divisions, reissues, substitutions and extensions of existing patents or applications), patent licenses and all proceeds of patents (including, without limitation, license royalties and proceeds from infringement suits), (c) copyrights (including, without limitation, all registrations and pending applications), copyright licenses and all proceeds of copyrights

(including, without limitation, license royalties and proceeds from infringement suits), and (d) trade secrets, *but does not include* (i) any licenses (including, without limitation, liquor licenses) or any permits (including, without limitation, sales tax permits) issued by a Tribunal and in which (y) the licensee's or permittee's interest is defeasible by such Tribunal and (z) the licensee or permittee has no right beyond the terms, conditions and periods of the license or permit, or (ii) trade names or "dba"s to the extent they do not constitute trademarks or service marks.

Interest Period is determined in accordance with ***Section 3.9***.

ISP 98 means the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

Laws means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees and judgments.

L/C means (a) each of the Bond L/Cs and each existing letter of credit issued by Agent for the account of any of the Companies and described on Part A of ***Schedule 2.3***, and (b) each other letter of credit (in such form as shall be customary in respect of obligations of a similar nature and as shall be reasonably requested by Borrower) issued by Agent under this Agreement and an L/C Agreement.

L/C Agreement means a letter of credit application and agreement (in form and substance satisfactory to Agent in its reasonable discretion) submitted by Borrower to Agent for an L/C for the account of any Company.

L/C Exposure means, without duplication, the *sum* of (a) the aggregate face amount of all undrawn and uncancelled L/Cs, *plus* (b) the aggregate unpaid reimbursement obligations of Borrower under drawings, drafts or other forms of demand honored under any L/C.

L/C Request means a request substantially in the form of ***Exhibit F***.

L/C Subfacility means a subfacility for the issuance of L/Cs, as described in ***Section 2.3***.

Lenders means each of the lenders named on the attached ***Schedule 1*** or on the most recently amended ***Schedule 1***, if any, delivered by Agent under this Agreement, and, subject to this Agreement, their respective successors and assigns (but not any Participant who is not otherwise a party to this Agreement).

LIBOR means, with respect to any LIBOR Loan for any Interest Period therefor

(a) the rate per annum equal to the rate determined by the Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Agent to be the offered rate on such other page or other service that displays an

average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Agent as the rate of interest (rounded upward to the next 1/100th of 1%) at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the LIBOR Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

LIBOR Loan means a Loan bearing interest at the *sum* of LIBOR *plus* the Applicable Margin.

Lien means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

Litigation means any action by or before any Tribunal.

Loan means any amount disbursed by any Lender to Borrower or on behalf of any Company under the Loan Papers, either as an original disbursement of funds, the continuation of an amount outstanding, or payment under an L/C.

Loan Date is defined in ***Section 2.2(a)***.

Loan Papers means (a) this Agreement and the Notes, (b) each Guaranty, (c) all L/Cs and L/C Agreements, (d) the Security Documents, (e) any Financial Hedge between Borrower and any Lender or an Affiliate of any Lender, (f) the Post-Closing Agreement, and (g) all renewals, extensions and restatements of, and amendments and supplements to, any of the foregoing.

Loan Request means a request substantially in the form of ***Exhibit C***.

Material Adverse Event means any (a) material impairment of the ability of the Restricted Companies as a whole to perform their payment or other material obligations under the Loan Papers or material impairment of the ability of Agent or any Lender to enforce any of the material obligations of the Restricted Companies as a whole under the Loan Papers, or (b) material and adverse effect on the financial condition of the Restricted Companies as a whole.

Material Agreement means, for any Person, any agreement (excluding purchase orders for material, services or inventory in the ordinary course of business) to which that Person is a party, by which that Person is bound, or to which any assets of that Person may be subject, and that is not cancelable by that Person upon

30 or fewer days' notice without liability for further payment, *other than* nominal penalty, and that requires that Person to pay more than $2,000,000 during any 12-month period.

Maximum Amount and ***Maximum Rate*** respectively mean, for a Lender, the maximum non-usurious amount and the maximum non-usurious rate of interest that, under applicable Law, such Lender is permitted to contract for, charge, take, reserve or receive on the Obligation held by such Lender.

Moody's means Moody's Investors Service, Inc.

Multiemployer Plan means a multiemployer plan as defined in *Sections 3(37)* or *4001(a)(3)* of ERISA or *Section 414(f)* of the Code to which any Company (or any Person that, for purposes of *Title IV* of ERISA, is a member of Borrower's controlled group or is under common control with Borrower within the meaning of *Section 414* of the Code) is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

Net Income means, for any period, for the Companies on a consolidated basis, the net income of the Companies from continuing operations after extraordinary items (excluding gains or losses from the disposition of assets) for that period determined in accordance with GAAP.

Net Proceeds means (a) with respect to any sale, lease, transfer or other disposition of any asset by any Person, the aggregate amount of cash and non-cash proceeds from such transaction received by, or paid to or for the account of, such Person, net of customary and reasonable out-of-pocket costs, fees, and expenses (other than costs, fees, and expenses paid to an Affiliate of such Person), and (b) with respect to the issuance of equity securities, debt securities, Subordinated Debt, or similar instruments, or the incurrence of Debt, the cash and non-cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection with such issuance (other than fees, discounts, commissions, and expenses paid to an Affiliate of such Person). Non-cash proceeds include any proceeds received by way of deferred payment of principal pursuant to a note, installment receivable, purchase price adjustment receivable, or otherwise, but only as and when received.

Non-Cash Operating Charges means depreciation expense, amortization expense, and any other non-cash charges determined in accordance with GAAP.

Note means a promissory note executed under this Agreement, in each case substantially in the form of ***Exhibit A***, as amended, supplemented or restated.

Obligation means all present and future indebtedness and obligations, and all renewals, increases and extensions thereof, or any part thereof, now or hereafter owed to Agent and Lenders (and, with regard to any Financial Hedge, to an Affiliate of any Lender) by the Companies under the Loan Papers, *together with* all interest accruing thereon, fees, costs and expenses (including, without limitation, all attorneys' fees and expenses incurred in the enforcement or collection thereof) payable under the Loan Papers or in connection with the protection of Rights under the Loan Papers.

Original Agreement is defined in the Recitals to this Agreement.

Participant is defined in ***Section 14.12(b)***.

PBGC means the Pension Benefit Guaranty Corporation, or any successor thereof, established under ERISA.

Permitted Debt means:

(a) the Obligation;

(b) Debt which is listed on Part B of ***Schedule 2.3***;

(c) Debt arising from endorsing negotiable instruments for collection in the ordinary course of business;

(d) Subordinated Debt (and guarantees by Restricted Companies of Subordinated Debt of other Restricted Companies, if such guarantees are subordinated to the payment and collection of the Obligation on the same terms as such Subordinated Debt or otherwise upon terms satisfactory to Agent);

(e) in addition to the foregoing, (i) Debt of Unrestricted Subsidiaries which is nonrecourse to the Restricted Companies and their assets, (ii) fees and other amounts payable under the Forest Service Permits in the ordinary course of business, and (iii) inter-Company Debt between Restricted Companies;

(f) up to $12,975,000 of Debt arising under the guaranty by Borrower of amounts owed by SSI under its Credit Agreement dated as of December 30, 1999, as amended, restated or supplemented from time to time (with any remaining Debt under such guaranty included in *clause (g)* below); and

(g) in addition to the foregoing, up to $100,000,000 of additional Debt of the Companies in the aggregate at any point in time.

Permitted Liens means:

(a) Liens created by the Security Documents or other Liens securing the Obligation;

(b) Liens created by, or pursuant to, the Forest Service Permit Agreements for the benefit of the holders of the Vail Bonds and Liens on the amounts in the Bond Fund established and maintained in accordance with the provisions of the documents executed in connection with the issuance of the Vail Bonds (and Liens created on all or any portion of the same assets in connection with any refinancing of such bonds);

(c) Liens on the amounts in the Bond Fund, Redemption Fund and Rebate Fund established and maintained in accordance with the provisions of the documents executed in connection with the issuance of the Summit Bonds (and Liens created on all or any portion of the same assets in connection with any refinancing of such bonds);

(d) Liens on assets of Unrestricted Subsidiaries securing Debt which is non-recourse to the Restricted Companies and their assets;

(e) purchase money liens which encumber only the assets acquired;

(f) pledges or deposits made to secure payment of workers' compensation, unemployment insurance or other forms of governmental insurance or benefits or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions or other social security programs;

(g) good-faith pledges or deposits made to secure performance of bids, tenders, contracts (*other than* for the repayment of borrowed money) or leases, or to secure statutory obligations, surety or appeal bonds or indemnity, performance or other similar bonds in the ordinary course of business;

(h) encumbrances and restrictions on the use of real property which do not materially impair the use thereof;

(i) the following, if either (1) no amounts are due and payable and no Lien has been filed or agreed to, or (2) the validity or amount thereof is being contested in good faith by lawful proceedings diligently conducted, reserve or other provision required by GAAP has been made, levy and execution thereon have been (and continue to be) stayed or payment thereof is covered in full (subject to the customary deductible) by insurance: (i) Liens for Taxes; (ii) Liens upon, and defects of title to, property, including any attachment of property or other legal process prior to adjudication of a dispute on the merits; (iii) Liens imposed by operation of law (including, without limitation, Liens of mechanics, materialmen, warehousemen, carriers and landlords, and similar Liens); and (iv) adverse judgments on appeal;

(j) any interest or title of a lessor or licensor in assets being leased or licensed to a Company;

(k) licenses, leases or subleases granted to third Persons which do not interfere in any material respect with the business conducted by the Companies;

(l) any Lien on any asset of any entity that becomes a Subsidiary of VRI, which Lien exists at the time such entity becomes a Subsidiary of VRI and is not created in contemplation thereof;

(m) in respect of Water Rights, the provisions of the instruments evidencing such Water Rights and any matter affecting such Water Rights which does not affect the Companies' rights to sufficient quantity and quality of water to conduct business as in effect on the date hereof or any expansion planned as of the date hereof (including, without limitation, any Lien of the Colorado Water Conservation Board, or its successors and assigns, on stock owned by any Company in a Colorado ditch and reservoir company formed in accordance with the Colorado Corporation Code, as amended);

(n) in respect of the Forest Service Permits, the provisions of the instruments evidencing such permits and all rights of the U.S. and its agencies with respect thereto or with respect to the land affected thereby; and

(o) Liens on cash accounts not to exceed $250,000 in the aggregate at the FirstBank of Vail established in connection with collateralizing a portion, if any, of certain second mortgage loans made by such bank, and guaranteed by Borrower, as part of the Vail Associates Home Mortgage Program for Borrower's employees.

Person means any individual, partnership, entity or Tribunal.

Pledge Agreement means a pledge agreement substantially in the form of attached ***Exhibit "H"***.

Post-Closing Agreement means the Post-Closing Agreement dated the same date as this Agreement which is in a form reasonably acceptable to Borrower and Agent regarding the pledge of the capital stock of Grand Teton Lodge Company and the capital stock or equity interests of any Restricted Company which is not wholly-owned by another Restricted Company.

Potential Default means the occurrence of any event or existence of any circumstance that would, upon notice or lapse of time or both, become a Default.

Prime Rate means the per annum rate of interest established from time to time by Agent as its prime rate. Such rate is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

Principal Debt means, at any time, the unpaid principal balance of all Loans.

Pro Rata and ***Pro Rata Part*** means, when determined for any Lender, if no Default or Potential Default exists, the proportion (stated as a percentage) that its Committed Sum bears to the Total Commitment, or if a Default or Potential Default exists, the proportion (stated as a percentage) that the Principal Debt owed to it bears to the aggregate Principal Debt owed to all Lenders.

Purchaser is defined in ***Section 14.12(c)***.

Quarterly Date means each January 31, April 30, July 31 and October 31.

Red Sky L/C means an irrevocable transferable L/C of up to $12,140,000 expiring December 15, 2002, issued by Agent to U.S. Bank National Association and any successor thereto as Trustee under the Trust Indenture dated as of June 1, 2001 with Holland Creek Metropolitan District, pursuant to which $12,000,000 in aggregate principal amount of the Holland Creek Metropolitan District, Eagle County, Colorado, Variable Rate Revenue Bonds, Series 2001, are being issued and delivered by Holland Creek Metropolitan District, a quasi-municipal corporation and political subdivision of the State of Colorado under the terms of which such Trustee will be entitled to draw, with respect to such Bonds, up to (a) an amount sufficient to pay (i) the principal of such Bonds when due, or (ii) the portion of the purchase price of such Bonds tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to the principal amount of such Bonds, *plus* (b) an amount equal to approximately 35 days of accrued interest on such Bonds (at up to 12% per annum), to pay (i) interest on such Bonds when

due, or (ii) the portion of the purchase price of such Bonds tendered or deemed tendered for purchase in accordance with such indenture and not subsequently remarketed corresponding to accrued interest.

Representatives means representatives, officers, directors, employees, attorneys and agents.

Required Capital Expenditures means $30,000,000.

Required Lenders means Lenders holding more than (a) 50% of the Total Commitment, if no Default or Potential Default exists, or (b) 50% of the outstanding Principal Debt, if a Default or Potential Default exists.

Reserve Requirement means, with respect to any LIBOR Loan for the relevant Interest Period, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which LIBOR is to be determined, or (ii) any category of extensions of credit or other assets which include LIBOR Loans. LIBOR shall be adjusted automatically on and as of the effective date of any change in the Reserve Requirement.

Resort EBITDA means the *total* of EBITDA, *plus* insurance proceeds (up to a maximum of $10,000,000 in the aggregate in any fiscal year) received by the Restricted Companies under policies of business interruption insurance (or under policies of insurance which cover losses or claims of the same character or type), *minus* EBITDA related to real estate activities and *minus* any portion of EBITDA attributable to Unrestricted Subsidiaries *other than* SSI (to the extent of Borrower's membership interests in SSI).

Responsible Officer means the chairman, president, chief executive officer or chief financial officer of Borrower.

Restricted Company means VRI, VHI, Borrower and all of VRI's other direct and indirect Subsidiaries (*other than* Unrestricted Subsidiaries).

Restricted Subsidiary means VHI, Borrower and all of VRI's other direct and indirect Subsidiaries (*other than* Unrestricted Subsidiaries).

Rights means rights, remedies, powers, privileges and benefits.

S&P means Standard & Poor's Ratings Group (a division of The McGraw Hill Companies, Inc.).

Security Documents means, collectively, a Pledge Agreement, any security agreement, mortgage, deed of trust or other agreement or document, together with all related financing statements and stock powers, in form and substance reasonably satisfactory to Agent and its legal counsel, executed and delivered by any Person in connection with this Agreement to create a Lien in favor of Lenders on any of its real or personal property, as amended, supplemented or restated.

Senior Debt means Funded Debt *other than* Subordinated Debt.

Senior Subordinated Debt Indenture means the Indenture dated as of May 11, 1999, between VRI, as Issuer, United States Trust Company of New York, as Trustee, and certain of VRI's Subsidiaries, as guarantors, as supplemented from time to time.

Service means the U.S. Department of Agriculture Forest Service or any successor agency.

Shareholders' Equity means, as of any date of determination for the Restricted Companies on a consolidated basis, shareholders' equity as of that date determined in accordance with GAAP.

Smith Creek L/Cs means the $21,110,356 irrevocable transferable L/C and the $19,625,206 irrevocable transferable L/C, each expiring October 15, 2002, and issued by Agent to Colorado National Bank and any successor thereto as Trustee under the 1995 Trust Indenture with Smith Creek Metropolitan District as Issuer, as supplemented by the 1997 First Supplemental Trust Indenture, relating to the Smith Creek Metropolitan District, Eagle County, Colorado, Variable Rate Revenue Bonds, Series 1995 (in the amount of $26,000,000) and Series 1997 (in the amount of $18,500,000), under the terms of which such Trustee will be entitled to draw, with respect to the applicable series of Bonds, up to (a) an amount sufficient to pay (i) the principal of the "Outstanding Bonds" (as defined in such Indenture) when due, or (ii) the portion of the purchase price of Outstanding Bonds tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to the principal amount of such Bonds, *plus* (b) an amount equal to approximately 185 days of accrued interest on the Outstanding Bonds (at 12% per annum or such higher rate as such Trustee may designate in accordance with such Indenture), to pay (i) interest on the Outstanding Bonds when due, or (ii) the portion of the purchase price of Outstanding Bonds tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to accrued interest.

Solvent means, as to a Person, that (a) the aggregate fair market value of its assets exceeds its liabilities, (b) it has sufficient cash flow to enable it to pay its Debts as they mature, and (c) it does not have unreasonably small capital to conduct its businesses.

