VAIL RESORTS INC
Form 10-K/A
August 24, 2007

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

FORM 10-K/A
AMENDMENT No. 1

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended July 31, 2006

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

Commission File Number: 1-9614

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

Delaware	**51-0291762**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
390 Interlocken Crescent, Suite 1000, Broomfield, Colorado	**80021**
(Address of principal executive offices)	(Zip Code)

(303) 404-1800
(Registrant's telephone number, including area code)

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **x** Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes **x** No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. **x**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes **x** No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of $30.39 per share as reported on the New York Stock Exchange Composite Tape on January 31, 2006 (the last business day of the Registrant's most recently completed second quarter) was $914,147,064.

As of September 29, 2006, 38,753,220 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the Annual Meeting of Shareholders is incorporated by reference herein into Part III, Items 10 through 14.

Explanatory Note

The Company is filing this amendment to its Annual Report on Form 10-K (“Form 10-K/A”) to restate its Consolidated Statements of Cash Flows for the years ended July 31, 2006, 2005 and 2004 as described in Note 22, Restatement, of the Notes to Consolidated Financial Statements. As previously disclosed in the Company’s Quarterly Report on Form 10-Q for the period ended April 30, 2007 filed with the United States Securities and Exchange Commission (the “SEC”) on June 8, 2007, the Company was in discussion with the staff of the SEC regarding the Company’s classification of its Real Estate segment cash inflows and outflows within the operating and investing sections of its Consolidated Statements of Cash Flows. Following these discussions, the Company has concluded to restate its Consolidated Statements of Cash Flows by reclassifying cash outflows related to its investments in real estate, disclosed as a separate line item, from investing activities to operating activities. Consequently, this restatement resulted in a reduction of cash flows provided by operating activities with an equal and off-setting impact to cash flows (used in) provided by investing activities. This restatement does not impact the Company’s previously reported overall net change in cash and cash equivalents in its Consolidated Statements of Cash Flows for any period presented. Additionally, this restatement does not impact the Company’s Consolidated Balance Sheets, Consolidated Statements of Operations or Consolidated Statements of Stockholders’ Equity for any period presented. The Company is also filing amendments to its Quarterly Reports on Form 10-Q for the quarters ended October 31, 2006, January 31, 2007 and April 30, 2007 to reflect this restatement.

For the convenience of the reader, this Form 10-K/A sets forth the Company’s original Form 10-K as filed with the SEC on October 5, 2006 (the “Original 10-K") in its entirety, as amended by, and to reflect, the restatement. No attempt has been made in this Form 10-K/A to update other disclosures presented in the Original 10-K, except as required to reflect the effects of the restatement. This Form 10-K/A does not reflect events occurring after the filing of the Original 10-K or modify or update those disclosures, including the exhibits to the Original 10-K affected by subsequent events. The following sections of this Form 10-K/A have been amended to reflect the restatement:

- Part II – Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations (Liquidity and Capital Resources) and
- Part II – Item 8 – Financial Statements and Supplementary Data (Consolidated Statements of Cash Flows, Note 21 Guarantor Subsidiaries and Non-Guarantor Subsidiaries – Restated, Note 22 Restatement).

This Form 10-K/A has been signed as of a current date and all certifications of the Company’s Chief Executive Officer and Chief Financial Officer are given as of a current date. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original 10-K for the year ended July 31, 2006, including any amendments to those filings.

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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

PART I

ITEM 1. BUSINESS.

General

Vail Resorts, Inc. was organized as a public holding company in 1997 and operates through various subsidiaries (collectively, the "Company"). The Company's operations are grouped into three segments: Mountain, Lodging, and Real Estate, which represented approximately 74%, 19% and 7%, respectively, of the Company's revenues for the year ended July 31, 2006. The Company's Mountain segment owns and operates five premier ski resort properties which provide a comprehensive resort experience throughout the year to a diverse clientele with an attractive demographic profile. The Company's Lodging segment owns and/or manages a collection of luxury hotels, a destination resort at Grand Teton National Park (the "Park"), and several strategic lodging properties located in proximity to the Company's ski resorts. Collectively, the Mountain and Lodging segments are considered the Resort segment. The Company's Real Estate segment holds, develops, buys and sells real estate in and around the Company's resort communities. Financial information by segment is presented in Note 15, Segment Information, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K/A.

Mountain Segment

The Company's portfolio of ski resorts currently includes:

- Vail Mountain ("Vail")-- the largest single ski mountain complex in North America and the most visited ski resort in the United States for the 2005/06 ski season and currently ranked as the number one ski resort in North America by *SKI* magazine;

- Breckenridge Mountain ("Breckenridge")-- an attractive destination resort with numerous après-ski activities, an extensive bed base, the second most visited resort in the United States for the 2005/06 ski season and currently ranked as the number six ski resort in North America by *SKI* magazine;

- Keystone Resort ("Keystone")-- a year-round family-oriented vacation destination, the fifth most visited resort in the United States for the 2005/06 ski season and currently ranked as the number fourteen ski resort in North America by *SKI* magazine;

- Heavenly Mountain Resort ("Heavenly")-- the third largest ski resort in North America, the eighth most visited resort in the United States for the 2005/06 ski season and currently ranked as the number seventeen ski resort in North America by *SKI* magazine; and

- Beaver Creek Resort ("Beaver Creek")-- one of the world's premier luxury mountain resorts, the ninth most visited ski resort in the United States for the 2005/06 ski season and currently ranked as the number eight ski resort in North America by *SKI* magazine.

Vail, Beaver Creek, Breckenridge and Keystone, all located in the Colorado Rocky Mountains, and Heavenly, located in the Lake Tahoe area of California/Nevada, are year-round mountain resorts. Each offers a full complement of recreational activities, including skiing, snowboarding, snowshoeing, mountain biking, sight-seeing and other recreational activities.

The Company's Mountain segment derives revenue primarily through the sale of lift tickets and a comprehensive offering of amenities available to guests, including ski and snowboard lessons, retail merchandise and equipment rentals, a variety of dining venues, private club operations and other recreational activities. In addition to providing extensive guest amenities, the Company also engages, among other activities, in real estate brokerage services, technology services and the leasing of restaurant, retail and other commercial space.

There are approximately 720 ski areas in North America and approximately 475 in the United States, ranging from small ski area operations that service day skiers to large resorts that attract both day skiers and destination resort guests looking for a comprehensive vacation experience. One of the primary ski industry statistics for measuring performance is "skier visit", which represents a person utilizing a ticket or pass to access a mountain resort for any part of one day, and includes both paid and complimentary access. During the 2005/06 ski season, combined skier visits for all North American ski areas were approximately 78.0 million and U.S. skier visits approximated 58.9 million. The Company's ski resorts had approximately 6.3 million skier visits during the 2005/06 ski season, or approximately 10.7% of U.S. skier visits, and an approximate 8.1% share of the North American market's skier visits.

The Company's Colorado ski resorts appeal to both day skiers and destination guests due to the resorts' proximity to Colorado's Front Range (Denver/Colorado Springs/Boulder metropolitan areas), accessibility from several airports, including Denver International Airport and Eagle County Regional Airport, and the wide range of amenities available at each resort. Colorado has approximately 25 ski areas, six of which are classified as "Front Range Destination Resorts", including all of the Company's Colorado resorts, catering to both the Front Range and destination-skier markets. All Colorado ski resorts combined recorded approximately 12.5 million skier visits for the 2005/06 ski season. Skier visits at the Company's Colorado ski resorts totaled approximately 5.3 million which approximated 42.0% of all Colorado skier visits for the 2005/06 ski season.

Lake Tahoe, which straddles the border of California and Nevada, is a major skiing destination less than 100 miles from Sacramento and Reno and approximately 200 miles from San Francisco, making it a convenient destination for both driving and destination guests. South Lake Tahoe, where Heavenly is located, is also a popular year-round vacation destination, featuring extensive summer attractions and casinos in addition to its winter sports offerings. Heavenly is proximate to both the Reno/Tahoe International Airport and the Sacramento International Airport. California and Nevada have approximately 21 ski resorts. Heavenly had approximately 1.0 million skier visits for the 2005/06 ski season, capturing approximately 13.0% of California's and Nevada's 7.8 million total skier visits for the ski season.