SSI means SSI Venture LLC, a Colorado limited liability company doing business as Specialty Sports Venture and an Unrestricted Subsidiary of Borrower.

Subordinated Debt means any unsecured indebtedness for borrowed money for which a Company is directly and primarily obligated that (a) does not have any stated maturity before the latest maturity of any part of the Obligation, (b) has terms that are no more restrictive upon the Company than the terms of the Loan Papers, and (c) is subordinated, upon terms satisfactory to Agent, to the payment and collection of the Obligation; and, in any event, "Subordinated Debt" includes notes, guarantees and all other obligations now or hereafter arising under or pursuant to the Senior Subordinated Debt Indenture (or any other indenture that contains the same material terms as the Senior Subordinated Debt Indenture).

Subsidiary means with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other

persons performing similar functions are at the time directly or indirectly owned by such Person.

Summit Bonds means (a) the Summit County, Colorado, Sports Facilities Refunding Revenue Bonds (Keystone Resorts Management, Inc. Project) Series 1990, in the original principal amount of $20,360,000 (of which, approximately $19,000,000 is outstanding on the date hereof), (b) the Summit County, Colorado, Sports Facilities Refunding Revenue Bonds (Keystone Resorts Management, Inc. Project) Series 1991, in the original principal amount of $3,000,000 (all of which remains outstanding on the date hereof), and (c) refinancings of any of the foregoing.

Total Assets means, as of any date of determination for the Restricted Companies on a consolidated basis, all assets of the Restricted Companies (as determined in accordance with GAAP).

Tarnes L/C means an irrevocable transferable L/C of up to $8,250,000 expiring December 15, 2002, to be issued by Agent to U.S. Bank National Association and any successor thereto as Trustee under the 1999 Trust Indenture with Eagle County, Colorado, as Issuer, relating to approximately $8,000,000 of Eagle County, Colorado, Taxable Housing Facilities Revenue Bonds (The Tarnes at BC, LLC Project), Series 1999A, under the terms of which such Trustee will be entitled to draw up to (a) an amount sufficient to pay (i) the principal of such Bonds when due, or (ii) the portion of the purchase price of such Bonds tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to the principal amount of such Bonds, *plus* (b) an amount equal to approximately 35 days of accrued interest on such Bonds (at up to 15% per annum), to pay (i) interest on such Bonds when due, or (ii) the portion of the purchase price of such Bonds tendered or deemed tendered for purchase in accordance with such Indenture and not subsequently remarketed corresponding to accrued interest.

Taxes means, for any Person, taxes, assessments or other governmental charges or levies imposed upon it, its income, or any of its properties, franchises or assets.

Tenderfoot Housing L/C means an irrevocable transferable L/C of up to $5,783,125 expiring December 15, 2002, issued by Agent to U.S. Bank National Association and any successor thereto as Trustee under the Trust Indenture dated as of June 1, 2001 with Tenderfoot Seasonal Housing, LLC, pursuant to which $5,700,000 in aggregate principal amount of the Tenderfoot Seasonal Housing, LLC Taxable Housing Facilities Notes (Tenderfoot Seasonal Housing, LLC Project), Series 200A, are being issued and delivered by Tenderfoot Seasonal Housing, LLC, a Colorado limited liability company, under the terms of which such Trustee will be entitled to draw, with respect to such Notes, up to (a) an amount sufficient to pay (i) the principal of such Notes when due, or (ii) the portion of the purchase price of such Notes tendered or deemed tendered for purchase in accordance with such Indenture corresponding to the principal amount of such Notes, *plus* (b) an amount not to exceed $83,125 of accrued interest on such Notes, to pay (i) interest on such Notes when due, or (ii) the portion of the purchase price of such Notes tendered or deemed tendered for purchase which corresponds to the accrued interest on the principal amount of such Notes.

Termination Date means the earlier of (a) November 13, 2004, and (b) the effective date that Lenders' commitments to lend under this Agreement are otherwise canceled or terminated.

Total Commitment means, at any time, the *sum* of all Committed Sums for all Lenders (as reduced or canceled under this Agreement) then in effect.

Tribunal means any (a) local, state, or federal judicial, executive, or legislative instrumentality, (b) private arbitration board or panel, or (c) central bank.

Trustee means any Trustee designated as the beneficiary of a Bond L/C.

Type means any type of Loan determined with respect to the applicable interest option.

UCP means The Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 (or any revision thereof).

Unrestricted Subsidiary means any existing Subsidiary or newly-formed Subsidiary created by Borrower pursuant to ***Section 8.11*** (which may be a partnership, joint venture, corporation, limited liability company or other entity) (a) which does not own any Forest Service Permit or the stock of any Restricted Company or any of the assets described on ***Schedule 2***, (b) which has (and whose other partners, joint venturers, members or shareholders have) no Debt or other material obligation which is recourse to any Restricted Company or to the assets of any Restricted Company (*other than* with respect to limited guarantees or other recourse agreements of the Restricted Companies which are permitted to be incurred under this Agreement under *clauses (f)* or *(g)* of the definition of "*Permitted Debt*"), and (c) which has been designated by Borrower as an Unrestricted Subsidiary by notice to Agent. Subject to ***Section 14.10(b)(v)***, Agent shall execute documentation reasonably required to release any Restricted Subsidiary which is redesignated by Borrower as an Unrestricted Subsidiary from its Guaranty. As of the Closing Date the Unrestricted Subsidiaries are Eagle Park Reservoir Company, SSI Venture LLC, Boulder/Beaver, LLC, Colter Bay Corporation, Gros Ventre Utility Company, Jackson Lake Lodge Corporation, Jenny Lake Lodge, Inc., Forest Ridge Holdings, Inc., Resort Technology Partners LLC, and RT Partners, Inc.

U.S. means the United States of America.

Vail Bonds means (a) the Eagle County, Colorado, Sports Facilities Revenue Refunding Bonds Series 1998, in the original principal amount of $41,200,000, and (b) refinancings of any of the foregoing.

Vail Summit Resorts means Vail Summit Resorts, Inc. (f/k/a "Ralston Resorts, Inc."), a Colorado corporation and a wholly-owned Subsidiary of Borrower.

VHI means Vail Holdings, Inc., a Colorado corporation and the direct owner of Borrower.

VRI means Vail Resorts, Inc., a Delaware corporation and the indirect owner of Borrower.

Water Rights means all water rights and conditional water rights that are appurtenant to real property owned by the Companies or that have been used or are intended for use in connection with the conduct of the business of the Companies, including but not limited to (a) ditch, well, pipeline, spring and reservoir rights, whether or not adjudicated or evidenced by any well or other permit, (b) all rights with respect to groundwater underlying any real property owned by the Companies, (c) any permit to construct any water well, water from

which is intended to be used in connection with such real property, and (d) all right, title and interest of the

Companies under any decreed or pending plan of augmentation or water exchange plan.

1.2 Number and Gender of Words. The singular number includes the plural where appropriate and *vice versa*, and words of any gender include each other gender where appropriate.

1.3 Accounting Principles. Under the Loan Papers and any documents delivered thereunder, unless otherwise stated, (a) GAAP in effect from time to time determines all accounting and financial terms and compliance with financial covenants, (b) otherwise, all accounting principles applied in a current period must be comparable in all material respects to those applied during the preceding comparable period, and (c) while VRI has any consolidated Restricted Subsidiaries, all accounting and financial terms and compliance with financial covenants must be on a consolidating and consolidated basis, as applicable.

SECTION 2 COMMITMENT.

2.1 Credit Facility. Subject to the provisions in the Loan Papers, each Lender hereby severally and not jointly agrees to lend to Borrower its Pro Rata Part of one or more revolving Loans in an aggregate principal amount outstanding at any time up to such Lender's Committed Sum, which Borrower may borrow, repay, and reborrow under this Agreement. Loans are subject to the following conditions:

(a) Each Loan must occur on a Business Day and no later than the Business Day immediately preceding the Termination Date;

(b) Each Loan must be in an amount not less than (i) $500,000 or a greater integral multiple of $100,000 (if a Base Rate Loan), or (ii) $1,000,000 or a greater integral multiple of $100,000 (if a LIBOR Loan); and

(c) When determined, (i) Commitment Usage may not exceed the Total Commitment, and (ii) for any Lender, its Pro Rata Part of the Commitment Usage may not exceed such Lender's Committed Sum.

2.2 Loan Procedure.

(a) Borrower may request a Loan by submitting to Agent a Loan Request, which is irrevocable and binding on Borrower. It must be received by Agent no later than 1:00 p.m. on the third Business Day preceding the date on which funds are requested (the "***Loan Date***") for any LIBOR Loan or no later than 1:00 p.m. on the Business Day immediately preceding the Loan Date for any Base Rate Loan. Agent shall promptly notify each Lender of its receipt of any Loan Request and its contents.

(b) Each Lender shall remit its applicable Pro Rata Part of each requested Loan to Agent's principal office in Dallas, Texas, in funds that are available for immediate use by Agent by 11:00 a.m. on the applicable Loan Date. Subject to receipt of such funds, Agent shall (unless to its actual knowledge any of the applicable conditions precedent have not been satisfied by Borrower or waived by Required Lenders) make such funds available to Borrower as directed in the Loan Request.

(c) Absent contrary written notice from a Lender, Agent may assume that each Lender

has made its Pro Rata Part of the requested Loan available to Agent on the applicable Loan Date, and Agent may, in reliance upon such assumption (but shall not be required to), make available to Borrower a corresponding amount. If a Lender fails to make such Pro Rata Part of any requested Loan available to Agent on the applicable Loan Date, Agent may recover the applicable amount on demand (i) from that Lender, together with interest at the Federal Funds Rate during the period commencing on the date the amount was made available to Borrower by Agent and ending on (but excluding) the date Agent recovers the amount from that Lender, or (ii), if that Lender fails to pay its amount upon demand, then from Borrower, *together with* interest at an annual interest rate equal to the rate applicable to the requested Loan during the period commencing on the Loan Date and ending on (but excluding) the date Agent recovers the amount from Borrower. No Lender is responsible for the failure of any other Lender to fund any part of any Loan.

2.3 L/C Subfacility.

(a) Subject to the terms and conditions of this Agreement and applicable Law, Agent agrees, in reliance upon the agreements of the other Lenders set out in this ***Section 2.3***, to issue L/Cs denominated in U.S. Dollars under the Facility upon Borrower's delivery of an L/C Request and an L/C Agreement, each of which must be received by Agent no later than 1:00 p.m. on the third Business Day preceding the date on which the requested L/C is to be issued; *provided that*, Commitment Usage may not exceed the Total Commitment after giving effect to the issuance of such L/C. Each L/C (*other than* the Bond L/Cs) must expire no later than 13 months from its issuance; *provided that* any L/C (*other than* the Bond L/Cs) may, at Borrower's request, provide that it is self-extending upon its expiration date for successive periods of 6 to 12 months each (as selected by Borrower), unless Agent has given the beneficiary thereunder at least 30 days (but no more than 120 days) prior written notice to the contrary (*provided, however, that* such notice shall in no event be given by Agent unless (i) Agent is directed so to do by Borrower, (ii) a Default exists, or (iii) such extension would extend the expiration date beyond the Termination Date). Amounts drawn under the Bond L/Cs are subject to reinstatement upon the terms set forth therein. In no event may any L/C have an expiration date later than the Termination Date.

(b) Immediately upon Agent's issuance of any L/C, Agent shall be deemed to have sold and transferred to each Lender, and each Lender shall be deemed irrevocably and unconditionally to have purchased and received from Agent, without recourse or warranty, an undivided interest and participation (to the extent of such Lender's Pro Rata Part) in the L/C and all applicable Rights of Agent in the L/C (*other than* Rights to receive the fronting fees provided for in ***Section 4.3)***. Agent shall provide copies of L/Cs to Lenders upon request and shall distribute quarterly schedules of the outstanding L/Cs to each Lender.

(c) To induce Agent to issue and maintain L/Cs, and to induce Lenders to participate in issued L/Cs, Borrower agrees to pay or reimburse Agent (i) on or before the date when any draft,

draw or other form of demand is presented under any L/C, the amount paid or to be paid by Agent (subject to a credit, in the case of a Bond L/C, for any portion of such reimbursement received by Agent directly from the relevant Trustee for the account of Borrower under the relevant Indenture) and (ii) promptly, upon demand, the amount of any additional fees Agent customarily charges for the application and issuance of an L/C, for amending L/C Agreements, for honoring drafts, draws or other forms of demands, and taking similar action in connection with letters of credit. If Borrower (or, in the case of a drawing under a Bond L/C, the relevant Trustee) has not reimbursed Agent for any drafts or draws or other forms of demands paid or to be paid and Borrower has not requested a Loan to fund such reimbursement obligations within 24 hours following Agent's demand for reimbursement, Agent is irrevocably authorized to fund Borrower's reimbursement obligations as a Loan under this Agreement (and the proceeds of the Loan shall be advanced directly to Agent to pay Borrower's unpaid reimbursement obligations). If funds cannot be advanced because the Facility has been terminated under ***Section 12.1***, then Borrower's reimbursement obligation shall constitute a demand obligation. Borrower's obligations under this ***Section 2.3(c)*** are absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense (*other than* payment) that Borrower may have at any time against Agent or any other Person. Agent shall promptly distribute reimbursement payments received from Borrower to all Lenders according to their Pro Rata Part. From the date due to the date paid, unpaid reimbursement amounts accrue interest that is payable on demand at the Default Rate.

(d) Agent shall promptly notify Borrower of the date and amount of any draft, draw or other form of demand presented for honor under any L/C and the date and amount of any payment by Agent in connection therewith (but failure to give notice will not affect Borrower's obligations under this Agreement). Agent shall pay the requested amount upon presentment of a draft, draw or other form of demand, unless presentment on its face does not comply with the terms of the applicable L/C. When making payment, Agent may disregard (i) any default or potential default that exists under any other agreement and (ii) obligations under any other agreement that have or have not been performed by the beneficiary or any other Person (and Agent is not liable for any of those obligations). Borrower's reimbursement obligations to Agent and Lenders, and each Lender's obligations to Agent, under this ***Section 2.3*** are absolute and unconditional irrespective of, and Agent is not responsible for, (i) the validity, enforceability, sufficiency, accuracy or genuineness of documents or endorsements (even if they are in any respect invalid, unenforceable, insufficient, inaccurate, fraudulent or forged), (ii) any dispute by any Company with or any Company's claims, setoffs, defenses (*other than* payment), counterclaims or other Rights against Agent, any Lender or any other Person, or (iii) the occurrence of any Potential Default or Default.

(e) If Borrower (or, in the case of a drawing under a Bond L/C, the relevant Trustee) fails to reimburse Agent as provided in ***Section 2.3(c)*** within 24 hours after Agent's demand for

reimbursement, and funds cannot be advanced under this Agreement to satisfy the reimbursement obligations, Agent shall promptly notify each Lender of Borrower's failure, of the date and amount paid, and of each Lender's Pro Rata Part of the unreimbursed amount. Each Lender shall promptly and unconditionally make available to Agent in immediately available funds such Pro Rata Part of the unpaid reimbursement obligation. Funds are due and payable to Agent before the close of business on the Business Day when Agent gives notice to each Lender of Borrower's reimbursement failure (if notice is received by such Lender before 2:00 p.m.) (in the time zone where such Lender's office listed on ***Schedule 1*** is located) or on the next succeeding Business Day (if received after 2:00 p.m.). All amounts payable by any Lender accrue interest at the Federal Funds Rate from the day the applicable draft, draw or other form of demand is paid by Agent to (but not including) the date the amount is paid by the Lender to Agent.

(f) Borrower acknowledges that each L/C is deemed issued upon delivery to the beneficiary or Borrower. If Borrower requests any L/C be delivered to Borrower rather than the beneficiary, and Borrower subsequently cancels that L/C, Borrower agrees to return it to Agent together with Borrower's written certification that it has never been delivered to the beneficiary. If any L/C is delivered to the beneficiary under Borrower's instructions, Borrower's cancellation is ineffective without Agent's receipt of the beneficiary's written consent and the L/C. **Borrower shall indemnify Agent for all losses, costs, damages, expenses and reasonable attorneys' fees suffered or incurred by Agent resulting from any dispute concerning Borrower's cancellation of any L/C.**

(g) Agent agrees with each Lender that it will exercise and give the same care and attention to each L/C as it gives to its other letters of credit. Each Lender and Borrower agree that, in paying any draft, draw or other form of demand under any L/C, Agent has no responsibility to obtain any document (*other than* any documents expressly required by the respective L/C) or to ascertain or inquire as to any document's validity, enforceability, sufficiency, accuracy or genuineness or the authority of any Person delivering it. Neither Agent nor its Representatives will be liable to any Lender or any Company for any L/C's use or for any beneficiary's acts or omissions. Any action, inaction, error, delay or omission taken or suffered by Agent or any of its Representatives in connection with any L/C, applicable draws, drafts, other forms of demand or documents, or the transmission, dispatch or delivery of any related message or advice, if in good faith and in conformity with applicable Laws and in accordance with the standards of care specified in the UCP or ISP 98, as applicable, is binding upon the Companies and Lenders and does not place Agent or any of its Representatives under any resulting liability to any Company or any Lender. **Agent and its Representatives are not liable to any Company or any Lender for any action taken or omitted, in the absence of gross negligence or willful misconduct, by Agent or its Representative in connection with any L/C.**

(h) On the Termination Date, or during the continuance of any Default under ***Section 11.3***, or upon any demand by Agent during the continuance of any other Default, Borrower shall provide to Agent, for the benefit of Lenders, cash collateral in an amount equal to the thenexisting L/C Exposure. Any cash collateral provided by Borrower to Agent hereunder shall be deposited by Agent in an interest-bearing cash collateral account maintained with Agent at the office of Agent and invested in obligations issued or guaranteed by the U.S. and, upon cure of any Default or upon the surrender of any L/C, Agent shall deliver the appropriate funds (together with interest earned with respect thereto) on deposit in such collateral account to Borrower.

(i) **Borrower shall protect, indemnify, pay and save Agent, each Lender and their respective Representatives harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) which any of them may incur or be subject to as a consequence of the issuance of any L/C, any dispute about it, or the failure of Agent to honor a draft, draw or other form of demand under any L/C, unless they arise as a result of Agent's failure to act in accordance with the procedures of the UCP or ISP 98, as applicable, (as modified by any L/C Agreement or other writing between Borrower and Agent).**

(j) Although referenced in any L/C, terms of any particular agreement or other obligation to the beneficiary are not incorporated into this Agreement in any manner. The fees and other amounts payable with respect to each L/C are as provided in this Agreement, drafts and draws and other forms of demands under each L/C are part of the Obligation, and the terms of this Agreement control any conflict between the terms of this Agreement and any L/C Agreement.

(k) Unless otherwise expressly agreed by Agent and Borrower when an L/C is issued (i) the rules of ISP 98 shall apply to each standby L/C, and (ii) the rules of the UCP shall apply to each commercial L/C.

SECTION 3 TERMS OF PAYMENT.

3.1 Notes and Payments.

(a) The Principal Debt shall be evidenced by Notes, payable to each Lender in the stated principal amount of its Committed Sum.

(b) Borrower must make each payment on the Obligation to Agent's principal office in Dallas, Texas, in funds that will be available for immediate use by Agent by 12:00 noon on the day due; otherwise, but subject to ***Section 3.8***, those funds continue to accrue interest as if they were received on the next Business Day. Agent shall pay to each Lender any payment to which that Lender is entitled on the same day Agent receives the funds from Borrower if Agent receives the payment before 12:00 noon, and otherwise before 12:00 noon on the following Business Day. If and to the extent that Agent does not make payments to Lenders when due, unpaid amounts shall accrue interest at the Federal Funds Rate from the due date until (but not including) the payment date.

3.2 Interest and Principal Payments; Voluntary Commitment Reductions.

(a) Accrued interest on each LIBOR Loan is due and payable on the last day of its Interest Period. If any Interest Period with respect to a LIBOR Loan is a period greater than three months, then accrued interest is also due and payable on the date three months after the commencement of the Interest Period. Accrued interest on each Base Rate Loan is due and payable on each Quarterly Date and on the Termination Date.

(b) The Principal Debt is due and payable on the Termination Date.

(c) If the Commitment Usage ever exceeds the Total Commitment, Borrower shall pay Principal Debt in at least the amount of that excess, *together with* (i) all accrued and unpaid interest on the principal amount so paid and (ii) any resulting Funding Loss.

(d) Borrower may voluntarily reduce or prepay the Facility as follows:

(i) Without premium or penalty and upon giving at least two Business Days prior written and irrevocable notice to Agent, Borrower may terminate all or reduce part of the unused portion of the Total Commitment. Each partial reduction (unless the remaining portion of such commitment is less) must be in an amount of not less than $5,000,000 or a greater integral multiple of $1,000,000, and shall be Pro Rata among all Lenders. Once terminated or reduced, such commitments may not be reinstated or increased.

(ii) Borrower may voluntarily prepay all or any part of the Principal Debt at any time without premium or penalty, subject to the following conditions:

(A) Agent must receive Borrower's written payment notice (which shall specify (1) the payment date, and (2) the Type and amount of the Loan(s) to be paid; such notice shall constitute an irrevocable and binding obligation of Borrower to make a payment on the designated date) by 1:00 p.m. on (x) the third Business Day preceding the date of payment of a LIBOR Loan and (y) the date of payment of a Base Rate Loan;

(B) each partial payment must be in a minimum amount of at least $500,000 if a Base Rate Loan or $1,000,000 if a LIBOR Loan or, in either case, a greater integral multiple of $100,000;

(C) all accrued interest on the principal amount so to be prepaid must also be paid in full on the date of payment; and

(D) Borrower shall pay any related Funding Loss upon demand.

3.3 Interest Options. Except where specifically otherwise provided, Loans bear interest at an annual rate equal to the *lesser of* (a) the Base Rate *plus* the Applicable Margin or LIBOR *plus* the Applicable Margin for the Interest Period, if any, selected by Borrower (in each case as designated or deemed designated by Borrower), as the case may be, *and* (b) the Maximum Rate. Each change in the Base Rate and Maximum Rate is effective, without notice to Borrower or any other Person, upon the effective date

of change.

3.4 Quotation of Rates. A Responsible Officer of Borrower may call Agent before delivering a Loan Request to receive an indication of the interest rates then in effect, but the indicated rates do not bind Agent or Lenders or affect the interest rate that is actually in effect when Borrower delivers its Loan Request or on the Loan Date.

3.5 Default Rate. If permitted by Law, all past-due Principal Debt, Borrower's past-due payment and reimbursement obligations in connection with L/Cs, and past-due interest accruing on any of the foregoing bears interest from the date due (stated or by acceleration) at the Default Rate until paid, regardless whether payment is made before or after entry of a judgment.

3.6 Interest Recapture. If the designated interest rate applicable to any Loan exceeds the Maximum Rate, the interest rate on that Loan is limited to the Maximum Rate, but any subsequent reductions in the designated rate shall not reduce the interest rate thereon below the Maximum Rate until the total amount of accrued interest equals the amount of interest that would have accrued if that designated rate had always been in effect. If at maturity (stated or by acceleration), or at final payment of the Notes, the total interest paid or accrued is less than the interest that would have accrued if the designated rates had always been in effect, then, at that time and to the extent permitted by Law, Borrower shall pay an amount equal to the difference between (a) the *lesser* of the amount of interest that would have accrued if the designated rates had always been in effect *and* the amount of interest that would have accrued if the Maximum Rate had always been in effect, and (b) the amount of interest actually paid or accrued on the Notes.

3.7 Interest Calculations.

(a) Interest will be calculated on the basis of actual number of days elapsed (including the first day, but excluding the last day), but computed as if each calendar year consisted of 360 days for LIBOR Loans (unless the calculation would result in an interest rate greater than the Maximum Rate, in which event interest will be calculated on the basis of a year of 365 or 366 days, as the case may be), and 365 or 366 days, as the case may be, for Base Rate Loans. All interest rate determinations and calculations by Agent are conclusive and binding absent manifest error.

(b) The provisions of this Agreement relating to calculation of the Base Rate and LIBOR are included only for the purpose of determining the rate of interest or other amounts to be paid under this Agreement that are based upon those rates. Each Lender may fund and maintain its funding of all or any part of each Loan as it selects.

3.8 Maximum Rate. Regardless of any provision contained in any Loan Paper or any document related thereto, no Lender is entitled to contract for, charge, take, reserve, receive or apply, as interest on all or any part of the Obligation any amount in excess of the Maximum Rate, and, if Lenders ever do so, then any excess shall be treated as a partial payment of principal and any remaining excess shall be refunded to Borrower. In determining if the interest paid or payable exceeds the Maximum Rate, Borrower and Lenders shall, to the maximum extent permitted under applicable Law, (a) treat all Loans as but a single extension of

credit (and Lenders and Borrower agree that is the case and that provision in this Agreement for multiple Loans is for convenience only), (b) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (c) exclude voluntary payments and their effects, and (d) amortize, prorate, allocate and spread the total amount of interest throughout the entire contemplated term of the Obligation. However, if the Obligation is paid in full before the end of its full contemplated term, and if the interest received for its actual period of existence exceeds the Maximum Amount, Lenders shall refund any excess (and Lenders shall not, to the extent permitted by Law, be subject to any penalties provided by any Laws for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Amount).

3.9 Interest Periods. When Borrower requests any LIBOR Loan, Borrower may elect the applicable interest period (each an "***Interest Period***"), which may be, at Borrower's option, one, two, three or six months, subject to the following conditions: (a) the initial LIBOR Interest Period commences on the applicable Loan Date or conversion date, and each subsequent LIBOR Interest Period commences on the day when the next preceding applicable Interest Period expires; (b) if any LIBOR Interest Period begins on a day for which no numerically corresponding Business Day in the calendar month at the end of the Interest Period exists, then the Interest Period ends on the last Business Day of that calendar month; (c) no LIBOR Interest Period for any portion of Principal Debt may extend beyond the scheduled payment date for that portion of Principal Debt; and (d) no more than 20 LIBOR Interest Periods may be in effect at one time.

3.10 Conversions. Subject to the dollar limits and denominations of ***Section 2.1*** and the limitations on LIBOR Interest Periods of ***Section 3.9***, Borrower may (a) convert all or part of a LIBOR Loan on the last day of the applicable Interest Period to a Base Rate Loan, (b) convert all or part of a Base Rate Loan at any time to a LIBOR Loan, and (c) elect a new Interest Period for all or part of a LIBOR Loan, in each case by delivering a Conversion Request to Agent no later than 1:00 p.m. on the third Business Day before the conversion date or the last day of the Interest Period, as the case may be (for conversion to a LIBOR Loan or election of a new Interest Period), and no later than 1:00 p.m. one Business Day before the last day of the Interest Period (for conversion to a Base Rate Loan). Absent Borrower's notice of conversion or election of a new Interest Period, a LIBOR Loan shall be converted to a Base Rate Loan when the applicable Interest Period expires.

3.11 Order of Application. If no Default or Potential Default exists, any payment shall be applied to the Obligation in the order and manner as Borrower directs. If a Default or Potential Default exists or if Borrower fails to give direction, any other payment (including proceeds from the exercise of any Rights hereunder) shall be applied in the following order (a) to all fees, expenses and Funding Losses for which Agent or Lenders have not been paid or reimbursed in accordance with the Loan Papers (and if such payment is less than all unpaid or unreimbursed fees and expenses, then the payment shall be paid against unpaid and unreimbursed fees and expenses in the order of incurrence or due date), (b) to accrued interest on the Principal Debt, and (c) ratably to the remainder of the Obligation.

3.12 Sharing of Payments, Etc.. If any Lender (a "***benefitted Lender***") shall at any time receive

any payment of all or part of the Loans owing to it, or interest thereon, or receive any Collateral in respect thereof (whether voluntarily or involuntarily, by set-off, or otherwise), in a greater proportion than any such payment to or Collateral received by any other Lender, if any, in respect of such other Lender's Loans owing to it, or interest thereon, such benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loans owing to it, or shall provide such other Lenders with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such Collateral or proceeds ratably with each of the Lenders; *provided, however, that* if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Borrower agrees that any Lender so purchasing a participation from a Lender pursuant to this ***Section 3.12*** may, to the fullest extent permitted by Law, exercise all of its Rights of payment (including the Right of set-off) with respect to such participation as fully as if such Person were the direct creditor of Borrower in the amount of such participation.

3.13 Booking Loans. To the extent permitted by Law, any Lender may make, carry or transfer its Loans at, to, or for the account of any of its branch offices or the office of any of its Affiliates. However, no Affiliate is entitled to receive any greater payment under ***Section 3.15*** than the transferor Lender would have been entitled to receive with respect to those Loans.

3.14 Basis Unavailable or Inadequate for LIBOR. If, on or before any date when LIBOR is to be determined for a Loan, Agent or any Lender determines (and Required Lenders agree with that determination) that the basis for determining the applicable rate is not available or that the resulting rate does not accurately reflect the cost to Lenders of making or converting Loans at that rate for the applicable Interest Period, then Agent shall promptly notify Borrower and Lenders of that determination (which is conclusive and binding on Borrower absent manifest error) and the applicable Loan shall bear interest at the *sum* of the Base Rate *plus* the Applicable Margin. Until Agent notifies Borrower that those circumstances no longer exist, Lenders' commitments under this Agreement to make, or to convert to, LIBOR Loans are suspended.

3.15 Additional Costs.

(a) With respect to any LIBOR Loan, (i) if any present or future Law imposes, modifies, or deems applicable (or if compliance by any Lender with any requirement of any Tribunal results in) any Reserve Requirement, and if (ii) those reserves reduce any sums receivable by that Lender under this Agreement or increase the costs incurred by that Lender in advancing or maintaining any portion of any LIBOR Loan, then (iii) that Lender (through Agent) shall deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it for its reduction or increase (which certificate is conclusive and binding absent manifest error), and (iv) Borrower shall promptly pay that amount to that Lender upon demand. This paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement. This

paragraph may be invoked by a Lender only if such Lender is generally invoking similar provisions against other Persons to which such Lender lends funds pursuant to facilities similar to the Facility.

(b) With respect to any Loan or L/C, if any present or future Law regarding capital adequacy or compliance by Agent (as issuer of L/Cs) or any Lender with any request, directive or requirement now existing or hereafter imposed by any Tribunal regarding capital adequacy, or any change in its written policies or in the risk category of this transaction, reduces the rate of return on its capital as a consequence of its obligations under this Agreement to a level below that which it otherwise could have achieved (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material (and it may, in determining the amount, utilize reasonable assumptions and allocations of costs and expenses and use any reasonable averaging or attribution method), then (unless the effect is already reflected in the rate of interest then applicable under this Agreement) Agent or that Lender (through Agent) shall notify Borrower and deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it (which certificate is conclusive and binding absent manifest error), and Borrower shall promptly pay that amount to Agent or that Lender upon demand. This paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement. This paragraph may be invoked by a Lender only if such Lender is generally invoking similar provisions against other Persons to which such Lender lends funds pursuant to facilities similar to the Facility.

(c) Any Taxes payable by Agent or any Lender or ruled (by a Tribunal) payable by Agent or any Lender in respect of any Loan Paper or any document related thereto shall, if permitted by Law, be paid by Borrower, together with interest and penalties, if any (*other than* for Taxes imposed on or measured by the overall net income of Agent or that Lender and interest and penalties incurred as a result of the gross negligence or willful misconduct of Agent or any Lender). Agent or that Lender (through Agent) shall notify Borrower and deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount of payable Taxes, which certificate is conclusive and binding (absent manifest error), and Borrower shall promptly pay that amount to Agent for its account or the account of that Lender, as the case may be. If Agent or that Lender subsequently receives a refund of the Taxes paid to it by Borrower, then the recipient shall promptly pay the refund to Borrower.

3.16 Change in Laws. If any Law makes it unlawful for any Lender to make or maintain LIBOR Loans, then that Lender shall promptly notify Borrower and Agent, and (a) as to undisbursed funds, that requested Loan shall be made as a Base Rate Loan, and (b), as to any outstanding Loan, (i) if maintaining the Loan until the last day of the applicable Interest Period is unlawful, the Loan shall be converted to a Base Rate Loan as of the date of notice, and Borrower shall pay any related Funding Loss, or (ii) if not prohibited by Law, the Loan shall be converted to a Base Rate Loan as of the last day of the applicable Interest Period, or (iii) if any conversion will not resolve the unlawfulness, Borrower shall promptly pay the Loan, without

penalty, together with any related Funding Loss. Concurrently with any payment contemplated by *clause (iii)* of the immediately preceding sentence, Borrower shall borrow a Base Rate Loan in an equal principal amount from such Lender (on which interest and principal shall be payable contemporaneously with the related LIBOR Loans of the other Lenders) and such Lender shall fund such Base Rate Loan.

3.17 Funding Loss. **Borrower agrees to indemnify each Lender against, and pay to it upon demand, any Funding Loss of that Lender.** When any Lender demands that Borrower pay any Funding Loss, that Lender shall deliver to Borrower and Agent a certificate setting forth in reasonable detail the basis for imposing Funding Loss and the calculation of the amount, which calculation is conclusive and binding absent manifest error. The provisions of and undertakings and indemnification set forth in this paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement.