There are significant barriers to entry for new ski areas, due to the limited private lands on which ski areas could be built, the difficulty in getting the appropriate governmental approvals to build on public lands and the significant capital needed to construct the necessary infrastructure. While most North American ski areas are individually owned and operated, the Company does compete with other major ski resorts, including Whistler Blackcomb, Copper Mountain, Park City, Deer Valley, Aspen/Snowmass, Mammoth Mountain, Winter Park, Steamboat, Northstar-at-Tahoe and Squaw Valley USA.

The ski industry is highly competitive. While the ski industry has performed well in recent years, with the six best seasons in history, in terms of U.S. visitation, occurring in the past seven years, a particular ski area's growth is also largely dependent on either attracting skiers away from other resorts or generating more revenue per skier visit. This has spawned a trend of increased spending on resort improvements to ensure the newest and best technology and to create new attractions. Larger ski resort owners, including the Company, generally have a competitive advantage over the individual operator, as the larger owners typically have better access to the capital markets and are also able to create synergies within their operations which enhance profitability. Attracting and retaining new participants to the sport will be the key to long-term sustainable growth for the industry. To this end, the Company has focused efforts in recent years on developing programs geared to entry-level participants as well as expanding attractions for non-skiers. The Company's primary competitors include the ski areas noted above, other ski areas in Colorado and Lake Tahoe, and other destination ski areas worldwide, as well as non-ski related vacation destinations.

There are a variety of factors that contribute to a skier's choice of ski resort, including terrain, challenge, grooming, service, lifts, accessibility, weather, snowfall, lodging and on- and off-mountain amenities. The Company's resorts consistently rank in the top 20 ski resorts in North America according to industry surveys, which the Company attributes to its resorts' ability to provide a high-quality experience in each of the above mentioned categories. The ski industry statistics stated in this section have been derived from data published by Colorado Ski Country USA, Canadian Ski Council, Kottke National End of Season Survey 2005/06 and other industry publications.

The Company's ski resorts compete effectively in all categories with respect to attracting day skiers and destination guests for the following reasons:

- The Company has some of the most expansive and varied terrain in North America--Vail alone offers approximately 5,300 skiable acres and Heavenly offers approximately 4,800 skiable acres. The Company's five ski resorts offer nearly 17,000 skiable acres in aggregate, with substantial offerings for beginner, intermediate and advanced skiers.

- With the growing popularity of freestyle skiing and riding, each of the Company's resorts is committed to providing exceptional terrain parks and pipes. Each resort has multiple parks and pipes that include terrain that will challenge expert and professional riders as well as areas for learning and children. Keystone’s A51 Terrain Park is one of the largest parks offering night riding in the country.

- The Company is involved in initiatives that support the National Ski Area Association's programs to grow participation in snowsports. Each of the Company's resorts runs specific programs designed to attract and retain newcomers to snowsports.

- The Company's locations in the Colorado Rocky Mountains receive average yearly snowfall of between 20 and 30 feet and the Sierra Nevada Mountains receive average yearly snowfall of between 25 and 35 feet, which is significantly higher than the average for all U.S. ski resorts.

- The Company's Colorado resorts are proximate to both Denver International Airport and Eagle County Regional Airport, and Heavenly is proximate to both Reno/Tahoe International Airport and Sacramento International Airport. This provides ease of access to the Company's resorts for destination visitors.

- The Colorado Front Range market, with a population of approximately 3.7 million, is within approximately 100 miles from each of the Company's Colorado resorts, with access via a major interstate highway.

- Heavenly is proximate to two large California population centers, the Sacramento/Central Valley and the San Francisco Bay Area.

- The Company continues to invest in the latest technology in ticketing and snowmaking systems, and the Company has an extensive fleet of grooming equipment.

- The Company systematically replaces lifts, and in the past three fiscal years, the Company has installed seven high-speed chairlifts across its resorts: one four-passenger chairlift at Breckenridge, four four-passenger chairlifts at Beaver Creek and one six-passenger chairlift and one four-passenger chairlift at Heavenly. The Company is installing one eight-passenger gondola at Breckenridge for the 2006/07 ski season. At a minimum, the Company plans to install a four-passenger high-speed chairlift at Heavenly for the 2007/08 ski season.

- The Company provides a wide variety of quality dining venues both on- and off-mountain, ranging from top-rated fine dining establishments to trailside express food service outlets.

- The Company, through SSI Venture, LLC ("SSV"), has over 120 retail/rental outlets specializing in sporting goods including ski, golf and bicycle equipment. In addition to providing a major retail/rental presence at each of the Company's ski resorts, the Company also has retail/rental locations throughout the Colorado Front Range, at other

Colorado ski resorts and in the San Francisco Bay Area.

- The Company's twelve owned and managed hotels and inventory of approximately 1,800 managed condominium rooms (included in the operations of the Lodging segment) located in proximity to the Company's Colorado ski resorts provide accommodation options for all guests, with a variety of prices ranging from high upscale to moderate, which appeal to the varied needs of guests and families.

- The Company is an industry leader in providing on- and off-mountain amenities, including substantial full-service retail and equipment rental facilities, mountain-top activities centers, and resort-wide charging, which enables guests to use their lift ticket or pass to make purchases at many Company-owned facilities. The Company's innovative frequent guest programs and extensive array of lift ticket products at varied price points provide value to guests.

- The Company is strongly committed to providing quality guest service, including world class ski and snowboarding schools, teams of on-mountain hosts and new technology centers, where guests can try the latest technical innovations in snowsports equipment. The Company solicits guest feedback through extensive use of surveys, which the Company utilizes to ensure high levels of customer satisfaction.

- The Company continually upgrades and expands available services and amenities through capital improvements and real estate development activities. Current projects include the major revitalization of the primary portals to Vail Mountain at Vail Village and LionsHead, collectively known as "Vail's New Dawn", developing new villages at the base of Breckenridge's Peaks 7 and 8, collectively known as “The Peaks of Breckenridge”, upgrading dining at Vail, Beaver Creek and Heavenly, a new gondola at Breckenridge connecting the town with Peaks 7 and 8, snowmaking upgrades at Vail, Beaver Creek, Keystone and Breckenridge and additional planning and development projects in and around each of the Company's resorts. The Company must obtain a variety of necessary approvals for certain of these projects before the Company can proceed with its overall plans.

- As part of a long-standing commitment to responsible stewardship of its natural mountain settings, the Company recently launched two initiatives in environmental sustainability. First, it has chosen to offset 100% of its energy use by purchasing nearly 152,000 megawatt-hours of wind energy credits annually for its five mountain resorts, its lodging properties including RockResorts International, LLC (“RockResorts”) and Grand Teton Lodge Company (“GTLC”), all of its retail/rental locations and its new corporate headquarters in Broomfield, Colorado. Second, the Company is partnering with the National Forest Foundation to raise funds for various conservation projects in the White River National Forest in Colorado and the National Forests of Tahoe Basin in California/Nevada where the Company operates its five mountain resorts.

The Company promotes its resorts through an extensive marketing and sales program, which includes print media advertising in lifestyle and ski industry publications, direct marketing to a targeted audience, promotional programs, loyalty programs that reward frequent guests and sales and marketing directed at attracting groups, corporate meetings and convention business. Additionally, the Company markets directly to many of its guests through its websites and internet presence, which provide visitors with information regarding each of the Company's resorts, including services and amenities, reservations information and virtual tours (nothing contained on the websites shall be deemed incorporated herein). The Company also enters into strategic partnerships with selected "name brand" companies to increase its market exposure and create opportunities for cross-marketing.

Ski resort operations are highly seasonal in nature, with a typical ski season beginning in mid-November and running through mid-April. In an effort to counterbalance the concentration of revenues in the winter months, the Company offers non-ski season attractions such as golf (included in the operations of the Lodging segment), guided hiking, sight-seeing and mountain biking. These activities also help attract destination convention business to the Company's resorts.