3.18 Foreign Lenders. Each Lender that is organized under the Laws of any jurisdiction *other than* the U.S. or any State thereof (a) represents to Agent and Borrower that (i) no Taxes are required to be withheld by Agent or Borrower with respect to any payments to be made to it in respect of the Obligation and (ii) it has furnished to Agent and Borrower two duly completed copies of U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI (wherein it claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments under the Loan Papers), or any other successor tax form acceptable to Agent and Borrower, and (b) covenants to (i) provide Agent and Borrower a new tax form upon the expiration, inaccuracy or obsolescence of any previously delivered form according to, and to the extent permitted by, Law, duly executed and completed by it, and (ii) comply from time to time with all Laws with regard to the withholding tax exemption. If any of the foregoing is not true or the applicable forms are not provided, then Borrower and Agent (without duplication) may deduct and withhold from interest payments under the Loan Papers U.S. federal income tax at the full rate applicable under the Code. In addition, Borrower shall not be required to make any payments contemplated by ***Section 3.15(c)*** to the extent that such payments would not have been payable if such Lender had furnished the appropriate form (properly and accurately completed in all respects) which it was otherwise required to furnish in accordance with this ***Section 3.18***.

3.19 Affected Lender's Obligation to Mitigate. Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition which would entitle it to exercise any rights under ***Sections 3.15*** or ***3.16***, it shall use commercially reasonable efforts to make, fund or maintain the affected Loans of such Lender through another lending office of such Lender if (a) as a result thereof the additional moneys which would otherwise be required to be paid in respect of such Loans of such Lender would be reduced or the illegality or other adverse circumstances which would otherwise affect such Loans of such Lender would cease to exist or the increased cost which would otherwise be required to be paid in respect of such Loans would be reduced and (b) the making, funding or maintaining of such Loans through such other lending office would not otherwise materially adversely affect such Loans or such Lender.

3.20 Replacement Lender. In the event Borrower becomes obligated to pay any additional amounts to any Lender pursuant to ***Sections 3.15*** or ***3.16*** as a result of any event or condition described in any of such Sections, then, unless such Lender has theretofore taken steps to remove or cure, and has removed or cured, the conditions creating the cause of such obligation to pay such additional amounts, Borrower may designate a substitute lender acceptable to Agent (such lender herein called a "***Replacement Lender***") to purchase such Lender's rights and obligations with respect to its entire Pro Rata Part hereunder with respect to the Facility as a whole, without recourse to or warranty by, or expense to, such Lender in accordance with ***Section 14.12(c)*** for a purchase price equal to the outstanding principal amounts payable to such Lender with respect to such Pro Rata Part, *plus* any accrued and unpaid interest and accrued and unpaid fees and charges in respect of such Pro Rata Part and on other terms reasonably satisfactory to Agent. Upon such purchase by the Replacement Lender and payment of all other amounts owing to the Lender being replaced hereunder, such Lender shall no longer be a party hereto or have any rights or obligations hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender with respect to such Pro Rata Part hereunder.

SECTION 4 FEES.

4.1 Treatment of Fees. The fees described in this ***Section 4*** (a) are not compensation for the use, detention, or forbearance of money, (b) are in addition to, and not in lieu of, interest and expenses otherwise described in this Agreement, (c) are payable in accordance with ***Section 3.1(b)***, (d) are nonrefundable, and (e) to the fullest extent permitted by Law, bear interest, if not paid when due, at the Default Rate.

4.2 Fee Letter. Borrower shall pay the fees described in the letter agreements between Borrower and Agent dated November 19, 1997, April 30, 1999 and August 29, 2001.

4.3 L/C Fees.

(a) L/C Fees. Borrower shall pay to Agent for the account of each Lender in accordance with its Pro Rata Part (i) a fee for each commercial L/C equal to 1/8 of 1% per annum times the actual daily maximum amount available to be drawn under each such L/C, and (ii) a fee for each standby L/C equal to the Applicable Margin for LIBOR Loans times the actual daily maximum amount available to be drawn under each such L/C. Such fee for each L/C shall be due and payable quarterly in arrears on each Quarterly Date, commencing with the first such date to occur after the issuance of such L/C, and on the expiration date of such L/C. If there is any change in the Applicable Margin during any quarter, the actual daily amount of each standby L/C shall be computed and multiplied by the Applicable Margin separately for each period during such quarter that such Applicable Margin was in effect.

(b) Fronting Fee and Documentary and Processing Charges Payable to Agent. The Borrower shall pay directly to the Agent for its own account a fronting fee in an amount (i) with respect to each commercial L/C, equal to 1/8 of 1% of the amount of such L/C, due and payable

upon the issuance thereof, and (ii) with respect to each standby L/C, equal to 1/8 of 1% per annum on the daily maximum amount available to be drawn thereunder, due and payable quarterly in arrears on each Quarterly Date, commencing with the first such date to occur after the issuance of such L/C, and on the expiration date of such L/C. In addition, the Borrower shall pay directly to the Agent for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Agent relating to letters of credit as from time to time in effect. Such fees and charges are due and payable on demand and are nonrefundable.

(c) Calculation of L/C Fees. Each L/C (other than a fee payable upon the issuance of the L/C) shall be calculated on the basis of a year of 360 days and the actual number of days elapsed.

4.4 Commitment Fee. Borrower shall pay to Agent for the ratable account of Lenders a commitment fee, payable as it accrues on each Quarterly Date and on the Termination Date, equal to the Applicable Percentage (per annum), of the amount by which the Total Commitment exceeds the average daily Commitment Usage, in each case during the calendar quarter (or portion thereof) ending on such date, calculated on the basis of the actual number of days elapsed (including the first day, but excluding the last day) in a calendar year of 365 or 366 days, as the case may be.

SECTION 5 GUARANTY AND SECURITY.

5.1 Guaranty. Full and complete payment of the Obligation under the Loan Papers shall be guaranteed in accordance with a Guaranty executed by each Restricted Company (other than Borrower).

5.2 Collateral. Full and complete payment of the Obligation under the Loan Papers shall be secured by (collectively, the "***Collateral***") (a) all capital stock or other equity interests issued to a Restricted Company by any Restricted Subsidiary organized under the laws of the United States (or any state thereof), (b) 65% of all capital stock or other equity interests issued to a Restricted Company by any other Restricted Subsidiary, and (c) a pledge by Borrower of its membership interests in SSI.

5.3 Additional Collateral and Guaranties. Agent may, without notice or demand and without affecting any Person's obligations under the Loan Papers, from time to time (a) receive and hold additional collateral from any Person for the payment of all or any part of the Obligation and exchange, enforce or release all or any part of that collateral (in accordance with ***Section 13.9(e)***), and (b) accept and hold any endorsement or guaranty of payment of all or any part of the Obligation and release any endorser or guarantor, or any Person who has given any other security for the payment of all or any part of the Obligation, or any other Person in any way obligated to pay all or any part of the Obligation (in accordance with ***Section 13.9(f)***).

5.4 Additional Documents or Information. Each Company will execute, or cause to be executed, financing statements, stock powers, or other writings in the form and content reasonably required by Agent. Borrower shall pay all costs of (a) filing any financing, continuation, amendment or terminations statements, or (b) other actions taken by Agent relating to the Collateral, including, without limitation, costs and expenses

of any Lien search required by Agent.

SECTION 6 CONDITIONS PRECEDENT.

6.1 Initial Advance. Lenders will not be obligated to fund the initial Loan, and Agent will not be obligated to issue the initial L/C, unless Agent has received each of the items in (a) - (g) and the conditions in items (h) - (i) have been satisfied:

(a) the Promissory Notes;

(b) a Guaranty executed by each Restricted Company (*other than* Borrower) or, for any Restricted Company which has previously executed a Guaranty, at Agent's election, a consent or ratification by such Restricted Company of its existing Guaranty;

(c) a Pledge Agreement executed by the holder of the capital stock or other equity interests of each Restricted Company, other than those set out in the Post-Closing Agreement, pledging that capital stock or those interests, and a Pledge Agreement (or a ratification agreement) executed by Borrower in respect of its interest in SSI;

(d) an Officers' Certificate for each Restricted Company, relating to articles of incorporation or organization, bylaws, regulations, or agreements, resolutions, and incumbency;

(e) Certificates of Existence and Good Standing (Account Status) for each Restricted Company from its state of organization and each other state where it does business, each dated after September 15, 2001;

(f) Legal opinions of Martha Dugan Rehm, General Counsel of VRI, and Cahill Gordon & Reindel, special New York counsel to Borrower;

(g) Borrower's audited consolidated and consolidating Financial Statements for 2001;

(h) Payment in full of all amounts then due Agent under ***Section 8.7*** or the fee letters described in ***Section 4***; and

(i) Since July 31, 2001, no change has occurred in the business, assets, liabilities, operations, conditions (financial or otherwise) or prospects of the Companies and no Litigation or other proceeding or investigation in respect of any Company has been initiated or threatened, which, in either case, would constitute a Material Adverse Event.

6.2 Each Advance. Lenders will not be obligated to fund any Loan (including the initial Loans), continue any LIBOR Loan (as opposed to continuing any Base Rate Loan), or convert any Base Rate Loan into a LIBOR Loan (as opposed to converting any LIBOR Loan into a Base Rate Loan), and Agent will not be obligated to issue (as opposed to extend) any L/C (including the initial L/Cs), unless on the applicable date (and after giving effect to the requested Loan or L/C): (a) Agent shall have timely received a Loan Request or L/C Request (together with the applicable L/C Agreement), as the case may be; (b) Agent shall have received any applicable L/C fee; (c) all of the representations and warranties of the Companies in the Loan Papers are true and correct in all material respects (unless they speak to a specific date or are based on facts which have changed by transactions contemplated or permitted by this Agreement); (d) no Material Adverse

Event, Default or Potential Default exists; and (e) the funding of the Loan or issuance of the L/C is permitted by Law. Upon Agent's reasonable request, Borrower shall deliver to Agent evidence substantiating any of the matters in the Loan Papers that are necessary to enable Borrower to qualify for the Loan or L/C. Each condition precedent in this Agreement is material to the transactions contemplated by this Agreement, and time is of the essence with respect to each condition precedent. Subject to the prior approval of Required Lenders, Lenders may fund any Loan, and Agent may issue any L/C, without all conditions being satisfied, but, to the extent permitted by Law, that funding and issuance shall not be deemed to be a waiver of the requirement that each condition precedent be satisfied as a prerequisite for any subsequent funding or issuance, unless Required Lenders specifically waive each item in writing.

SECTION 7 REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Agent and Lenders as follows:

7.1 Regulation U. No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "*margin stock*" within the meaning of *Regulations T or U* of the Board of Governors of the Federal Reserve System, as amended.

7.2 Corporate Existence, Good Standing, Authority and Compliance. Each Company is duly organized, validly existing and in good standing under the Laws of the jurisdiction in which it is incorporated or organized as identified on ***Schedule 7.2*** (or any revised ***Schedule 7.2*** delivered by Borrower to Lenders pursuant to ***Section 8.11, 9.10*** or ***9.11***). Except where failure is not a Material Adverse Event, each Restricted Company (a) is duly qualified to transact business and is in good standing as a foreign corporation or other entity in each jurisdiction where the nature and extent of its business and properties require due qualification and good standing as identified on ***Schedule 7.2*** (or any such revised ***Schedule 7.2***), and (b) possesses all requisite authority, permits and power to conduct its business as is now being, or is contemplated by this Agreement to be, conducted.

7.3 Subsidiaries. VRI has no Subsidiaries, *other than* as disclosed on ***Schedule 7.2*** (or on any revised ***Schedule 7.2*** delivered by Borrower to Lenders pursuant to ***Section 8.11, 9.10*** or ***9.11***). All of the outstanding shares of capital stock (or similar voting interests) of the Companies are duly authorized, validly issued, fully paid and nonassessable. All of the outstanding shares of capital stock of the Companies other than VRI are owned of record and beneficially as set forth thereon, free and clear of any Liens, restrictions, claims or Rights of another Person, *other than* Permitted Liens, and are not subject to any warrant, option or other acquisition Right of any Person or subject to any transfer restriction, *other than* restrictions imposed by securities Laws and general corporate Laws.

7.4 Authorization and Contravention. The execution and delivery by each Company of each Loan Paper or related document to which it is a party and the performance by it of its obligations thereunder (a) are within its organizational power, (b) have been duly authorized by all necessary action, (c) require no action by or filing with any Tribunal (*other than* any action or filing that has been taken or made on or before the date of this Agreement), (d) do not violate any provision of its organizational documents, (e) do not violate

any provision of Law or any order of any Tribunal applicable to it, *other than* violations that individually or collectively are not a Material Adverse Event, (f) do not violate any Material Agreements to which it is a party, or (g) do not result in the creation or imposition of any Lien on any asset of any Company.

7.5 Binding Effect. Upon execution and delivery by all parties thereto, each Loan Paper which is a contract will constitute a legal and binding obligation of each Company party thereto, enforceable against it in accordance with its terms, *except* as enforceability may be limited by applicable Debtor Relief Laws and general principles of equity.

7.6 Financial Statements; Fiscal Year. The Current Financials were prepared in accordance with GAAP and, together with the notes thereto, present fairly, in all material respects, the consolidated financial

condition, results of operations, and cash flows of the Companies as of, and for the portion of the fiscal year ending on the date or dates thereof (subject only to normal year-end adjustments). Except for transactions directly related to, or specifically contemplated by, the Loan Papers, no subsequent material adverse changes have occurred in the consolidated financial condition of the Companies from that shown in the Current Financials. The fiscal year of each Company ends on July 31.

7.7 Litigation. Except as disclosed on ***Schedule 7.7*** (or on any revised ***Schedule 7.7*** delivered by Borrower to Lenders), (a) no Company (*other than* as a creditor or claimant) is subject to, or aware of the threat of, any Litigation that is reasonably likely to be determined adversely to any Company and, if so adversely determined, is a Material Adverse Event, (b) no outstanding or unpaid judgments against any Company exist, and (c) no Company is a party to, or bound by, any judicial or administrative order, judgment, decree or consent decree relating to any past or present practice, omission, activity or undertaking which constitutes a Material Adverse Event.

7.8 Taxes. All Tax returns of each Company required to be filed have been filed (or extensions have been granted) before delinquency, *other than* returns for which the failure to file is not a Material Adverse Event, and all Taxes shown as due and payable in such returns have been paid before delinquency, *other than* Taxes for which the criteria for Permitted Liens (as specified in *clause (i)* of the definition of "*Permitted Liens*") have been satisfied or for which nonpayment is not a Material Adverse Event.

7.9 Environmental Matters. Except as disclosed on ***Schedule 7.9*** (or any revised ***Schedule 7.9*** delivered by Borrower to Lenders) and except for conditions, circumstances or violations that are not, individually or in the aggregate, a Material Adverse Event, no Company (a) knows of any environmental condition or circumstance adversely affecting any Company's properties or operations, (b) has, to its knowledge, received any written report of any Company's violation of any Environmental Law, or (c) knows that any Company is under any obligation imposed by a Tribunal to remedy any violation of any Environmental Law. Except as disclosed on ***Schedule 7.9*** (or any such revised ***Schedule 7.9***), each Company believes that its properties and operations do not violate any Environmental Law, *other than* violations that are not, individually or in the aggregate, a Material Adverse Event. No facility of any Company is used for, or to the

knowledge of any Company has been used for, treatment or disposal of any Hazardous Substance or storage of Hazardous Substances, *other than* in material compliance with applicable Environmental Laws.

7.10 Employee Plans. Except where occurrence or existence is not a Material Adverse Event, (a) no Employee Plan has incurred an "*accumulated funding deficiency*" (as defined in section 302 of ERISA or section 412 of the Code), (b) no Company has incurred liability under ERISA to the PBGC in connection with any Employee Plan (*other than* required insurance premiums, all of which have been paid), (c) no Company has withdrawn in whole or in part from participation in a Multiemployer Plan, (d) no Company has engaged in any "*prohibited transaction*" (as defined in section 406 of ERISA or section 4975 of the Code), and (e) no "*reportable event*" *(as defined in section 4043* of ERISA) has occurred with respect to an Employee Plan, excluding events for which the notice requirement is waived under applicable PBGC regulations.

7.11 Properties and Liens.

(a) Each Company has good and marketable title to all its material property reflected on the Current Financials (*other than* for property that is obsolete or that has been disposed of in the ordinary course of business or, as otherwise permitted by ***Section 9.10*** or ***Section 9.11***).

(b) Except for Permitted Liens, no Lien exists on any property of any Company (including, without limitation, the Forest Service Permits and the Water Rights), and the execution, delivery, performance or observance of the Loan Papers will not require or result in the creation of any Lien on any Company's property.

(c) As of the date hereof, the Forest Service Permits constitute all of the material licenses, permits or leases from the U.S. held by the Companies for use in connection with their respective skiing businesses.

(d) Each of the Water Rights is, to the knowledge of the Companies, in full force and effect and, to the knowledge of the Companies, there is no material default or existing condition which with the giving of notice or the passage of time or both would cause a material default under any Water Right that is material to the operation of the Companies. Subject to the available supply and to the terms and conditions of the applicable decrees, the Companies' Water Rights provide a dependable, legal and physical snowmaking, irrigation and domestic water supply for the operation of the Companies' businesses.

7.12 Government Regulations. No Company is subject to regulation under the *Investment Company Act of 1940*, as amended, or the *Public Utility Holding Company Act of 1935*, as amended.

7.13 Transactions with Affiliates. Except as set forth in ***Schedule 7.13*** and except for other transactions which do not, in the aggregate, cost the Restricted Companies more than $2,000,000 in any fiscal year, no Restricted Company is a party to any transaction with any Affiliate (*other than* another Restricted Company), *except* upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate.

7.14 Debt. No Company is an obligor on any Debt, *other than* Permitted Debt.

7.15 Material Agreements. All Material Agreements to which any Restricted Company is a party are in full force and effect, and no default or potential default exists on the part of any Restricted Company thereunder that is a Material Adverse Event.

7.16 Labor Matters. There are no binding agreements of any type with any labor union, labor organization, collective bargaining unit or employee group to which any Company is bound, *other than* Vail Summit Resorts' collective bargaining agreements with the Breckenridge Professional Ski Patrol Association and Keystone Professional Ski Patrol Association and agreements which may be entered into after the date of this Agreement which do not constitute a Material Adverse Event. No actual or threatened strikes, labor disputes, slow downs, walkouts, or other concerted interruptions of operations by the employees of any Company that constitute a Material Adverse Event exist. Hours worked by and payment made to employees of the Companies have not been in violation of the *Fair Labor Standards Act*, as amended, or any other applicable Law dealing with labor matters, *other than* any violations, individually or collectively, that are not a Material Adverse Event. All payments due from any Company for employee health and welfare insurance have been paid or accrued as a liability on its books, *other than* any nonpayments that are not, individually or collectively, a Material Adverse Event.

7.17 Solvency. On each Loan Date, Borrower is, and after giving effect to the requested Loan will be, Solvent.

7.18 Intellectual Property. Each Company owns (or otherwise holds rights to use) all material Intellectual Property, licenses, permits and trade names necessary to continue to conduct its businesses as presently conducted by it and proposed to be conducted by it immediately after the date of this Agreement. To its knowledge, each Company is conducting its business without infringement or claim of infringement of any license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property right of others, *other than* any infringements or claims that, if successfully asserted against or determined adversely to any Company, would not, individually or collectively, constitute a Material Adverse Event. To the knowledge of any Company as of the date hereof, no infringement or claim of infringement by others of any material Intellectual Property, license, permit, trade name, or other intellectual property of any Company exists, *other than* claims which will not cause a Material Adverse Event.

7.19 Full Disclosure. Each material fact or condition relating to the Loan Papers or the financial condition, business or property of any Company has been disclosed to Agent. All information furnished by any Company to Agent in connection with the Loan Papers on or before the date of this Agreement was, taken as a whole, true and accurate in all material respects or based on reasonable estimates on the date the information is stated or certified.

SECTION 8 AFFIRMATIVE COVENANTS. So long as Lenders are committed to fund Loans and Agent is committed to issue L/Cs under this Agreement, and thereafter until the Obligation is paid in full, Borrower covenants and agrees as follows:

8.1 Items to be Furnished. Borrower shall cause the following to be furnished to each Lender:

(a) With respect to each fiscal year of the Companies:

(i) Promptly after preparation, unaudited Financial Statements showing the consolidated financial condition and results of operations of the Companies as of the last day of such fiscal year and for such fiscal year, accompanied by a Compliance Certificate with respect to such Financial Statements (for purposes of adjusting the Applicable Margin and the Applicable Percentage in accordance with the definitions of such terms); and

(ii) Promptly after preparation, and no later than 105 days after the last day of each fiscal year of the Companies, Financial Statements showing the consolidated financial condition and results of operations of the Companies as of, and for the year ended on, that last day, accompanied by: (A) the unqualified opinion of a firm of nationally-recognized independent certified public accountants, based on an audit using generally accepted auditing standards, that the Financial Statements were prepared in accordance with GAAP and present fairly, in all material respects, the consolidated financial condition and results of operations of the Companies, (B) any management letter prepared by the accounting firm delivered in connection with its audit, (C) a certificate from the accounting firm to Agent indicating that during its audit it obtained no knowledge of any Default or Potential Default or, if it obtained knowledge, the nature and period of existence thereof, and (D) a Compliance Certificate with respect to the Financial Statements.

(b) Promptly after preparation, and no later than 60 days after the last day of each fiscal quarter of the Companies, Financial Statements showing the consolidated financial condition and results of operations of the Companies for the fiscal quarter and for the period from the beginning of the current fiscal year to the last day of the fiscal quarter, accompanied by a Compliance Certificate with respect to the Financial Statements.

(c) Promptly after receipt, a copy of each interim or special audit report and management letter issued by independent accountants with respect to any Company or its financial records.

(d) Notice, promptly after any Company knows or has reason to know, of (i) the existence and status of any Litigation that, if determined adversely to any Company, would be a Material Adverse Event, (ii) any change in any material fact or circumstance represented or warranted by any Company in connection with any Loan Paper, (iii) the receipt by any Company of notice of any violation or alleged violation of any Environmental Law or ERISA (which individually or collectively with other violations or allegations is reasonably likely to constitute a Material Adverse Event), or (iv) a Default or Potential Default, specifying the nature thereof and what action the Companies have taken, are taking, or propose to take.

(e) Promptly after filing, copies of all material reports or filings filed by or on behalf of

any Company with any securities exchange or the Securities and Exchange Commission (including, without limitation, copies of each Form 10-K, Form 10-Q and Form S-8 filed by or on behalf of VRI with the Securities and Exchange Commission within 15 days after filing).

(f) Promptly upon reasonable request by Agent or Required Lenders (through Agent), information (not otherwise required to be furnished under the Loan Papers) respecting the business affairs, assets and liabilities of the Companies (including, but not limited to, seasonal operating statistics, annual budgets, etc.) and opinions, certifications and documents in addition to those mentioned in this Agreement; *provided, however, that* Agent and Lenders shall not disclose to any third Person any data or information obtained thereby in accordance with the provisions of this *paragraph (f)*, except (i) with the prior written consent of the appropriate Company, (ii) to the extent necessary to comply with Law or the ruling of any Tribunal in which event, Agent and/or such Lenders shall notify the appropriate Company as promptly as practicable (and, if possible, prior to making such disclosure) and shall seek confidential treatment of the information desired, (iii) at the request of any banking or other regulatory authority, or (iv) to their respective Representatives to the extent such disclosure is necessary in connection with the transactions contemplated by the Loan Papers.

8.2 Use of Proceeds. Borrower will use all of the proceeds of Loans and L/Cs for seasonal working capital, to make advances and other investments permitted by ***Section 9.8***, to make acquisitions permitted under ***Section 9.11***, and for other general corporate purposes and capital expenditures of the Companies. No part of the proceeds of any L/C draft or drawing or of any Loan will be used, directly or indirectly, for a purpose that violates any Law, including without limitation, the provisions of *Regulation U*.

8.3 Books and Records. Each Company will maintain books, records and accounts necessary to prepare financial statements in accordance with GAAP.

8.4 Inspections. Upon reasonable request, each Company will allow Agent (or its Representatives) to inspect any of its properties, to review reports, files and other records and to make and take away copies, to conduct tests or investigations, and to discuss any of its affairs, conditions and finances with its other creditors, directors, officers, employees or representatives from time to time, during reasonable business hours; *provided, however, that* Agent and its Representatives shall not disclose to any Person any data or information obtained thereby in accordance with the provisions of this ***Section 8.4*** which is not a matter of public knowledge, *except* (i) with the prior written consent of the appropriate Company, (ii) to the extent necessary to comply with Law or the ruling of any Tribunal in which event, Agent and/or its Representatives shall notify the appropriate Company as promptly as practicable (and, if possible, prior to making such disclosure) and shall seek confidential treatment of the information desired, (iii) at the request of any banking or other regulatory authority, or (iv) to their respective Representatives to the extent such disclosure is necessary in connection with the transactions contemplated by the Loan Papers. Any of the Lenders (or their Representatives) may accompany Agent during such inspections.

8.5 Taxes. Each Restricted Company will promptly pay when due any and all Taxes, *other than* Taxes which are being contested in good faith by lawful proceedings diligently conducted, against which reserve or other provision required by GAAP has been made; *provided, however, that* all such Taxes shall, in any event, be paid prior to any levy for execution in respect of any Lien on any property of a Restricted Company.

8.6 Payment of Obligations. Each Company will pay (or renew and extend) all of its obligations at such times and to such extent as may be necessary to prevent a Material Adverse Event (*except* for obligations, *other than* Funded Debt, which are being contested in good faith by appropriate proceedings); *provided that* Borrower shall not and shall not permit any other Company to repay advances from Apollo, *other than* as provided in ***Section 9.9***.

8.7 Fees and Expenses. Borrower shall promptly pay upon demand (a) all reasonable and customary costs, fees, and expenses paid or incurred by Agent and its Affiliates, in connection with the arrangement, syndication and negotiation of the Facility and the negotiation, preparation, delivery and execution of the Loan Papers and any related amendment, waiver, or consent (including in each case, without limitation, the reasonable fees and expenses of Agent's counsel) and (b) all reasonable costs and expenses of Lenders and Agent incurred by Agent or any Lender in connection with the enforcement of the obligations of any Company arising under the Loan Papers or the exercise of any Rights arising under the Loan Papers (including, but not limited to, reasonable attorneys' fees and court costs), all of which shall be a part of the Obligation and shall bear interest, if not paid upon demand, at the Default Rate until paid.

8.8 Maintenance of Existence, Assets, and Business.

(a) Except as otherwise permitted by ***Section 9.11***, each Company will (i) maintain its organizational existence and good standing in its state of organization and its authority to transact business in all other states where failure to maintain its authority to transact business is a Material Adverse Event; (ii) maintain all Water Rights, licenses, permits (including, without limitation, the Forest Service Permits), and franchises necessary for its business where failure to maintain is a Material Adverse Event; and (iii) keep all of its assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear excepted) and make all necessary repairs and replacements.

(b) Neither Borrower, VRI nor VHI will change its name in any manner (*except* by registering additional trade names), unless such Company shall have given Agent prior notice thereof. Borrower shall promptly notify Agent of any change in name of any other Company (except the registering of additional tradenames).

8.9 Insurance. Each Company will maintain with financially sound, responsible, and reputable insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates) insurance concerning its properties and businesses against casualties and contingencies and of types and in amounts (and with

co-insurance and deductibles) as is customary in the case of similar businesses. At Agent's request, each Company will deliver to Agent certificates of insurance for each policy of insurance and evidence of payment of all premiums.

8.10 Environmental Laws. Each Company will (a) conduct its business so as to comply in all material respects with all applicable Environmental Laws and shall promptly take required corrective action to remedy any non-compliance with any Environmental Law, *except* where failure to comply or take action would not be a Material Adverse Event, and (b) establish and maintain a management system designed to ensure compliance with applicable Environmental Laws and minimize material financial and other risks to each Company arising under applicable Environmental Laws or as the result of environmentally related injuries to Persons or property, *except* where failure to comply would not be a Material Adverse Event. Borrower shall deliver reasonable evidence of compliance with the foregoing covenant to Agent within 30 days after any written request from Required Lenders, which request shall be made only if Required Lenders reasonably believe that a failure to comply with the foregoing covenant would be a Material Adverse Event.

8.11 Subsidiaries. Subject to ***Section 9.8***, the Companies may create or acquire additional Subsidiaries (including Unrestricted Subsidiaries); *provided that* (a) each Person that becomes a Restricted Subsidiary after the date of this Agreement (whether as a result of an acquisition permitted under ***Section 9.11***, creation, or otherwise) shall execute and deliver to Agent a Guaranty within 30 days after becoming a Restricted Subsidiary, (b) each Restricted Company that becomes the holder of the capital stock or equity interest of each Person that becomes a Restricted Subsidiary after the date of this Agreement (whether as a result of an acquisition permitted under ***Section 9.11***, creation, or otherwise) shall execute and deliver to Agent a Pledge Agreement, together with any related Security Documents reasonably required by Agent, pledging such capital stock or equity interests within 30 days after such Person becomes a Subsidiary, and (c) and Borrower shall deliver to Agent a revised ***Schedule 7.2*** reflecting such new Subsidiary within 30 days after it becomes a Subsidiary. Subject to ***Section 14.10(b)(v)***, Agent shall execute documentation reasonably required to release any Restricted Subsidiary which is re-designated by Borrower as an Unrestricted Subsidiary from its Guaranty.

8.12 Indemnification. **Borrower shall indemnify, protect and hold Agent and Lenders and their respective Affiliates, Representatives, successors and assigns and attorneys (collectively, the "*indemnified parties*") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims and proceedings and all costs, expenses (including, without limitation, all attorneys' fees and legal expenses whether or not suit is brought) and disbursements of any kind or nature (the "*indemnified liabilities*") that may at any time be imposed on, incurred by or asserted against the indemnified parties, in any way relating to or arising out of (a) the direct or indirect result of the violation by any Company of any Environmental Law, (b) any Company's generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence in connection with its properties of a Hazardous Substance**

(including, without limitation, (i) all damages of any use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence, or (ii) the costs of any environmental investigation, monitoring, repair, cleanup or detoxification and the preparation and implementation of any closure, remedial or other plans), or (c) the Loan Papers or any of the transactions contemplated therein. However, although each indemnified party has the Right to be indemnified for its own ordinary negligence, no indemnified party has the Right to be indemnified for its own fraud, gross negligence or willful misconduct. The provisions of and undertakings and indemnification set forth in this paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement.

SECTION 9 NEGATIVE COVENANTS. So long as Lenders are committed to fund Loans and Agent is committed to issue L/Cs under this Agreement, and thereafter until the Obligation is paid in full, Borrower covenants and agrees as follows:

9.1 Taxes. No Company shall use any portion of the proceeds of any Loan to pay the wages of employees, unless a timely payment to or deposit with the U.S. of all amounts of Tax required to be deducted and withheld with respect to such wages is also made.

9.2 Payment of Obligations. No Company shall voluntarily prepay principal of, or interest on, any Funded Debt, *other than* the Obligation, if a Default or Potential Default exists (or would result from such payment). No Company shall repay, repurchase, redeem or defease Subordinated Debt without the prior written consent of Required Lenders.

9.3 Employee Plans. Except where a Material Adverse Event would not result, no Company shall permit any of the events or circumstances described in ***Section 7.10*** to exist or occur.

9.4 Debt. No Company shall create, incur or suffer to exist any Debt, *other than* Permitted Debt.

9.5 Liens. No Company shall (a) create, incur or suffer or permit to be created or incurred or to exist any Lien upon any of its assets, *other than* Permitted Liens, or (b) enter into or permit to exist any arrangement or agreement that directly or indirectly prohibits any Company from creating or incurring any Lien, *other than* the Loan Papers, the documents executed in connection with the Vail Bonds (and any documents relating to a refinancing of the Vail Bonds), the Senior Subordinated Debt Indenture as in effect on May 11, 1999 (which does not prohibit the creation or incurrence of Liens securing "Senior Debt," as defined therein), any other indenture that contains the same exception for liens securing "Senior Debt" as the Senior Subordinated Debt Indenture, and leases or licenses that prohibit Liens on the leased or licensed property.

9.6 Transactions with Affiliates. Except for transactions which do not, in the aggregate, cost the Restricted Companies more than $2,000,000 in any fiscal year, no Restricted Company shall enter into or suffer to exist any transaction with any Affiliate (*other than* another Restricted Company), or guaranty, obtain any letter of credit or similar instrument in support of, or create, incur or suffer to exist any Lien upon

any of its assets as security for, any Debt or other obligation of any Affiliate (*other than* Debts or other obligations of another Restricted Company) unless (a) such transaction is an advance or equity contribution to an Unrestricted Subsidiary permitted by ***Section 9.8(j)***, (b) such transaction is described in ***Section 9.9*** or on ***Schedule 7.13***, or (c) such transaction is upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate.