Lodging Segment

The Company's Lodging segment includes the following operations:

- RockResorts--a luxury hotel management company with a portfolio of three Company-owned and five managed, third-party owned resort hotels with locations across the U.S.;

- GTLC--a summer destination resort with three resort properties in the Park and the Jackson Hole Golf & Tennis Club (“JHG&TC”) near Jackson, Wyoming;

- Six independently flagged Company-owned hotels (besides GTLC), management of the Vail Marriott Mountain Resort & Spa ("Vail Marriott") and Austria Haus Hotel and condominium management operations in and around the Company's Colorado ski resorts; and

- Six owned resort golf courses.

The Lodging segment includes approximately 4,100 owned and managed hotel and condominium rooms in five states. All of the Company's resort hotels are mid-size and offer a wide range of services to guests.

The Company's portfolio of luxury and resort hotels currently includes:

Name	**Location**	**Own/Manage**	**Rooms**
RockResorts:			
The Equinox	Manchester Village, VT	Manage	179
The Lodge at Vail	Vail, CO	Own	152
La Posada de Santa Fe	Santa Fe, NM	Manage	157
The Keystone Lodge	Keystone, CO	Own	152
Snake River Lodge & Spa	Teton Village, WY	Manage	140
Rosario Resort & Spa	San Juan Islands, WA	Manage	116
The Pines Lodge	Beaver Creek, CO	Own	70
The Lodge & Spa at Cordillera	Edwards, CO	Manage	65
Other Hotels:			
Jackson Lake Lodge	Grand Teton Nat'l Pk., WY	Concessionaire Contract	385
Colter Bay Village	Grand Teton Nat'l Pk., WY	Concessionaire Contract	166
Jenny Lake Lodge	Grand Teton Nat'l Pk., WY	Concessionaire Contract	37
Vail Marriott Mountain Resort & Spa	Vail, CO	Manage	345
The Great Divide Lodge	Breckenridge, CO	Own	208
Inn at Keystone	Keystone, CO	Own	103
Breckenridge Mountain Lodge	Breckenridge, CO	Own	71
Village Hotel	Breckenridge, CO	Own	60

Inn at Beaver Creek	Beaver Creek, CO	Own	46
Austria Haus Hotel	Vail, CO	Manage	25
Ski Tip Lodge	Keystone, CO	Own	10

The Company's Lodging strategy seeks to complement and enhance its ski resort operations through the ownership or management of lodging properties in proximity to its ski resorts. In the years ended July 31, 2006 and 2005, the Company successfully executed its strategy to reduce hotel ownership in favor of selectively increasing its managed property portfolio. In addition, the Company will continue to seek additional hotel management opportunities through its RockResorts brand.

Hotels are categorized by Smith Travel Research, a leading lodging industry research firm, as luxury, upper upscale, upscale, mid-price and economy. The service quality and level of accommodations of the RockResorts' hotels place them in the luxury category and certain of the Company's other hotels are categorized in the luxury or upper upscale segments of the hotel market, which represents hotels achieving the highest average daily rates ("ADR") in the industry, and includes such brands as the Ritz-Carlton, Four Seasons and Starwood's Luxury Collection hotels. The luxury and upper upscale segments consist of approximately 625,000 rooms at over 1,660 properties worldwide as of July 2006. For the year ended July 31, 2006, the Company's owned hotels, which includes a combination of certain RockResorts, as well as other hotels around the Company's resorts, had an overall average ADR of $160.46, a paid occupancy rate of 65.0% and revenue per available room ("RevPAR") of $104.24, as compared to the upper upscale segment's average ADR of $147.41, a paid occupancy rate of 71.4% and RevPAR of $105.21. The Company believes that this comparison to the upper upscale category is appropriate as its mix of owned hotels include those in the luxury and upper upscale categories, as described above, as well as certain of its hotels that fall in the upscale category. The highly seasonal nature of the Company's hotel properties results in lower average occupancy as compared to the general industry.

Competition in the hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, price and other factors. The Company's properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels as well as facilities owned or managed by national and international chains, including such brands as Ritz-Carlton, Four Seasons, Westin, Hyatt, Hilton, Marriott and Starwood's Luxury Collection. The Company's lodging strategy, through RockResorts, is focused on the resort hotel niche within the luxury segment. The Company's properties also compete for convention and conference business across the national market. The Company believes it is highly competitive in this niche for the following reasons:

- All of the Company's hotels are located in highly desirable resort destinations.
- The Company's hotel portfolio has achieved some of the most prestigious hotel designations in the world, including two hotels designated as Leading Hotels of the World, five designated as Preferred Hotels & Resorts and two designated as Historic Hotels of America. The Company has six properties and four hotel restaurants in its portfolio that are currently rated as AAA 4-Diamond.
- The RockResorts brand is an historic brand name with a rich tradition associated with high quality luxury resort hotels.
- Many of the Company's hotels (both owned and managed) are designed to provide a look that feels indigenous to their surroundings, enhancing the guest's vacation experience.
- Many of the hotels in the Company's portfolio provide a wide array of amenities available to the guest such as access to world-class ski and golf resorts, spa facilities, water sports and a number of other outdoor activities as well as highly acclaimed dining options.

- Conference space with the latest technology is available at most of the Company's hotels. In addition, guests at Keystone can use the Company-owned Keystone Conference Center, the largest conference facility in the Colorado Rocky Mountain region with more than 100,000 square feet of meeting, exhibit and function space.

- The Company has a central reservations system in Colorado that leverages off of its ski resort reservations system and has a web-based central reservation system that provides guests with the ability to plan their vacation online. Non-Colorado properties are served by a central reservations system and global distribution system provided by a third party.

- The Company actively upgrades the quality of the accommodations and amenities available at its hotels through capital improvements. Capital funding for third-party owned properties is provided by the owners of the properties. Recent projects include an extensive room upgrades at The Lodge at Vail, renovation of the Avanyu Spa at La Posada de Santa Fe, renovation of the hotel room bathrooms at La Posada de Santa Fe and the addition of new meeting space and a remodel of the fitness center and spa at the Vail Marriott. Planned and current projects include the rebuild of the clubhouse and a number of golf course improvements at JHG&TC, extensive facility and technology upgrades at GTLC's properties within the Park, a full remodel of the Vail Marriott Grand Ballroom, a new 9,000 square foot Avanyu Spa and guest suites at The Lodge at Vail being completed in connection with the "Front Door" project in Vail, extensive upgrades to a portion of The Pines Lodge bathrooms, full renovation and repositioning of the Village at Breckenridge and five additional rooms being added to the Snake River Lodge & Spa ("SRL&S").

The Company promotes its luxury and resort hotels and seeks to maximize lodging revenues by using its marketing network initially established at the Company's ski resorts. The Company's marketing network includes local, national and international travel relationships which provide the Company's central reservation systems with a significant volume of transient customers. The hotels and the Company have active sales forces to generate conference and group business.

The Company also owns and operates GTLC, which was the Company's first resort with a predominantly summer operating season. GTLC is based in the Jackson Hole area in Wyoming and operates within the Park and recently was awarded a new 15 year concessionaire agreement with the National Park Service ("NPS"). GTLC also owns JHG&TC, which is located outside of the Park near Jackson, Wyoming. GTLC's operations within the Park and JHG&TC have operating seasons that generally run from mid-May to mid-October.

There are 385 areas within the National Park System covering approximately 84 million acres across the United States and its territories. Of the 385 areas, 58 are classified as National Parks. There are more than 500 NPS concessionaires, ranging from small privately-held businesses to large corporate conglomerates. The NPS uses "recreation visits" to measure visitation within the National Park System. In calendar 2005, areas designated as National Parks received approximately 63.5 million recreation visits. The Park, which spans approximately 310,000 acres, had 2.5 million recreation visits during calendar 2005, or approximately 4% of total National Park recreation visits. Four concessionaires provide accommodations within the Park, including GTLC. GTLC offers three lodging options within the Park: Jackson Lake Lodge, a full-service, 385-room resort with conference facilities which can accommodate up to 700 people; the Jenny Lake Lodge, a small, rustically elegant retreat with 37 cabins; and Colter Bay Village, a facility with 166 log cabins, 66 tent cabins, 350 campsites and a 112-space RV park. GTLC offers dining options as extensive as its lodging options, with cafeterias, casual eateries, and fine-dining establishments. GTLC's resorts provide a wide range of activities for guests to enjoy, including cruises on Jackson Lake, boat rentals, horseback riding, guided fishing, float trips, golf and guided park tours. Because of the extensive amenities offered as well as the tremendous popularity of the National Park System, GTLC's accommodations within the Park operate near full capacity during their operating season.

The Company's lodging business is highly seasonal in nature, with peak seasons primarily in the winter months (with the exception of GTLC, certain managed properties and golf operations). In recent years, the Company has grown its business by offering more off-season activities to help offset the seasonality of the Company's lodging business, including golf and group business. The Company owns and operates six golf courses: The Beaver Creek Golf Club, The Keystone Ranch Golf Course, The River Course at Keystone, JHG&TC and the Tom Fazio and Greg Norman course at Red Sky Ranch near the Beaver Creek Resort. JHG&TC was ranked the second best course in Wyoming for 2006 by *Golf Digest*, the Tom Fazio course was the sixth best course in Colorado for 2006 by *Golf Digest*, and the Greg Norman course was ranked the ninth best course in Colorado for 2006 by *Golf Digest* and 24th in the U.S. in the 2006 "Top 100 You Can Play" by *Golf Magazine*.

Real Estate Segment

The Company has extensive holdings of real property at its resorts throughout Summit and Eagle Counties in Colorado and in Teton County, Wyoming. The Company's real estate operations, through Vail Resorts Development Company ("VRDC"), a wholly owned subsidiary of the Company, include the planning, oversight, marketing, infrastructure improvement and development of the Company's real property holdings. In addition to the substantial cash flow generated from real estate sales, these development activities benefit the Company's mountain and lodging operations through (1) the creation of additional resort lodging which is available to guests, (2) the ability to control the architectural themes of the Company's resorts, (3) the creation of unique facilities and venues (primarily restaurant, retail and private club operations) which provide the Company with the opportunity to create new sources of recurring revenue and (4) the expansion of the Company's property management and commercial leasing operations. Additionally, in order to facilitate the sale of real estate development projects, the projects often include the construction of amenities for the benefit of the development, such as chairlifts, gondolas, ski trails or golf courses. While these improvements enhance the value of the real estate held for sale (for example, by providing ski-in/ski-out accessibility), they also benefit mountain and lodging operations.

VRDC often seeks to minimize the Company's exposure to development risks and maximize the long-term value of the Company's real property holdings by selling developed and entitled land to third party developers for cash payments prior to the commencement of construction, while retaining approval of the development plans as well as an interest in the developer's profit. The Company also typically retains the option to purchase, at cost, any retail/commercial space created in a development. The Company is able to secure these benefits from third party developers because of the high property values and strong demand associated with property in close proximity to the Company's mountain resort facilities. In instances where the Company determines the business model warrants, the Company will undertake the risk of vertical development itself, as it is doing or proposes to do for certain projects including Vail's New Dawn, JHG&TC and The Peaks of Breckenridge. The Company attempts to mitigate the risk of vertical development by utilizing guaranteed maximum price contracts, pre-selling all or a portion of the project, requiring significant non-refundable deposits and obtaining non-recourse financing for certain projects.

VRDC's principal activities include (1) the vertical development of certain residential and mixed-use condominium projects consisting of planning, design, construction and sale of real estate units, which also benefit the Company's mountain and lodging operations (such as properties located at a main base facility), (2) the sale of single-family homesites to individual purchasers, (3) the sale of certain land parcels to third-party developers for condominium, townhome, cluster home, single family home, lodge and mixed use developments, (4) the zoning, planning and marketing of resort communities (such as Red Sky Ranch, JHG&TC and The Peaks of Breckenridge), (5) arranging for the construction of the necessary roads, utilities and mountain infrastructure for new resort communities and (6) the purchase of selected strategic land parcels for future development.

VRDC's current development activities are focused on (1) the redevelopment of Vail's LionsHead base area and West LionsHead, including the development of the Arrabelle at Vail Square ("Arrabelle") and the Gore Creek Place ("Gore Creek") townhomes currently under construction, as well as the planning for what could include over 800,000 additional saleable square feet of real estate, including The Ritz Carlton Residences, Vail, (2) the development of the

Vail Front Door project in Vail Village, including The Lodge at Vail Chalets, (3) The Peaks of Breckenridge project, including the development and/or sale of land parcels at the base areas of Breckenridge Peaks 7 and 8, (4) the Jackson Hole area residential and golf development, (5) expansion of infrastructure at Red Sky Ranch to facilitate additional lot sales at the Red Sky Ranch residential development, (6) continued development of the Mountain Thunder project in Breckenridge and (7) additional planning and development projects in and around each of the Company's resorts.

Employees

The Company, through certain operating subsidiaries, currently employs approximately 3,100 year-round and 10,700 seasonal employees. In addition, the Company employs approximately 1,100 year-round and 400 seasonal employees on behalf of the managed hotel properties. As of July 31, 2006, none of the Company's employees were unionized. The Company considers employee relations to be good.

Regulation and Legislation

Special Use Permits

The Company has been granted the right to use federal land as the site for ski lifts and trails and related activities, under the terms of Special Use Permits granted by the USDA Forest Service (the "Forest Service"). The Forest Service has the right to review and approve the location, design and construction of improvements in the permit area and many operational matters. While virtually all of the skiable terrain on Vail, Breckenridge, Heavenly and Keystone is located on Forest Service land, a significant portion of the skiable terrain on Beaver Creek Mountain, primarily in the lower main mountain, Western Hillside, Bachelor Gulch and Arrowhead Mountain areas, is located on Company-owned land. In addition to the use of Forest Service land, Heavenly operates four separate base areas, all of which are located on Company-owned land.

The permits originally granted by the Forest Service were (1) Term Special Use Permits granted for 30-year terms, but which may be terminated upon 30 days written notice by the Forest Service if it determines that the public interest requires such termination and (2) Special Use Permits that are terminable at will by the Forest Service. In November 1986, a new law was enacted providing that Term Special Use Permits and Special Use Permits may be combined into a unified single Term Special Use Permit that can be issued for up to 40 years. The unified Term Special Use Permits for the Company’s Colorado resorts were amended in 2003 to reflect the permit boundary maps and acreage amounts set forth in the new White River National Forest Plan. Changes to the permit boundaries are not material to the Company's plans. Vail operates under a unified Term Special Use Permit for the use of 12,226 acres that expires October 31, 2031. Breckenridge operates under a unified Term Special Use Permit for the use of 5,702 acres that expires December 31, 2029. Keystone operates under a unified Term Special Use Permit for the use of 8,376 acres that expires December 31, 2032. Beaver Creek operates under a unified Term Special Use Permit for the use of 3,801 acres that expires December 31, 2038. Heavenly operates under a Term Special Use Permit for the use of 7,050 acres and expires May 1, 2042.

For use of the Special Use Permits, the Company pays a fee to the Forest Service ranging from 1.5% to 4.0% of sales occurring on Forest Service land. Included in the calculation are sales from, among other things, lift tickets, ski school lessons, food and beverages, equipment rentals and retail merchandise.

The Forest Service can terminate most of the Company's permits if it determines that termination is required in the public interest. However, to the Company's knowledge, no recreational Special Use Permit, Term Special Use Permit or unified Term Special Use Permit for any major ski resort then in operation has ever been terminated by the Forest Service over the opposition of the permitee.

Federal Regulations, Company Proposals and Related Approvals

Certain of the Company's resort and lodging operations require permits and approvals from certain federal, state, and local authorities, in addition to the Forest Service and U.S. Army Corps of Engineers approvals, discussed herein. In particular, the Company's operations are subject to environmental laws and regulations, and compliance with such laws and regulations may require expenditures or modifications of the Company's development plans and operations in a manner that could have a detrimental effect on its results of operations. There can be no assurance that new applications of existing laws, regulations and policies, or changes in such laws, regulations and policies, will not occur in a manner that could have a detrimental effect to the Company, or that material permits, licenses, or approvals will not be terminated, not be renewed or be renewed on terms or interpreted in ways that are materially less favorable to the Company. Although the Company believes that it will be successful in implementing its development plans and operations in ways satisfactory to it, no assurance can be given that any particular permits and approvals will be obtained or upheld on judicial review.