9.7 Compliance with Laws and Documents. No Company shall (a) violate the provisions of any Laws or rulings of any Tribunal applicable to it or of any Material Agreement to which it is a party if that violation alone, or when aggregated with all other violations, would be a Material Adverse Event, (b) violate the provisions of its organizational documents if such violation would cause a Material Adverse Event, or (c) repeal, replace or amend any provision of its organizational documents if that action would be a Material Adverse Event.

9.8 Loans, Advances and Investments. Except as permitted by ***Section 9.9*** or ***Section 9.11***, no Restricted Company shall make or suffer to exist any loan, advance, extension of credit or capital contribution to, make any investment in, or purchase or commit to purchase any stock or other securities or evidences of Debt of, or interests in, any other Person, *other than*:

(a) expense accounts for and other loans or advances to its directors, officers and employees in the ordinary course of business;

(b) marketable obligations issued or unconditionally guaranteed by the U.S. or issued by any of its agencies and backed by the full faith and credit of the U.S., in each case maturing within one year from the date of acquisition;

(c) short-term investment grade domestic and eurodollar certificates of deposit or time deposits that are fully insured by the Federal Deposit Insurance Corporation or are issued by commercial banks organized under the Laws of the U.S. or any of its states having combined capital, surplus, and undivided profits of not less than $100,000,000 (as shown on its most recently published statement of condition);

(d) commercial paper and similar obligations rated "*P-1*" by Moody's or "*A-1*" by S&P;

(e) readily marketable tax-free municipal bonds of a domestic issuer rated "*A-2*" or better by Moody's or "*A*" or better by S&P, and maturing within one year from the date of issuance;

(f) mutual funds or money market accounts investing primarily in items described in *clauses (b)* through *(e)* above;

(g) demand deposit accounts maintained in the ordinary course of business;

(h) current trade and customer accounts receivable that are for goods furnished or services rendered in the ordinary course of business and that are payable in accordance with customary trade terms;

(i) Financial Hedges existing on the date hereof which have previously been approved

by Agent and other Financial Hedges entered into after the date hereof under terms reasonably acceptable to Agent;

(j) in addition to items covered elsewhere in this definition, but subject to ***Sections 8.11*** and ***9.14***, investments in any Person (including purchases of stock or other securities or evidence of Debt of, assets of, or loans, advances, extensions of credit or capital contributions to such Person, but excluding capital appreciation and accrued interest), *provided that* all such investments (when added to those made by Unrestricted Subsidiaries) made in (i) Unrestricted Subsidiaries, (ii) Persons that are not Affiliates of Borrower after such investment (excluding investments in Keystone/Intrawest LLC existing on the date of this Agreement and the existing obligation of Vail Summit Resorts to contribute to Keystone/Intrawest LLC additional land which had a book value as of June 30, 1996, of $8,900,000), and (iii) Apollo, shall not in the aggregate exceed 15% of the Companies' consolidated net worth at the time of determination; and

(k) the following investments:

(i) a secured loan of $300,000 made to Andrew P. Daly in 1991, a secured loan of $438,750 made to Lucinda M. Daly in 1996, and a secured loan of $350,000 made to Mr. and Mrs. James P. Thompson in 1996;

(ii) a capital contribution, in an amount not to exceed $650,000, in Boulder/Beaver LLC; and

(iii) Workers compensation reserve account, established pursuant to a selfinsurance permit from the State of Colorado Department of Labor, invested exclusively in items described in *clauses (b)* through *(f)* above.

9.9 Management Fees and Distributions. No Company shall make any Distribution, *except* as follows:

(a) if no Default or Potential Default exists (or would result therefrom), the Companies may pay management fees to Apollo of up to $500,000 (in cash and/or services) in any fiscal year of the Companies;

(b) VRI may make payments of approximately $100,000 accruing to certain option holders;

(c) any Company may make Distributions to a Restricted Company;

(d) if VRI issues any Subordinated Debt which is subsequently converted to preferred stock, VRI may, if no Default or Potential Default exists (or would result therefrom), pay dividends on such stock at an annual rate which is less than or equal to the annual rate of interest payable on such Subordinated Debt prior to its conversion; and

(e) if no Default or Potential Default exists (or would result therefrom), VRI may make other Distributions to its shareholders (in addition to those described in *clause (d)* above), so long as all of such other Distributions made during any four consecutive fiscal quarters of the Companies

(including any dividends on preferred stock which exceed the amount permitted under *clause (d)* above) do not exceed 50% of the Restricted Companies' Net Income during such period.

9.10 Sale of Assets. No Company may sell, assign, lease, transfer or otherwise dispose of all or any material portion of the assets described in ***Schedule 2***, if the ratio described in ***Section 10.1*** would, on a *pro forma* basis (taking the disposition into account), increase as a result of such disposition.

9.11 Acquisitions, Mergers, and Dissolutions.

(a) Except as provided in this ***Section 9.11***, and subject to ***Sections 8.11*** and ***9.8***, a Restricted Company may not (i) acquire all or any substantial portion of the capital stock (or other equity or voting interests) of any other Person, (ii) acquire all or any substantial portion of the assets of any other Person, (iii) merge or consolidate with any other Person, or (iv) liquidate, wind up or dissolve (or suffer any liquidation or dissolution).

(b) Any Restricted Subsidiary may (i) acquire all or any substantial portion of the capital stock (or other equity or voting interests) issued by any other Restricted Subsidiary, (ii) acquire all or any substantial portion of the assets of any other Restricted Subsidiary, and (iii) merge or consolidate with any other Restricted Subsidiary (and, in the case of such merger or consolidation or, in the case of the conveyance or distribution of such assets, the non-surviving or selling entity, as the case may be, may be liquidated, wound up or dissolved), *provided that* if Borrower is a party to such merger or consolidation, Borrower must be the surviving entity and if Borrower is not a party to such merger or consolidation, a Restricted Subsidiary must be the surviving entity.

(c) Any Restricted Subsidiary may (i) acquire all or any substantial portion of the capital stock (or other equity or voting interests) issued by any other Person, (ii) acquire all or any substantial portion of the assets of any other Person, or (iii) merge or consolidate with any other Person (and, in the case of such merger or consolidation, the non-surviving entity may be liquidated, wound up or dissolved), if

(i) such other Person is organized under the laws of the United States,

(ii) in respect of any such transaction for which the sum of the cash consideration paid and the Debt assumed by Borrower or any other Restricted Company exceeds $25,000,000, at least 15 days before the transaction's closing date Borrower delivers to Agent a written description of the transaction, including the funding sources and the total investment or purchase price, and a calculation on a *pro forma* basis (taking the transaction into account) showing that no Default will occur as a result of such transaction,

(iii) such other Person is engaged in a business in which a Restricted Company would be permitted to engage under ***Section 9.14***;

(iv) with respect to a merger or consolidation, if Borrower is a party to such merger or consolidation, Borrower must be the surviving entity and if Borrower is not a party to such merger or consolidation, a Restricted Subsidiary must be the surviving entity and, to

the extent such surviving entity has not already done so, shall, concurrently with (and no later than 30 days after) such merger or consolidation, execute and deliver to Agent a Guaranty,

(v) the *sum* of the cash consideration paid and the Debt assumed by Borrower or any other Restricted Company in connection with such transaction does not exceed the *lesser* of (A) Adjusted EBITDA for the four immediately preceding fiscal quarters, and (B) $90,000,000, and

(vi) the *sum* of the cash consideration paid and the liabilities assumed by Borrower or any other Restricted Company, in the aggregate, in connection with all such transactions during the term of this Agreement does not exceed $250,000,000.

9.12 Assignment. No Company shall assign or transfer any of its Rights or cause to be delegated its duties or obligations under any of the Loan Papers.

9.13 Fiscal Year and Accounting Methods. No Company shall change its fiscal year or its method of accounting (*other than* immaterial changes in methods or as required by GAAP).

9.14 New Businesses. No Restricted Company shall engage in any business, *except* the businesses in which they are presently engaged and any other business reasonably related to the Companies' current operations or the resort, leisure or ski business; *provided, however, that* the foregoing shall not be construed to prohibit the cessation by any Company of its business activities or the sale or transfer of the business or assets of such Company to the extent not otherwise prohibited by this Agreement.

9.15 Government Regulations. No Company shall conduct its business in a way that it becomes regulated under the *Investment Company Act of 1940*, as amended, or the *Public Utility Holding Company Act of 1935*, as amended.

SECTION 10 FINANCIAL COVENANTS. So long as Lenders are committed to fund Loans and Agent is committed to issue L/Cs under this Agreement, and thereafter until the Obligation is paid and performed in full (except for provisions under the Loan Papers expressly intended to survive payment of the Obligation and termination of the Loan Papers), Borrower covenants and agrees as follows to comply with each of the following ratios. For purposes of determining each such ratio, Adjusted EBITDA for any period shall include on a *pro forma* basis all EBITDA for such period relating to assets acquired (including Restricted Subsidiaries formed or acquired) in accordance with this Agreement during such period, but shall exclude on a *pro forma* basis all EBITDA for such period relating to any such assets disposed of in accordance with this Agreement during such period.

10.1 Maximum Leverage Ratios.

(a) Funded Debt to Adjusted EBITDA. As calculated as of the last day of each fiscal quarter of the Companies, the Companies shall not permit the ratio of (i) the unpaid principal amount of Funded Debt existing as of such last day to (ii) Adjusted EBITDA for the four fiscal quarters ending on such last day to exceed 4.50:1.00.

(b) Senior Debt to Adjusted EBITDA. As calculated as of the last day of each fiscal

quarter of the Companies, the Companies shall not permit the ratio of (i) the unpaid amount of Senior Debt existing as of such last day to (ii) Adjusted EBITDA for the four fiscal quarters ending on such last day to exceed the following:

As of the last day of each fiscal quarter ending July 31, January 31, and April 30:	3.25 to 1.00
As of the last day of each fiscal quarter ending October 31:	3.50 to 1.00

10.2 Minimum Fixed Charge Coverage Ratio. As calculated as of the last day of each fiscal quarter of the Companies, the Companies shall not permit the ratio of (a) Adjusted EBITDA for the four fiscal quarters ending on such last day *minus* expense for cash income Taxes paid *minus* Required Capital Expenditures, to (b) interest on the Obligation and scheduled principal and interest payments on all other Funded Debt *plus* Distributions (other than of stock) made by VRI, in each case in such four fiscal quarters, to be less than 1.25:1.00.

10.3 Minimum Net Worth. Shareholders' Equity may not at any time be less than an amount equal to the *sum* of (a) 90% of the Shareholders Equity for the fiscal quarter ended July 31, 2001, *plus* (b) 75% of the Net Income of the Restricted Companies, if positive, for each fiscal year completed after July 31, 2001, *plus* (c) 100% of any Net Proceeds received by any Restricted Company (other than from another Company) from the offering, issuance, or sale of equity securities of a Restricted Company after July 31, 2001.

10.4 Interest Coverage Ratio. As calculated as of the last day of each fiscal quarter of the Companies, the Companies shall not permit the ratio of (a) Adjusted EBITDA for the four fiscal quarters ending on such last day to (b) interest on Funded Debt in such four fiscal quarters to be less than 2.50 to 1.00.

10.5 Capital Expenditures. The Restricted Companies may not make or become legally obligated to make any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding (a) normal replacements and maintenance which are properly charged to current operations, and (b) such expenditures relating to real estate held for resale), except for capital expenditures in the ordinary course of business not exceeding, in the aggregate for the Restricted Companies during each fiscal year, an amount equal to 10% of the value of Total Assets as of the last day of such fiscal year.

SECTION 11 DEFAULT. The term "***Default***" means the occurrence of any one or more of the following events:

11.1 Payment of Obligation. The failure or refusal of any Company to pay (a) any principal payment contemplated by ***Section 3.2(b)*** of this Agreement after such payment becomes due and payable hereunder, (b) any principal payment (*other than* those contemplated by ***Section 3.2(b)***) or interest payment contemplated to be made hereunder within 3 Business Days after demand therefor by Agent, (c) any amount contemplated to be paid hereunder in respect of fees, costs, expenses or indemnities within 10 Business Days after demand therefor by Agent and (d) any amount in respect of its reimbursement obligations in connection with any drawing under an L/C within 3 Business Days after demand therefor by Agent.

11.2 Covenants. The failure or refusal of any Company to punctually and properly perform, observe, and comply with:

(a) Any covenant, agreement or condition applicable to it contained in ***Sections 8.2, 9*** (*other than* ***Sections 9.1, 9.3, 9.6*** and ***9.7***) or ***10***; or

(b) Any other covenant, agreement or condition applicable to it contained in any Loan Paper (*other than* the covenants to pay the Obligation and the covenants in *clause (a)* preceding), and failure or refusal continues for 30 days.

11.3 Debtor Relief. Any Restricted Company (a) fails to pay its Debts generally as they become due, (b) voluntarily seeks, consents to, or acquiesces in the benefit of any Debtor Relief Law, (c) becomes a party to or is made the subject of any proceeding provided for by any Debtor Relief Law that could suspend or otherwise adversely affect the Rights of Agent or any Lender granted in the Loan Papers (*unless*, if the proceeding is involuntary, the applicable petition is dismissed within 60 days after its filing), or (d) becomes subject to an order for relief granted under the Bankruptcy Reform Act of 1978, as amended from time to time (*other than* as a creditor or claimant).

11.4 Judgments and Attachments. Any Restricted Company fails, within 60 days after entry, to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $5,000,000 (individually or collectively) or any warrant of attachment, sequestration or similar proceeding against any assets of any Restricted Company having a value (individually or collectively) of $5,000,000, which is neither (a) stayed on appeal nor (b) diligently contested in good faith by appropriate proceedings and adequate reserves have been set aside on its books in accordance with GAAP.

11.5 Government Action. Any Tribunal condemns, seizes or otherwise appropriates, or takes custody or control of all or any substantial portion of the assets described on ***Schedule 2***.

11.6 Misrepresentation. Any material representation or warranty made by any Company in connection with any Loan Paper at any time proves to have been materially incorrect when made; *provided that* if such Company made such representation or warranty in good faith without any knowledge on the part of the Companies that it was materially incorrect, such misrepresentation shall not constitute a Default if the Companies notify Agent of such misrepresentation within 5 Business Days after such Company has knowledge thereof.

11.7 Ownership. There shall occur a Change of Control Transaction.

11.8 Default Under Other Agreements. (a) Any Restricted Company fails to pay when due (after lapse of any applicable grace period) any recourse Debt in excess (individually or collectively) of $5,000,000; or (b) any default exists under any agreement to which any Restricted Company is a party, the effect of which is to cause, or to permit any Person (*other than* a Restricted Company) to cause, any recourse obligation in excess (individually or collectively) of $5,000,000 to become due and payable by any Restricted Company before its stated maturity, *except* to the extent such obligation is declared to be due and payable as a result of the sale of any asset to which it relates.

11.9 Validity and Enforceability of Loan Papers. Except in accordance with its terms or as otherwise expressly permitted by this Agreement, any Loan Paper at any time after its execution and delivery ceases to be in full force and effect in any material respect or is declared to be null and void or its validity or enforceability is contested by any Company party thereto or any Company denies that it has any further liability or obligations under any Loan Paper to which it is a party.

11.10 Employee Plans. Except where occurrence or existence is not a Material Adverse Event, (a) an Employee Plan incurs an "*accumulated funding deficiency*" (as defined in section 302 of ERISA or section 412 of the Code), (b) a Company incurs liability under ERISA to the PBGC in connection with any Employee Plan (*other than* required insurance premiums paid when due), (c) a Company withdraws in whole or in part from participation in a Multiemployer Plan, (d) a Company engages in any "*prohibited transaction*" (as defined in section 406 of ERISA or section 4975 of the Code), or (e) a "*reportable event*" *(as defined in section 4043* of ERISA) occurs with respect to an Employee Plan, excluding events for which the notice requirement is waived under applicable PBGC regulations.

SECTION 12 RIGHTS AND REMEDIES.

12.1 Remedies Upon Default.

(a) If a Default exists under ***Section 11.3***, the commitment to extend credit under this Agreement automatically terminates, the entire unpaid balance of the Obligation automatically becomes due and payable without any action of any kind whatsoever, and Borrower must provide cash collateral in an amount equal to the then-existing L/C Exposure.

(b) If any Default exists, subject to the terms of ***Section 13.5(b)***, Agent may (with the consent of, and must, upon the request of, Required Lenders), do any one or more of the following: (i) if the maturity of the Obligation has not already been accelerated under ***Section 12.1(a)***, declare the entire unpaid balance of all or any part of the Obligation immediately due and payable, whereupon it is due and payable; (ii) terminate the commitments of Lenders to extend credit or to continue or convert any Loan under this Agreement; (iii) reduce any claim to judgment; (iv) demand Borrower to provide cash collateral in an amount equal to the L/C Exposure then existing; and (v) exercise any and all other legal or equitable Rights afforded by the Loan Papers, the Laws of the State of New York, or any other applicable jurisdiction.

12.2 Company Waivers. **To the extent permitted by Law, each Company waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration and notice of protest and nonpayment, and agrees that its liability with respect to all or any part of the Obligation is not affected by any renewal or extension in the time of payment of all or any part of the Obligation, by any indulgence, or by any release or change in any security for the payment of all or any part of the Obligation.**

12.3 Performance by Agent. If any covenant, duty or agreement of any Company is not performed in accordance with the terms of the Loan Papers, Agent may, while a Default exists, at its option

(but subject to the approval of Required Lenders), perform or attempt to perform that covenant, duty or agreement on behalf of that Company (and any amount expended by Agent in its performance or attempted performance is payable by the Companies, jointly and severally, to Agent on demand, becomes part of the Obligation, and bears interest at the Default Rate from the date of Agent's expenditure until paid). However, Agent does not assume and shall never have, *except* by its express written consent, any liability or responsibility for the performance of any covenant, duty or agreement of any Company.

12.4 Not in Control. None of the covenants or other provisions contained in any Loan Paper shall, or shall be deemed to, give Agent or Lenders the Right to exercise control over the assets (including, without limitation, real property), affairs, or management of any Company; the power of Agent and Lenders is limited to the Right to exercise the remedies provided in this ***Section 12***.

12.5 Course of Dealing. The acceptance by Agent or Lenders of any partial payment on the Obligation shall not be deemed to be a waiver of any Default then existing. No waiver by Agent, Required Lenders or Lenders of any Default shall be deemed to be a waiver of any other then-existing or subsequent Default. No delay or omission by Agent, Required Lenders or Lenders in exercising any Right under the Loan Papers will impair that Right or be construed as a waiver thereof or any acquiescence therein, nor will any single or partial exercise of any Right preclude other or further exercise thereof or the exercise of any other Right under the Loan Papers or otherwise.

12.6 Cumulative Rights. All Rights available to Agent, Required Lenders, and Lenders under the Loan Papers are cumulative of and in addition to all other Rights granted to Agent, Required Lenders, and Lenders at law or in equity, whether or not the Obligation is due and payable and whether or not Agent, Required Lenders, or Lenders have instituted any suit for collection, foreclosure, or other action in connection with the Loan Papers.

12.7 Application of Proceeds. Any and all proceeds ever received by Agent or Lenders from the exercise of any Rights pertaining to the Obligation shall be applied to the Obligation according to ***Section 3.11***.

12.8 Diminution in Value of Collateral. Neither Agent nor any Lender has any liability or responsibility whatsoever for any diminution in or loss of value of any Collateral or other collateral ever securing payment or performance of all or any part of the Obligation (*other than* diminution in or loss of value caused by its gross negligence or willful misconduct).

12.9 Certain Proceedings. The Companies will promptly execute and deliver, or cause the execution and delivery of, all applications, certificates, instruments, registration statements and all other documents and papers Agent or Required Lenders reasonably request in connection with the obtaining of any consent, approval, registration, qualification, permit, license or authorization of any Tribunal or other Person necessary or appropriate for the effective exercise of any Rights under the Loan Papers. Because Borrower agrees that Agent's and Required Lenders' remedies at Law for failure of the Companies to comply with the provisions of this paragraph would be inadequate and that failure would not be adequately compensable in

damages, Borrower agrees that the covenants of this paragraph may be specifically enforced.

SECTION 13 AGREEMENT AMONG LENDERS.

13.1 Agent.

(a) Each Lender appoints Agent (and Agent accepts appointment) as its nominee and agent, in its name and on its behalf pursuant to the terms and conditions of the Loan Papers: (i) to act as its nominee and on its behalf in and under all Loan Papers; (ii) to arrange the means whereby its funds are to be made available to Borrower under the Loan Papers; (iii) to take any action that it properly requests under the Loan Papers (subject to the concurrence of other Lenders as may be required under the Loan Papers); (iv) to receive all documents and items to be furnished to it under the Loan Papers; (v) to be the secured party, mortgagee, beneficiary, recipient and similar party in respect of any collateral for the benefit of Lenders; (vi) to promptly distribute to it all material information, requests, documents and items received from any Company under the Loan Papers; (vii) to promptly distribute to it its ratable part of each payment (whether voluntary, as proceeds of Collateral upon or after foreclosure, as proceeds of insurance thereon, or otherwise) in accordance with the terms of the Loan Papers; and (viii) to deliver to the appropriate Persons requests, demands, approvals, and consents received from it.

(b) If the initial or any successor Agent ever ceases to be a party to this Agreement or if the initial or any successor Agent ever resigns (whether voluntarily or at the request of Required Lenders), then Required Lenders shall appoint the successor Agent from among Lenders (*other than* the resigning Agent). If Required Lenders fail to appoint a successor Agent within 30 days after the resigning Agent has given notice of resignation or Required Lenders have removed the resigning Agent, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which must be a commercial bank having a combined capital and surplus of at least $1,000,000,000 (as shown on its most recently published statement of condition). Upon its acceptance of appointment as successor Agent, the successor Agent succeeds to and becomes vested with all of the Rights of the prior Agent, and the prior Agent is discharged from its duties and obligations of Agent under the Loan Papers (but, when used in connection with L/Cs issued and outstanding before the appointment of the successor Agent, "*Agent*" shall continue to refer solely to Bank of America, N.A. (but, any L/Cs issued or renewed after the appointment of any successor Agent shall be issued or renewed by the successor Agent)), and each Lender shall execute the documents as any Lender, the resigning or removed Agent, or the successor Agent reasonably request to reflect the change. After any Agent's resignation or removal as Agent under the Loan Papers, the provisions of this ***Section 13*** inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Papers.

(c) Agent, in its capacity as a Lender, has the same Rights under the Loan Papers as any other Lender and may exercise those Rights as if it were not acting as Agent; the term "*Lender*" shall, unless the context otherwise indicates, include Agent; and Agent's resignation or removal shall

not impair or otherwise affect any Rights that it has or may have in its capacity as an individual Lender. Each Lender and Borrower agree that Agent is not a fiduciary for Lenders or for Borrower but simply is acting in the capacity described in this Agreement to alleviate administrative burdens for Borrower and Lenders, that Agent has no duties or responsibilities to Lenders or Borrower, *except* those expressly set forth in the Loan Papers, and that Agent in its capacity as a Lender has all Rights of any other Lender.

(d) Agent may now or hereafter be engaged in one or more loan, letter of credit, leasing or other financing transactions with Borrower, act as trustee or depositary for Borrower, or otherwise be engaged in other transactions with Borrower (collectively, the "***other activities***") not the subject of the Loan Papers. Without limiting the Rights of Lenders specifically set forth in the Loan Papers, Agent is not responsible to account to Lenders for those other activities, and no Lender shall have any interest in any other activities, any present or future guaranties by or for the account of Borrower that are not contemplated or included in the Loan Papers, any present or future offset exercised by Agent in respect of those other activities, any present or future property taken as security for any of those other activities, or any property now or hereafter in Agent's possession or control that may be or become security for the obligations of Borrower arising under the Loan Papers by reason of the general description of indebtedness secured or of property contained in any other agreements, documents, or instruments related to any of those other activities (but, if any payments in respect of those guaranties or that property or the proceeds thereof is applied by Agent to reduce the Obligation, then each Lender is entitled to share ratably in the application as provided in the Loan Papers).

13.2 Expenses. Each Lender shall pay its Pro Rata Part of any reasonable expenses (including, without limitation, court costs, reasonable attorneys' fees and other costs of collection) incurred by Agent (while acting in such capacity) in connection with any of the Loan Papers if Agent is not reimbursed from other sources within 30 days after incurrence. Each Lender is entitled to receive its Pro Rata Part of any reimbursement that it makes to Agent if Agent is subsequently reimbursed from other sources.

13.3 Proportionate Absorption of Losses. Except as otherwise provided in the Loan Papers, nothing in the Loan Papers gives any Lender any advantage over any other Lender insofar as the Obligation is concerned or to relieve any Lender from absorbing its Pro Rata Part of any losses sustained with respect to any portion of the Obligation in which it participates (*except* to the extent unilateral actions or inactions by any Lender result in Borrower or any other obligor on the Obligation having any credit, allowance, setoff, defense, or counterclaim solely with respect to all or any part of that Lender's portion of the Obligation).

13.4 Delegation of Duties; Reliance. Lenders may perform any of their duties or exercise any of their Rights under the Loan Papers by or through Agent, and Lenders and Agent may perform any of their duties or exercise any of their Rights under the Loan Papers by or through their respective Representatives. Agent, Lenders and their respective Representatives (a) are entitled to rely upon (and shall be protected in relying upon) any written or oral statement believed by it or them to be genuine and correct and to have been

signed or made by the proper Person and, with respect to legal matters, upon opinion of counsel selected by Agent or that Lender (but nothing in this *clause (a)* permits Agent to rely on (i) oral statements if a writing is required by this Agreement or (ii) any other writing if a specific writing is required by this Agreement), (b) are entitled to deem and treat each Lender as the owner and holder of its portion of the Principal Debt for all purposes until, subject to ***Section 14.12***, written notice of the assignment or transfer is given to and received by Agent (and any request, authorization, consent or approval of any Lender is conclusive and binding on each subsequent holder, assignee or transferee of or Participant in that Lender's portion of the Principal Debt until that notice is given and received), (c) are not deemed to have notice of the occurrence of a Default unless a responsible officer of Agent, who handles matters associated with the Loan Papers and transactions thereunder, has actual knowledge or Agent has been notified by a Lender or Borrower, and (d) are entitled to consult with legal counsel (including counsel for Borrower), independent accountants, and other experts selected by Agent and are not liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of counsel, accountants, or experts.

13.5 Limitation of Agent's Liability.

(a) **Neither Agent nor any of its Affiliates, Representatives, successors or assigns will be liable for any action taken or omitted to be taken by it or them under the Loan Papers in good faith and believed by it or them to be within the discretion or power conferred upon it or them by the Loan Papers or be responsible for the consequences of any error of judgment (*except* for fraud, gross negligence or willful misconduct), and none of them has a fiduciary relationship with any Lender by virtue of the Loan Papers (but nothing in this Agreement negates the obligation of Agent to account for funds received by it for the account of any Lender).**

(b) Unless indemnified to its satisfaction, Agent may not be compelled to do any act under the Loan Papers or to take any action toward the execution or enforcement of the powers thereby created or to prosecute or defend any suit in respect of the Loan Papers. If Agent requests instructions from Lenders, or Required Lenders, as the case may be, with respect to any act or action in connection with any Loan Paper, Agent is entitled to refrain (without incurring any liability to any Person by so refraining) from that act or action unless and until it has received instructions. In no event, however, may Agent or any of its Representatives be required to take any action that it or they determine could incur for it or them criminal or onerous civil liability or that is contrary to any Loan Paper or applicable Law. Without limiting the generality of the foregoing, no Lender has any right of action against Agent as a result of Agent's acting or refraining from acting under this Agreement in accordance with instructions of Required Lenders (or of all Lenders, if instructions from all Lenders is specifically required by the terms of the Loan Papers).

(c) Agent is not responsible to any Lender or any Participant for, and each Lender represents and warrants that it has not relied upon Agent in respect of, (i) the creditworthiness of any

Company and the risks involved to that Lender, (ii) the effectiveness, enforceability, genuineness, validity or due execution of any Loan Paper (*other than* by Agent), (iii) any representation, warranty, document, certificate, report or statement made therein (*other than* by Agent) or furnished thereunder or in connection therewith, (iv) the adequacy of any Collateral or other collateral ever securing the Obligation or the existence, priority or perfection of any Lien ever granted or purported to be granted on any collateral under any Loan Paper, or (v) the observance of or compliance with any of the terms, covenants or conditions of any Loan Paper on the part of any Company. **Each Lender agrees to indemnify Agent and its Representatives and hold them harmless from and against (but limited to such Lender's Pro Rata Part of) any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses and reasonable disbursements of any kind or nature whatsoever that may be imposed on, asserted against, or incurred by them in any way relating to or arising out of the Loan Papers or any action taken or omitted by them under the Loan Papers if Agent and its Representatives are not reimbursed for such amounts by any Company.** Although Agent and its Representatives have the right to be indemnified under this Agreement for its or their own ordinary negligence, Agent and its Representatives do not have the right to be indemnified under this Agreement for its or their own fraud, gross negligence or willful misconduct.

13.6 Default; Collateral. While a Default exists, Lenders agree to promptly confer in order that Required Lenders or Lenders, as the case may be, may agree upon a course of action for the enforcement of the Rights of Lenders; and Agent is entitled to refrain from taking any action (without incurring any liability to any Person for so refraining) unless and until it has received instructions from Required Lenders. In actions with respect to any property of Borrower, Agent is acting for the ratable benefit of each Lender. Agent shall hold, for the ratable benefit of all Lenders, any security it receives for the Obligation or any guaranty of the Obligation it receives upon or in lieu of foreclosure.

13.7 Limitation of Liability. No Lender or any Participant will incur any liability to any other Lender or Participant, *except* for acts or omissions in bad faith, and neither Agent nor any Lender or Participant will incur any liability to any other Person for any act or omission of any other Lender or any Participant. No Co-Agent in its capacity as such assumes any responsibility or obligation under this agreement for servicing, syndication, enforcement or collection of the indebtedness resulting from the Loans or other advances under the Loan Papers, nor any duties as Agent under the Loan Papers for the Lenders.

13.8 Relationship of Lenders. The Loan Papers and the documents delivered in connection therewith do not create a partnership or joint venture among Agent and Lenders or among Lenders.

13.9 Collateral Matters.

(a) Each Lender authorizes and directs Agent to enter into the Security Documents for the ratable benefit of Lenders. Each Lender agrees that any action taken by Agent concerning any Collateral with the consent of, or at the request of, Required Lenders in accordance with the

provisions of this Agreement, the Security Documents or the other Loan Papers, and the exercise by Agent (with the consent of, or at the request of, Required Lenders) of powers concerning the Collateral set forth in any Loan Paper, together with other reasonably incidental powers, shall be authorized and binding upon all Lenders.

(b) Agent is authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, from time to time before a Default or Potential Default, to take any action with respect to any Collateral or Security Documents that may be necessary to perfect and maintain perfected the Liens upon the Collateral granted by the Security Documents.

(c) Agent has no obligation whatsoever to any Lender or to any other Person to assure that the Collateral exists or is owned by any Company or is cared for, protected or insured or has been encumbered or that the Liens granted to Agent for the benefit of Lenders under the Security Documents have been properly or sufficiently or lawfully created, perfected, protected or enforced, or are entitled to any particular priority.

(d) Agent shall exercise the same care and prudent judgment with respect to the Collateral and the Security Documents as it normally and customarily exercises in respect of similar collateral and security documents.

(e) Lenders irrevocably authorize Agent, at its option and in its discretion, to release any Lien upon any Collateral (i) upon full payment of the Obligation; (ii) constituting property being sold or disposed of as permitted under ***Section 9.10***, if Agent determines that the property being sold or disposed is being sold or disposed in accordance with the requirements and limitations of ***Section 9.10*** and Agent concurrently receives all mandatory prepayments with respect thereto, if any, (iii) constituting property leased to any Company under a lease that has expired or been terminated in a transaction permitted under this Agreement or is about to expire and that has not been, and is not intended by that Company to be, renewed; (iv) consisting of an instrument evidencing Debt pledged to Agent (for the benefit of Lenders), if the Debt evidenced thereby has been paid in full; or (v) if approved, authorized or ratified in writing by Required Lenders, subject to ***Section 14.10***. Upon request by Agent at any time, Lenders will confirm in writing Agent's authority to release particular types or items of Collateral under this ***Section 13.9(e)***.

(f) Lenders irrevocably authorize Agent, at its option and in its discretion, to release any Restricted Company from its Guaranty (i) upon full payment of the Obligation, (ii) as permitted under ***Section 8.11***, (iii) in connection with the sale of disposition of the stock (or other equity interest) issued by such Restricted Company permitted under ***Section 9.10***, if Agent determines that the disposition or sale is in accordance with the requirements and limitations of ***Section 9.10*** and Agent concurrently receives all mandatory prepayments with respect thereto, if any, and (iv) if approved, authorized or ratified in writing by Required Lenders, subject to ***Section 14.10***. Upon request by Agent at any time, Lenders will confirm in writing Agent's authority to release any Restricted

Company from its Guaranty under this ***Section 13.9(f)***.

13.10 Benefits of Agreement. None of the provisions of this ***Section 13*** inure to the benefit of any Company or any other Person *other than* Agent and Lenders; consequently, no Company or any other Person is entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of Agent or any Lender to comply with these provisions.