Breckenridge Regulatory Matters

In August 1998, the Company received the approval of the Forest Service to develop a chairlift, other skier facilities and associated skiing terrain on Peak 7, and a teaching chairlift, two new ski trails and additional snowmaking on Peak 9, all located at Breckenridge. Part of the trail and mountain improvements on Peak 7 has been completed new trails opened for skiing for the 2001/02 ski season and direct lift service thereto began in the 2002/03 ski season. The Company has also received approval from the Forest Service to change the proposed location of a restaurant initially proposed for the top of Peak 7 to a mid-mountain location. To date, the Company has completed a small portion of the snowmaking improvements.

As part of the Peak 7 approval and development process, certain federal agencies expressed concern about the analysis of potential future development on private land that the Company owns at the base of Peak 7. In response to an administrative appeal of the Forest Service approval decision by certain individuals and groups, the Regional Forester upheld the approval of the Peak 7 and 9 projects in November 1998. The Forest Service subsequently reviewed the Company's proposed changes to develop gondola access to the Peak 7 base area and to move the lower terminal of the lift servicing the terrain and base area from public lands to private land owned by the Company. Based on an interdisciplinary review of the proposed changes, the Forest Service determined in September 2000 that the new information and changes to the proposal did not require an update or revision of the 1998 Environmental Assessment (“EA”) or decision notice. Construction of the gondola under the Peak 7 approval and development process was initiated during the fourth quarter of the year ended July 31, 2006. The Company expects the gondola to be completed during the second quarter of the year ending July 31, 2007, available to service guests for the majority of the 2006/07 ski season. The gondola has a terminal in the Town of Breckenridge (the “Town”), surrounded by Company-owned parking facilities; a terminal in Shock Hill residential neighborhood; a terminal at the base of Peak 7 and a terminal at the base of Peak 8.

The U.S. Army Corps of Engineers considered the development of the base facilities on private land and the ski area improvements on public land as combined actions and issued one permit for the combined projects. The permit contains strict conditions related to the permissible impact to wetlands connected with the real estate project. In May 2002, the Company signed a Preliminary Agreement with the Town of Breckenridge, which allows the Company to proceed with the review of the Breckenridge Ski Area Master Development Plan (the “Breckenridge Master Plan”) with specified density. In September 2002, the town approved a Development Agreement which allowed the Planning Commission to review the Company's Breckenridge Master Plan amendment with certain components that would otherwise have varied from the town's Development Code. The amended Breckenridge Master Plan was approved by the Town in June 2003. In the summer of 2005, the Company submitted a proposal to the Town to further amend its Breckenridge Master Plan to transfer up to 60 units of density which were not constructed at Mountain Thunder up to the Peak 7 development. Approval of this amendment was received in the spring of 2006.

In August 2005, the Company received approval from the Forest Service for construction of a chairlift to the summit of Peak 8 and this lift was completed for the 2005/06 ski season. Finally, the Company will begin the process of preparing a programmatic update to the Breckenridge Master Plan this fall. No environmental documentation will be required for this update, with project specific analysis occurring prior to project implementation.

Keystone Regulatory Matters

In March 2000, the Company announced that Keystone and the Forest Service would conduct a joint water quality study of possible impacts on four streams from snowmaking operations at Keystone. This study was completed in 2001 and concluded that the levels of tested metals were within applicable Colorado state water quality standards. Because this study only examined one calendar year of measurement, Keystone agreed to conduct ongoing water quality monitoring combined with a use attainability analysis for the Colorado Water Quality Control Commission (the "Commission") to further assess water quality conditions at Keystone. In March 2004, the Commission adopted a regulation which rejected a proposal to add four streams at Keystone to the list of Colorado streams which do not achieve water quality standards. Importantly, in June 2005, the U.S. Environmental Protection Agency then upheld the Commission's decision. Ongoing monitoring of water quality at Keystone indicates compliance with all applicable water quality standards.

In 2003, the Company submitted a proposal to conduct snowcat skiing on 583 additional skiable acres within the Keystone permit boundary on Little Bowl and Erickson Bowl. The Forest Service approved this proposal and Keystone conducted snowcat skiing operations in those areas during the 2004/05 ski season and intends to continue to do so. In May 2005, Keystone submitted a proposal for an additional 278 acres of snowcat skiing in the Independence and Bear Mountain areas north and east of the existing snowcat skiing at Keystone but also within its permit boundaries. The Forest Service approved this proposal and Keystone will be conducting snowcat skiing on a total of 861 acres for the 2006/07 ski season. The Company is currently revising the Keystone Master Ski Area Development Plan and expects that process to be concluded by fall 2007. Finally, the Company is preparing an EA for a proposed four mile pipeline to transport water from Keystone's Montezuma Shaft diversion point to the Keystone River snowmaking pumping station. The Company expects this EA to be completed in late 2006 or early 2007, which would significantly increase the efficiency of snowmaking at Keystone and have the additional effect of improving water quality in the Snake River.

Vail and Beaver Creek Regulatory Matters

In the spring of 2000, the Company submitted a proposal to the Forest Service concerning additional snowmaking on Vail and a race facility expansion at Vail's Golden Peak. The Company withdrew this proposal and intends to submit a new proposal to combine these projects with a new master plan update for Vail. Also, the Company has completed a land exchange with the Forest Service involving land at the Vail Village base area in connection with the Company's Vail Front Door development project. In 2003, the Company submitted a proposal to the Forest Service to install a new chair lift in Vail's Sundown Bowl and to upgrade the existing Chair 5 to a high-speed, detachable quad chair lift. This proposal was put on hold temporarily but the Company expects to resubmit it in the near future. Finally, in 2004 the Company submitted a proposal to the Forest Service to replace Vail Chairs 10 and 14. This proposal was approved and Vail expects to complete this project in the next several years.

In 2001, the Company submitted a proposal to the Forest Service concerning the construction of a gondola connecting the Town of Avon with Beaver Creek (the "Gondola Proposal"), a portion of which would cross public lands on Beaver Creek within the Company's existing permit boundaries. The Gondola Proposal was approved by the Forest Service but was modified in 2003, and the gondola conveyance was replaced with the installation of two individual chairlifts prior to the 2004/05 ski season. These new chairlifts carry guests from the bottom of Bachelor Gulch to Beaver Creek. With the Company's sale of a land parcel located in the Town of Avon to a third party developer, a gondola connecting that parcel in the Town of Avon with the lower of the two new chairlifts is currently under construction and is scheduled for completion prior to the 2007/08 ski season. This gondola will be owned by the Confluence Metropolitan District and operated and maintained by the Company under contract.

In 2004, the Company submitted a proposal to the Forest Service for the addition of approximately 150 skiable acres of expert terrain on the eastern flank of Beaver Creek's upper mountain. An EA for this project, which involved the clearing of 4 acres of trees, was completed in August 2005. The initial Record of Decision ("ROD") was unsuccessfully appealed and the final decision approving the project was issued in February 2006. Project construction began in July 2006 and the additional skiable acreage should be available for the 2006/07 ski season.

In June 2005, the Company submitted a proposal to the Forest Service to construct a chairlift west of Vail's LionsHead portal to service existing and potential future residential and commercial development in the area. This proposal was approved in March 2006 and the administrative appeals period for this approval has expired. The Company is participating in the Town of Vail's West LionsHead Planning Process and the project implementation timeline will be addressed after the conclusion of that process. The Company cannot predict when the Town of Vail's process will conclude.

Revision of Forest Plan

The ROD approving the new White River National Forest Land Resource Management Plan (the "Forest Plan") was issued by the Forest Service in April of 2002. The Forest Plan sets certain broad regulatory and planning requirements, as well as land use planning, that pertain to recreational, operational and development activities at the Company's four Colorado ski resorts. The ROD was appealed to the Chief of the Forest Service by the Company and several other interested parties, including environmental groups holding positions opposite to those of the Company. The Chief's decision on the appeals was issued on September 22, 2004, and was further modified by a Discretionary Review of the Deputy Undersecretary of Agriculture on December 2, 2004. The Company prevailed on several important issues in both the Chief's decision and the Discretionary Review.

To date, no appellant has filed an action for judicial review of the final decision in Federal court. It is impossible at this time to predict whether an action for judicial review will be filed, and if so, whether the resolution of it would have a material adverse impact on the Company.

Heavenly Regulatory Matters

Prior to the Company's acquisition of Heavenly, the State of California Regional Water Quality Control Board, Lahontan Region ("Lahontan"), and the El Dorado County Department of Environmental Management required Heavenly's prior owner to conduct an environmental compliance cleanup at a vehicle maintenance facility at Heavenly. This requirement was imposed in response to an accidental release of waste oil at a vehicle maintenance shop in 1998. All cleanup work has been completed in accordance with the approved work plan and a new underground vault, piping and overflow protection system was installed to prevent any further releases. A final report was submitted on March 31, 2003 to the above two agencies. In late 2004, Heavenly was notified by Lahontan that additional monitoring and reporting would be required following snowmelt in 2005 using the three existing monitoring wells. However, because no water was found in the existing monitoring wells, Lahontan required Heavenly to continue sampling for one more year and groundwater was sampled on two separate occasions in spring 2006 pursuant to the approved work plan. A monitoring report was submitted to Lahontan which indicated low levels of diesel in the most distant well. No other contaminants were detected during the monitoring period and Heavenly's position outlined in its report to Lahontan is that the residual petroleum compounds do not represent a threat to human health, do not represent a threat to surface water quality and do not represent a threat to groundwater quality. No response has been received from Lahontan as of this date.

In July 2003, Heavenly received updated waste discharge requirements ("WDRs") for all lands and facilities within the resort which are located within the State of California. This includes National Forest lands as well as fee-owned lands. The approval was given by the State of California Water Resources Control Board, Lahontan Region. The approved WDRs will permit Heavenly to continue winter and summer operations and to continue with implementation of the approved Heavenly Ski Area Master Plan ("Heavenly Master Plan"). WDRs are normally valid for ten years.

In 1996, the Heavenly Master Plan was approved by the Forest Service, the Tahoe Regional Planning Authority ("TRPA") and the underlying units of local government with jurisdiction. To permit new and upgraded trails, lifts, snowmaking, lodges and other facilities, Heavenly sought to update the Heavenly Master Plan and submitted a "Master Plan Amendment" to those same agencies in 2005. Initially slated to be completed under an EA, the Forest Service and the TRPA notified Heavenly that an Environmental Impact Report/Statement ("EIR") would be required for project approval. The review and approval process has commenced and is scheduled to conclude in 2006. The Company expects to complete the first phase of the capital projects contained in the Master Plan Amendment in 2007. Included in this first phase is the construction of a high-speed, detachable quad chair lift, which construction the Company expects to take place during the summer of 2007, with completion prior to the start of the 2007/08 ski season.

On March 16, 2006, Heavenly received an extension from the Douglas County Board of County Commissioners for final submittal of a design review application for the 120-unit Planned Development at Stagecoach Lodge in Douglas County, Nevada, originally approved in 2000. This extension is valid for one year after TRPA approval of Heavenly's Master Plan Amendment or the Forest Service approval of the same, whichever occurs first.

Also, in March 2006, Heavenly received an extension of a 1985 allocation of 55 water units (each water unit equals approximately 500 gallons/day) for the same Stagecoach Lodge Planned Development project from the Kingsbury General Improvement District ("KGID"). KGID is the water and sewer district that services the Stagecoach Lodge. Water allocation units for this service area are limited by the State of Nevada. However, based on KGID's gallons/day consumptive use formula, and an additional 65 in-basin water units held by Heavenly (subject to a recorded parcel boundary consolidation document that was approved by the Nevada State Engineer on September 30, 1998), a total of 120 water allocation units are available to serve the 120 units approved by Douglas County.

GTLC Concession Contract Process

GTLC operates three lodging properties, food and beverage services, retail, camping and other services within the Park under a concession contract with the NPS. In accordance with Federal law, the NPS had considered competitive bids for a new concession contract as the Company's contract had expired, and in May 2006, the Company was informed it was awarded a new 15 year agreement to continue as the concessionaire for GTLC. The Company expects to execute the contract within the current calendar year. Provisions of the new agreement include an increase in the NPS franchise fee. On an annual basis, effective January 1, 2007, assuming final approval by the United States Congress and the NPS, the Company will pay approximately $2.0 million more annually in franchise fees to the NPS than it has previously incurred. Additionally, the Company expects the new contract will require capital improvement outlays in excess of historical expenditures.

Available Information

The Company's reports to the Securities and Exchange Commission ("SEC") information, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Act") that are available free of charge on the Company's corporate website (www.vailresorts.com) as soon as reasonably practicable after the information is electronically filed with or furnished to the SEC. In addition, the Company's Code of Ethics is available on its website. No content of the Company's corporate website is incorporated by reference herein. Copies of any materials the Company files with the SEC can be obtained at www.sec.gov or at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS.

The risks below should carefully be considered together with the other information contained in this report. The risks described below are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deem to be immaterial may also materially affect its business, financial condition and results of operations.

Risks Related to the Company’s Business

The Company’s business is seasonal. The Company's Mountain and Lodging operations are seasonal in nature. In particular, revenue and profits for the Company's Mountain and most of its Lodging operations are substantially lower and historically result in losses from late spring to late fall. Conversely, peak operating seasons for GTLC, certain managed hotel properties and the Company's owned golf courses occur during the summer months while the winter season generally results in operating losses. However, revenue and profits generated by GTLC's summer operations, management fees from those managed properties and golf operations are not sufficient to fully offset the Company's off-season losses from its Mountain and other Lodging operations. For the year ended July 31, 2006, 78.9% of total combined Mountain and Lodging revenue was earned during the second and third quarters. In addition, the timing of major holidays can impact vacation patterns and therefore visitation at the Company's ski resorts. Operating results for any three-month period are not necessarily indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year (see Note 16, Selected Quarterly Financial Data, of the Notes to Consolidated Financial Statements).

The Company is vulnerable to the risk of unfavorable weather conditions. The ability to attract visitors to the Company’s resorts is influenced by weather conditions and by the amount and timing of snowfall during the ski season. Unfavorable weather conditions can adversely affect skier visits and the Company's revenues and profits. Unseasonably warm weather may result in inadequate natural snowfall, which increases the cost of snowmaking and could render snowmaking wholly or partially ineffective in maintaining quality skiing conditions. Excessive natural snowfall may materially increase the costs incurred for grooming trails and may also make it difficult for visitors to obtain access to the Company's mountain resorts. In the past 20 years, the Company's Colorado ski resorts have averaged between 20 and 30 feet of annual snowfall and Heavenly receives average yearly snowfall of between 25 and 35 feet, significantly in excess of the average for United States ski resorts. However, there is no assurance that the Company's resorts will receive seasonal snowfalls near the historical average in the future. Also, the early season snow conditions and skier perceptions of early season snow conditions influence the momentum and success of the overall season. In addition, a severe and prolonged drought could affect the Company’s otherwise adequate snowmaking water supplies or increase the cost of snowmaking. Unfavorable weather conditions such as drought and tornadoes can adversely affect the Company's other resorts and lodging properties as vacationers tend to delay or postpone vacations if weather conditions differ from those that typically prevail at such resorts for a given season. There is no way for the Company to predict future weather patterns or the impact that weather patterns may have on results of operations or visitation. To some extent, the Company mitigates against impacts from weather through the sales of season passes, as most weather sensitive visitors to the Company’s ski resorts tend to be from the Colorado Front Range, to which the Company markets season pass products in Colorado. Additionally, the Company has invested in snowmaking upgrades in an effort to address the inconsistency of early season snowfall.

The Company is subject to the risk of economic downturns. Periods of economic slowdown or recession, whether national, regional or international, may decrease the discretionary spending of the Company’s customers. Actual or perceived fear of recession may also lead to decreased discretionary spending. Skiing, travel and tourism are discretionary recreational activities that can entail a relatively high cost of participation and can be adversely affected by economic slowdown or recession, which, in turn, could negatively impact the Company’s operating results. This could further be exacerbated by the fact that the Company charges some of the highest ticket prices in the ski industry. While pricing increases historically have not reduced demand, there can be no assurances that demand will remain price inelastic. Similarly, there can be no assurance that a decrease in the amount of discretionary spending by the public would not have an adverse effect on the Company’s results of operations.