SECTION 14 MISCELLANEOUS.

14.1 Headings. The headings, captions and arrangements used in any of the Loan Papers are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify or modify the terms of the Loan Papers, nor affect the meaning thereof.

14.2 Nonbusiness Days; Time. Any payment or action that is due under any Loan Paper on a non-Business Day may be delayed until the next-succeeding Business Day (but interest shall continue to accrue on any applicable payment until payment is in fact made) unless the payment concerns a LIBOR Loan, in which case if the next-succeeding Business Day is in the next calendar month, then such payment shall be made on the next-preceding Business Day. Unless otherwise indicated, all time references (*e.g.*, 1:00 p.m.) are to Dallas, Texas time.

14.3 Communications. Unless otherwise specifically provided, whenever any Loan Paper requires or permits any consent, approval, notice, request or demand from one party to another, communication must be in writing (which may be by telex or telecopy) to be effective and shall be deemed to have been given (a) if by telex, when transmitted to the appropriate telex number and the appropriate answerback is received, (b) if by telecopy, when transmitted to the appropriate telecopy number (and all communications sent by telecopy must be confirmed promptly thereafter by telephone; but any requirement in this parenthetical shall not affect the date when the telecopy shall be deemed to have been delivered), (c) if by mail, on the third Business Day after it is enclosed in an envelope and properly addressed, stamped, sealed, and deposited in the appropriate official postal service, or (d) if by any other means, when actually delivered. Until changed by notice pursuant to this Agreement, the address (and telecopy number) for each party to a Loan Paper is set forth on the attached ***Schedule 1***.

14.4 Form and Number of Documents. The form, substance, and number of counterparts of each writing to be furnished under the Loan Papers must be satisfactory to Agent and its counsel, each in its reasonable discretion.

14.5 Exceptions to Covenants. The Companies may not take or fail to take any action that is permitted as an exception to any of the covenants contained in any Loan Paper if that action or omission would result in the breach of any other covenant contained in any Loan Paper.

14.6 Survival. All covenants, agreements, undertakings, representations and warranties made in any of the Loan Papers survive all closings under the Loan Papers and, *except* as otherwise indicated, are not affected by any investigation made by any party.

14.7 Governing Law. The Laws (*other than* conflict-of-laws provisions) of the State of New

York and of the U.S. govern the Rights and duties of the parties to the Loan Papers and the validity, construction, enforcement and interpretation of the Loan Papers.

14.8 Invalid Provisions. Any provision in any Loan Paper held to be illegal, invalid or unenforceable is fully severable; the appropriate Loan Paper shall be construed and enforced as if that provision had never been included; and the remaining provisions shall remain in full force and effect and shall not be affected by the severed provision. Agent, Lenders, and the Companies shall negotiate, in good faith, the terms of a replacement provision as similar to the severed provision as may be possible and be legal, valid and enforceable.

14.9 Venue; Service of Process; Jury Trial. EACH PARTY TO ANY LOAN PAPER, IN EACH CASE FOR ITSELF, ITS SUCCESSORS AND ASSIGNS (AND IN THE CASE OF BORROWER, FOR EACH OTHER COMPANY), (A) IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF TEXAS, (B) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS AND THE OBLIGATION BROUGHT IN DISTRICT COURTS OF DALLAS OR HARRIS COUNTY, TEXAS, OR IN THE U.S. DISTRICT COURT FOR THE NORTHERN OR SOUTHERN DISTRICT OF TEXAS, DALLAS OR HOUSTON DIVISION, (C) IRREVOCABLY WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY OF THE AFOREMENTIONED COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (D) IRREVOCABLY AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO ANY LOAN PAPER ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS OR THE OBLIGATION MAY BE BROUGHT IN ONE OF THE AFOREMENTIONED COURTS, AND (E) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY LOAN PAPER. The scope of each of the foregoing waivers is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Borrower (for itself and on behalf of each other Company) acknowledges that these waivers are a material inducement to Agent's and each Lender's agreement to enter into a business relationship, that Agent and each Lender has already relied on these waivers in entering into this Agreement, and that Agent and each Lender will continue to rely on each of these waivers in related future dealings. Borrower (for itself and on behalf of each other Company) further warrants and represents that it has reviewed these waivers with its legal counsel, and that it knowingly and voluntarily agrees to each waiver following consultation with legal counsel.

THE WAIVERS IN THIS ***SECTION 14.9*** MAY NOT BE MODIFIED *EXCEPT* IN ACCORDANCE WITH ***SECTION***

14.10, AND SHALL, *EXCEPT* TO THE EXTENT WAIVED OR MODIFIED IN ACCORDANCE WITH ***SECTION 14.10***,

APPLY TO ANY SUBSEQUENT AMENDMENTS, SUPPLEMENTS OR PLACEMENTS TO OR OF THIS OR ANY

OTHER LOAN PAPER. In the event of Litigation, this Agreement may be filed as a written consent to a trial by the court.

14.10 Amendments, Consents, Conflicts and Waivers.

(a) Unless otherwise specifically provided, (i) this Agreement may be amended only by an instrument in writing executed by Borrower, Agent and Required Lenders and supplemented only by documents delivered or to be delivered in accordance with the express terms of this Agreement, and (ii) the other Loan Papers may only be the subject of an amendment, modification or waiver that has been approved by Required Lenders and Borrower.

(b) Any amendment to or consent or waiver under any Loan Paper that purports to accomplish any of the following must be by an instrument in writing executed by Borrower and Agent and executed (or approved, as the case may be) by each Lender: (i) extend the due date, decrease the amount of, or reallocate any scheduled payment of the Obligation; (ii) decrease any rate or amount of interest, fees or other sums payable to Agent or Lenders under this Agreement (except such reductions as are contemplated by this Agreement); (iii) change the definition of "*Committed Sum*," "*Required Lenders*," or "*Termination Date*;" (iv) increase any one or more Lenders' Committed Sums; (v) waive compliance with, amend or release (in whole or in part) the Guaranties of VRI or all or substantially all of the Restricted Subsidiaries; (vi) release all or substantially all of the Collateral, or (vii) change this *clause (b)*, ***Section 9.12*** or any other matter specifically requiring the consent of all Lenders under this Agreement.

(c) Any conflict or ambiguity between the terms and provisions of this Agreement and terms and provisions in any other Loan Paper is controlled by the terms and provisions of this Agreement.

(d) No course of dealing or any failure or delay by Agent, any Lender, or any of their respective Representatives with respect to exercising any Right of Agent or any Lender under this Agreement operates as a waiver thereof. A waiver must be in writing and signed by Agent and Lenders (or Required Lenders, if permitted under this Agreement) to be effective, and a waiver will be effective only in the specific instance and for the specific purpose for which it is given.

14.11 Multiple Counterparts. Each Loan Paper (*other than* the Notes) may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of thereof, it shall not be necessary to produce or account for more than one counterpart. Each Lender need not execute the same counterpart of this

Agreement so long as identical counterparts are executed by Borrower, each Lender, and Agent. This Agreement shall become effective when counterparts of this Agreement have been executed and delivered to Agent by each Lender, Agent and Borrower, or, in the case only of Lenders, when Agent has received telecopied, telexed or other evidence satisfactory to it that each Lender has executed and is delivering to Agent a counterpart of this Agreement.

14.12 Successors and Assigns; Participation.

(a) The Loan Papers bind and inure to the benefit of the parties hereto, any intended beneficiary thereof, and each of their respective successors and permitted assigns. No Lender may transfer, pledge, assign, sell any participation in, or otherwise encumber its portion of the Obligation, *except* as permitted by this ***Section 14.12***.

(b) Any Lender may, in the ordinary course of its business, at any time sell to one or more Persons (each a "***Participant***") participating interests in all or any part of its Rights and obligations under the Loan Papers. The selling Lender shall remain a "*Lender*" under this Agreement (and the Participant shall not constitute a "*Lender*" under this Agreement) and its obligations under this Agreement shall remain unchanged. The selling Lender shall remain solely responsible for the performance of its obligations under the Loan Papers and shall remain the holder of its share of the Principal Debt for all purposes under this Agreement. Borrower and Agent shall continue to deal solely and directly with the selling Lender in connection with that Lender's Rights and obligations under the Loan Papers. Participants have no Rights under the Loan Papers, *other than* certain voting Rights as provided below. Subject to the following, each Lender may obtain (on behalf of its Participants) the benefits of ***Section 3*** with respect to all participations in its part of the Obligation outstanding from time to time so long as Borrower is not obligated to pay any amount in excess of the amount that would be due to that Lender under ***Section 3*** calculated as though no participation have been made. No Lender may sell any participating interest under which the Participant has any Rights to approve any amendment, modification or waiver of any Loan Paper, *except* to the extent the amendment, modification or waiver extends the due date for payment of any principal, interest or fees due under the Loan Papers or reduces the interest rate or the amount of principal or fees applicable to the Obligation (*except* reductions contemplated by this Agreement).

(c) Any Lender may at any time, in the ordinary course of its business, assign to any Eligible Assignee (each a "***Purchaser***") all or any part (but if less than all, then not less than $5,000,000) of its Rights and obligations under the Loan Papers. In each case, the Purchaser shall assume those Rights and obligations under an assignment agreement substantially in the form of the attached ***Exhibit G***. Each assignment under this ***Section 14.12(c)*** shall include a ratable interest in the assigning Lender's Rights and obligations under the Facility. Upon (i) delivery of an executed copy of the assignment agreement to Borrower and Agent and the recordation thereof in the Register provided for in ***Section 14.12(d)*** and (ii) with respect to each assignment after the completion of the

primary syndication of the Facility, payment of a fee of $3,500 from the transferor to Agent, from and after the effective date specified in the Assignment Agreement (which shall be after the date of delivery), the Purchaser shall for all purposes be a Lender party to this Agreement and shall have all the Rights and obligations of a Lender under this Agreement to the same extent as if it were an original party to this Agreement with commitments as set forth in the assignment agreement, and the transferor Lender shall be released from its obligations under this Agreement to a corresponding extent, and, *except* as provided in the following sentence, no further consent or action by Borrower, Lenders or Agent shall be required. Upon the consummation of any transfer to a Purchaser under this *clause (c)*, the then-existing ***Schedule 1*** shall automatically be deemed to reflect the name, address and Committed Sum of such Purchaser, Agent shall deliver to Borrower and Lenders an amended ***Schedule 1*** reflecting those changes, and Borrower shall execute and deliver to the Purchaser and, if applicable, such Lender, a Note in the face amount of its Committed Sum and the transferor Lender shall return to Borrower the Note previously delivered to it under this Agreement. A Purchaser is subject to all the provisions in this section as if it were a Lender signatory to this Agreement as of the date of this Agreement.

(d) Agent shall maintain at its address on ***Schedule 1*** a copy of each Lender assignment agreement delivered to it in accordance with the terms of ***Section 14.12(c)*** and a register for the recordation of the principal amount, Type and Interest Period of each Loan and the names, addresses and Committed Sums of each Lender from time to time (the "***Register***"). Agent will make reasonable efforts to maintain the accuracy of the Register and to promptly update the Register from time to time, as necessary. The entries in the Register shall be conclusive in the absence of manifest error and Borrower, Agent and Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and each Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) This ***Section 14.12*** relates to absolute assignments and, notwithstanding ***Section 14.12(a)***, does not prohibit assignments creating security interests. Specifically, without limitation, any Lender may at any time, without the consent of Borrower or Agent, assign all or any part of its Rights under the Loan Papers to a Federal Reserve Bank without releasing the transferor Lender from its obligations thereunder.

14.13 Discharge Only Upon Payment in Full; Reinstatement in Certain Circumstances. Each Company's obligations under the Loan Papers remain in full force and effect until the Total Commitment is terminated and the Obligation is paid in full (*except* for provisions under the Loan Papers expressly intended to survive payment of the Obligation and termination of the Loan Papers). If at any time any payment of the principal of or interest on any Note or any other amount payable by Borrower or any other obligor on the Obligation under any Loan Paper is rescinded or must be restored or returned upon the insolvency, bankruptcy

or reorganization of Borrower or otherwise, the obligations of each Company under the Loan Papers with respect to that payment shall be reinstated as though the payment had been due but not made at that time.

14.14 Set-Off. In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Default, each Lender is authorized at any time and from time to time, with prior notice to the Borrower or any other Company, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Companies against any and all of the Obligation owing to such Lender, now or hereafter existing.

14.15 Entirety. **THE RIGHTS AND OBLIGATIONS OF THE COMPANIES, LENDERS AND AGENT SHALL BE DETERMINED SOLELY FROM WRITTEN AGREEMENTS, DOCUMENTS AND INSTRUMENTS, AND ANY PRIOR ORAL AGREEMENTS AMONG THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THOSE WRITINGS. THIS AGREEMENT AND THE OTHER WRITTEN LOAN PAPERS (EACH AS AMENDED IN WRITING FROM TIME TO TIME) EXECUTED BY ANY COMPANY, ANY LENDER OR AGENT REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES**. This Agreement supersedes all prior written agreements and understandings relating to the subject matter hereof and may be supplemented only by documents delivered in accordance with the terms hereof.

[Signatures begin on the next page and continue on the following pages.]

BORROWER:

THE VAIL CORPORATION

By: _____

Name: _____

Title: _____

AGENT:

BANK OF AMERICA, N.A., as Agent

By: _____

Daniel M. Killian

Managing Director

SOLE LEAD ARRANGER, SOLE BOOK MANAGER, AND SYNDICATION AGENT:

BANC OF AMERICA SECURITIES LLC

By: _____

Kathleen H. Price

Vice President

LENDER:

BANK OF AMERICA, N.A.

By: _____

Daniel M. Killian

Managing Director

LENDER:

FLEET NATIONAL BANK

By: _____

Name: _____

Title: _____

LENDER:

U.S. BANK NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

LENDER:

THE BANK OF NOVA SCOTIA

By: _____

Name: _____

Title: _____

LENDER:

CREDIT LYONNAIS NEW

YORK BRANCH

By: _____

Name: _____

Title: _____

LENDER:

COMPASS BANK, a Alabama State Chartered Bank

By: _____

Name: _____

Title: _____

LENDER:

BANKERS TRUST COMPANY

By: _____

Name: _____

Title: _____

LENDER:

CIBC INC.

By: _____

Name: _____

Title: _____

LENDER:

HARRIS TRUST AND SAVINGS BANK

By: _____

Name: _____

Title: _____

LENDER:

WELLS FARGO BANK NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

GUARANTORS' CONSENT AND AGREEMENT

As an inducement to Agent and Lenders to execute, and in consideration of Agent's and Lenders' execution of the foregoing, the undersigned hereby consent thereto and agree that the same shall in no way release, diminish, impair, reduce or otherwise adversely affect the respective obligations and liabilities of each of the undersigned under the Guaranty described in this Agreement, or any agreements, documents or instruments executed by any of the undersigned to create liens, security interests or charges to secure any of the indebtedness under the Loan Papers, all of which obligations and liabilities are, and shall continue to be, in full force and effect. This consent and agreement shall be binding upon the undersigned, and the respective successors and assigns of each, and shall inure to the benefit of Agent and Lenders, and respective successors and assigns of each.

Vail Resorts, Inc.

Beaver Creek Associates, Inc.

Beaver Creek Consultants, Inc.

Beaver Creek Food Services, Inc.

Breckenridge Resort Properties, Inc.

Complete Telecommunications, Inc.

GHTV, Inc.

Gillett Broadcasting, Inc.

Grand Teton Lodge Company

Jackson Hole Golf and Tennis Club, Inc.

JHL&S LLC

Keystone Conference Services, Inc.

Keystone Development Sales, Inc.

Keystone Food & Beverage Company

Keystone Resort Property Management Company

Larkspur Restaurant & Bar, LLC

Lodge Properties, Inc.

Lodge Realty, Inc.

Mountain Thunder, Inc.

Property Management Acquisition Corp., Inc.

Teton Hospitality LLC

Teton Hospitality Services, Inc.

The Village at Breckenridge Acquisition Corp., Inc.

Vail/Arrowhead, Inc.

Vail Associates Consultants, Inc.

Vail Associates Holdings, Ltd.

Vail Associates Investments, Inc.

Vail Associates Management Company

Vail Associates Real Estate, Inc.

Vail/Battle Mountain, Inc.

Vail/Beaver Creek Resort Properties, Inc.

Vail Food Services, Inc.

Vail Holdings, Inc.

Vail Resorts Development Company

Vail RR, Inc.

Vail Summit Resorts, Inc.

Vail Trademarks, Inc.

VAMHC, Inc.

VA Rancho Mirage I, Inc.

VA Rancho Mirage II, Inc.

VR Holdings, Inc.

By: _____

James P. Donohue

Senior Vice President or Vice President of each

of the above