The Company depends on a seasonal workforce. The Company's Mountain and Lodging operations are largely dependent on a seasonal workforce. The Company recruits worldwide to fill staffing needs each season and utilizes visas to enable the use of foreign workers. In addition, the Company manages seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. While the Company does not currently foresee the need to increase seasonal wages to attract employees, the Company cannot guarantee that such an increase will not be necessary in the future. In addition, the Company cannot guarantee that it will be able to obtain the visas necessary to hire foreign workers who are an important source for the seasonal workforce. Increased seasonal wages or an inadequate workforce could have an adverse impact on the Company's results of operations; however, the Company is unable to predict with any certainty whether such situations will arise or the potential impact on results of operations.

Terrorist acts upon the United States and acts of war (actual or threatened) could have a material adverse effect on the Company. The terrorist acts carried out against the United States on September 11, 2001 and the war with Iraq and its aftermath adversely impacted the international travel and leisure industry. Additional terrorist acts against the United States and the threat of or actual war by or upon the United States could depress the public's propensity to travel, upon which the Company's operations are highly dependent, which could have a material adverse impact on the Company's results of operations.

The Company faces significant competition. The ski resort and lodging industries are highly competitive. The number of people who ski in the United States (as measured in skier visits) has generally ranged between 52 million and 59 million annually over the last decade, with approximately 58.9 million visits for the 2005/2006 ski season. The factors that the Company believes are important to customers include:

- proximity to population centers;
- availability and cost of transportation to ski areas;
- ease of travel to ski areas (including direct flights by major airlines);
- pricing of products and services;
- snowmaking facilities;
- type and quality of skiing offered;
- duration of the ski season;
- weather conditions;
- number, quality and price of related services and lodging and
- reputation.

The Company has many competitors for its ski vacationers, including other major resorts in Colorado, Lake Tahoe and other major destination ski areas worldwide. The Company’s destination guests can choose from any of these alternatives, as well as non-skiing vacation destinations around the world. In addition, other forms of leisure such as sporting events and participation in other competing indoor and outdoor recreational activities are available to potential guests.

RockResorts hotels and the Company’s other hotels compete with numerous other hotel companies that may have greater financial resources than the Company does and that may be able to adapt more quickly to changes in customer requirements or devote greater resources to promotion of their offerings than the Company can. The Company believes that developing and maintaining a competitive advantage will require continued investment by the Company in its resorts. The Company cannot assure that it will have sufficient resources to make the necessary investments to do so, and the Company cannot assure that it will be able to compete successfully in this market or against such competitors.

The Company's future acquisitions might not be successful. Historically, the Company has acquired certain ski resorts and other destination resorts and hotel properties, as well as developable land in proximity to these resorts. The Company cannot make assurances that it will be able to continue to successfully integrate and manage these acquired properties profitably or increase its profits from these operations. The Company continually evaluates potential acquisitions and intends to actively pursue acquisition opportunities, some of which could be significant. The Company would face various risks from additional acquisitions, including:

- inability to integrate acquired businesses into the Company's operations;
- diversion of the Company's management's attention;
- potential increased debt leverage and
- unanticipated problems or liabilities.

In addition, the Company runs the risk that any new acquisitions may fail to perform in accordance with expectations, and that estimates of the costs of improvements for such properties may prove inaccurate.

The Company's future development plans might not be successful. The Company has significant development plans for its operations. Specifically, the Company's development plans include:

- continued work on the Vail redevelopment, including the redevelopment of the LionsHead base area and other land holdings located within the Town of Vail;
- the Jackson Hole area residential and golf development;
- expansion of the Red Sky Ranch residential development;
- The Peaks of Breckenridge development and
- additional planning and development projects in and around each of the Company's resorts.

We could experience significant difficulties initiating or completing these projects, including:

- delays in completion;
- inaccurate cost estimates;
- difficulty in meeting pre-sale targets;
- difficulty in receiving the necessary regulatory approvals and
- difficulty in obtaining qualified subcontractors.

The Company mitigates the risk associated with vertical development by utilizing the following: (1) the Company generally pre-sells residential units and requires non-refundable deposits of at least 15% of the sales prices. Pre-sales require buyers to provide earnest money deposits to the Company, which would be refundable to the buyer should the Company fail to complete the related development. Pre-sale targets are set by management. Generally, the Company strives to meet its pre-sale targets in the period between the commencement of the marketing of a development and the planned commencement of construction, (2) the Company attempts to secure guaranteed maximum price contracts with its general contractors which helps protect the Company against rising costs of construction and (3) the Company generally uses non-recourse financing for its vertical development projects that only allow for recourse against the specific project's assets.

All of these real estate development plans are designed to make the Company's resorts attractive to its clients and to maintain competitiveness. If the Company is not successful in implementing its development plans, its clients may choose to go to other resorts that they perceive have better amenities and the Company's results of operations could be materially affected.

The Company may not be able to fund development plans. The Company's ability to fund development plans will depend on its ability to generate sufficient cash flow from operations and/or its ability to borrow from third parties. The Company cannot make assurances that its operations will be able to generate sufficient cash flow to fund such development costs, or that the Company will be able to obtain sufficient financing on adequate terms, or at all. The Company's ability to generate cash flow and to obtain third-party financing will depend upon many factors, including:

- the Company's future operating performance;
- general economic conditions and economic conditions affecting the resort industry, the ski industry and the real estate project financing market;
- the Company's ability to hire and retain employees at reasonable cost;
- the Company's ability to meet its pre-sell targets on its vertical real estate development projects;
- competition and
- legislative and regulatory matters affecting the Company's operations and business.

Some of these factors are beyond the Company's control. Any inability to generate sufficient cash flows from operations or to obtain adequate third-party financing could cause the Company to delay or abandon certain development plans which could have a material adverse effect on its operating results and financial condition.

The Company relies on government permits. Certain of the Company's Resort operations require permits and approvals from certain federal, state, and local authorities, in addition to the Forest Service and U.S. Army Corps of Engineers approvals. Virtually all of the Company's ski trails and related activities at Vail, Breckenridge, Keystone and Heavenly and a majority of Beaver Creek are located on federal land. The Forest Service has granted the Company permits to use these lands, but maintains the right to review and approve many operational matters, as well as the location, design and construction of improvements in these areas. Currently, the Company's permits expire December 31, 2029 for Breckenridge, October 31, 2031 for Vail, December 31, 2032 for Keystone, December 31, 2038 for Beaver Creek and May 1, 2042 for Heavenly. The Forest Service can terminate most of these permits if, in its opinion, such termination is required in the public interest. A termination of any of the Company's permits could have a materially adverse affect on the Company's business and operations.

The Company has applied for several new permits or other approvals for improvements and new development. These efforts, if not successful, could impact the Company's expansion efforts as currently contemplated. Furthermore, Congress may increase the fees the Company pays to the Forest Service for use of these federal lands.

The Company is subject to extensive environmental laws and regulations in the ordinary course of business. The Company's operations are subject to a variety of federal, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. For example, future expansions of certain of the Company's ski facilities must comply with applicable forest plans approved under the National Forest Management Act or local zoning requirements. The Company's facilities are subject to risks associated with mold and other indoor building contaminants. From time to time, the Company's operations are subject to inspections by environmental regulators or other regulatory agencies. The Company is also subject to worker health and safety requirements. The Company believes its operations are in substantial compliance with applicable material environmental, health and safety requirements. However, the Company's efforts to comply do not remove the risk that the Company may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties the Company now or formerly owned or operated, newly discovered environmental impacts or contamination at or from any of its properties, or changes in environmental laws and regulations or their enforcement. For a more detailed discussion of the Company's mold remediation efforts see Note 14, Commitments and Contingencies of the Notes to Consolidated Financial Statements.

The Company is subject to litigation in the ordinary course of business. The Company is, from time to time, subject to various legal proceedings and claims, either asserted or unasserted. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. While management believes the Company has adequate insurance coverage and accrues loss contingencies for all known matters that are probable and can be reasonably estimated, the Company cannot assure that the outcome of all current or future litigation will not have a material adverse effect on the Company and its results of operations. For a more detailed discussion of the Company's legal proceedings see Legal Proceedings under Item 3 and Note 14, Commitments and Contingencies of the Notes to Consolidated Financial Statements.

The Company is subject to the risks of brand concentration. The Company is subject to the potential risks associated with concentration of its hotels under the RockResorts brand and the brand image associated with each of its ski areas. A negative public image or other adverse event which becomes associated with one of the Company's brands could adversely affect its revenues and profitability.

The Company's future growth and real estate development requires additional capital whose availability is not assured. The Company intends to make significant investments in its resorts to maintain its competitive position. The Company spent approximately $88.9 million, $80.0 million and $63.0 million in the years ended July 31, 2006, 2005 and 2004, respectively, on capital expenditures (primarily related to the Mountain and Lodging segments) and the Company has made investments of approximately $129.7 million, $72.2 million and $27.8 million in the years ended July 31, 2006, 2005 and 2004, respectively, in its real estate developments. The Company expects to continue making substantial resort capital expenditures and investments in real estate development. The Company currently anticipates capital expenditures (primarily related to the Mountain and Lodging segments) will be approximately $70 million to $80 million for calendar 2006. Based on the status of several specific real estate projects, the Company will continue to invest significant amounts in real estate over the next several years and currently anticipates real estate investments to be approximately $195 million to $205 million for calendar 2006. The Company could finance future expenditures from any of the following sources:

- cash flow from operations;
- non-recourse, sale-leaseback or other financing;
- bank borrowings;
- public offerings of debt or equity;

- private placements of debt or equity or
- some combination of the above.

The Company might not be able to obtain financing for future expenditures on favorable terms or at all.

Future changes in the real estate market could affect the value of the Company's investments. The Company has extensive real estate holdings near its mountain resorts and in Wyoming. The Company plans to make significant additional investments in developing property at all of its resorts. The value of the Company's real estate property and the revenue from related development activities may be adversely affected by a number of factors, including:

- national and local economic climate;
- local real estate conditions (such as an oversupply of space or a reduction in demand for real estate in an area);
- attractiveness of the properties to prospective purchasers and tenants;
- competition from other available property or space;
- the Company's ability to obtain adequate insurance;
- increased construction costs, project difficulties or delays;
- government regulations and changes in real estate, environmental, zoning or tax laws;
- interest rate levels and the availability of financing and
- potential liabilities under environmental and other laws.

If the Company does not retain its key personnel, its business may suffer. The success of the Company's business is heavily dependent on the leadership of its key management personnel, including its Chief Executive Officer, its Chief Financial Officer, its Co-Presidents of its Mountain Division, its General Counsel, each of the Senior Vice Presidents, its Vice President of RockResorts, its President of VRDC and its Chief Information Officer. If any of these persons were to leave the Company, it could be difficult to replace them, and the Company's business could be harmed. The Company does not have "key-man" life insurance.

The Company is subject to accounting regulations and uses certain accounting estimates and judgments that may differ significantly from actual results. Implementation of existing and future legislation, rulings, standards and interpretations from the FASB or other regulatory bodies could affect the presentation of the Company's financial statements and related disclosures. Future regulatory requirements could significantly change the Company's current accounting practices and disclosures. Such changes in the presentation of the Company's financial statements and related disclosures could change an investor's interpretation or perception of the Company's financial position and results of operations. For example, due to the adoption of SFAS 123R, the Company's operating expenses have increased by $6.1 million for the year ended July 31, 2006, as compared to the previous year, after considering the change in the Company's compensation strategy to issue a portion of its stock-based compensation as restricted stock and stock-settled stock appreciation rights ("SARs") to certain levels of employees. The Company cannot predict the impact to future operating results of expensing stock-based compensation as the expense is predicated on the amount and type of future stock-based compensation awards granted and the fair value of those awards to be determined at the time of grant.

The Company uses many methods, estimates and judgments in applying our accounting policies (see "Critical Accounting Policies" in Item 7 of this Form 10-K/A). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead the Company to change its methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect the Company's results of operations.

Risks Relating to The Company's Capital Structure

Future sales of shares of the Company's common stock could depress the price of the common stock. Future sales of common stock by the Company or its existing shareholders could adversely affect the prevailing market price of the Company's common stock. As of July 31, 2006, the Company had 39,036,282 shares of common stock issued and 1,976,000 shares of common stock reserved for issuance pursuant to outstanding equity compensation awards.

As of July 31, 2006, the Company had 675,000 vested stock options and SARs, 1,108,000 unvested stock options and SARs that may be sold in the future and 193,000 unvested restricted stock awards. The Company cannot predict what effect, if any, that future sales of such restricted shares and the shares issuable upon exchange of stock options and SARs, or the availability of shares for future sale, will have on the market price of the common stock from time to time. Sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could adversely affect prevailing market prices for the common stock and could impair the Company's ability to raise additional capital through an offering of its equity securities.

The Company's stock price is highly volatile. The market price of the Company's stock is highly volatile and subject to wide fluctuations in response to factors such as the following, some of which are beyond its control:

- quarterly variations in the Company's operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to the Company's future financial performance, including financial estimates by securities analysts and investors or such guidance provided by the Company;
- announcements of new services by the Company or its competitors;
- announcements by the Company or its competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- future sales of the Company's securities;
- trading and volume fluctuations;
- changes in the weather;
- seasonal fluctuations;
- other risk factors as discussed above and
- other unforeseen events.

Stock markets in the United States often experience extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions such as acts of terrorism, a recession or interest rate or currency rate fluctuations, could adversely affect the market price of the Company’s stock.

The Company has not historically paid cash dividends to its common stockholders. Other than a rights distribution in October 1996 which gave each stockholder of record the right to receive $2.44 per share of common stock held, the Company has never declared or paid any cash dividends on its shares of common stock. Payment of any future dividends on common stock will depend upon the Company’s earnings and capital requirements, the terms of its debt instruments and preferred stock and other factors the board of directors considers appropriate.

Anti-takeover provisions affecting the Company could prevent or delay a change of control that is beneficial to its shareholders. Provisions of the Company’s certificate of incorporation and bylaws, provisions of its debt instruments and other agreements and provisions of applicable Delaware law and applicable federal and state regulations may discourage, delay or prevent a merger or other change of control that holders of the Company’s securities may consider favorable. These provisions could:

- delay, defer or prevent a change in control of the Company;
- discourage bids for the Company’s securities at a premium over the market price;
- adversely affect the market price of, and the voting and other rights of the holders of, the Company’s securities or
- impede the ability of the holders of the Company’s securities to change its management.

The Company’s indebtedness could adversely affect its financial health and prevent the Company from fulfilling its obligations. The Company’s level of indebtedness ($531.2 million as of July 31, 2006) could have important consequences. For example, it could:

- make it more difficult for the Company to satisfy its obligations;
- increase the Company’s vulnerability to general adverse economic and industry conditions;
- require the Company to dedicate a substantial portion of its cash flow from operations to payments on the Company’s indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, real estate developments, marketing efforts and other general corporate purposes;
- limit the Company’s flexibility in planning for, or reacting to, changes in its business and the industry in which the Company operates;
- place the Company at a competitive disadvantage compared to its competitors that have less debt and
- limit the Company’s ability to borrow additional funds.

There are restrictions imposed by the terms of the Company’s indebtedness. The operating and financial restrictions and covenants in the Company’s senior credit facility (the “Credit Facility”) and the Indenture, dated as of January 29, 2004 among the Company, the guarantors therein and the Bank of New York, as Trustee (“Indenture”), governing the 6.75% Senior Subordinated Notes due 2014 (“6.75% Notes”) may adversely affect the Company’s ability to finance future operations or capital needs or to engage in other business activities that may be in the Company’s long-term best interests. For example, the Indenture and the Credit Facility contain a number of restrictive covenants that impose significant operating and financial restrictions on the Company, including restrictions on its ability to, among other things,

- incur additional debt;
- pay dividends, repurchase the Company’s stock and make other restricted payments;
- create liens;
- make investments;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- enter into transactions with affiliates;
- transfer all or substantially all of the Company’s assets or enter into merger or consolidation transactions and
- make capital expenditures.

In addition, there can be no assurance that the Company will meet the financial covenants contained in its Credit Facility. If the Company breaches any of these restrictions or covenants, or suffers a material adverse change which restricts its borrowing ability under its Credit Facility, the Company would not be able to borrow funds thereunder without a waiver, which inability could have an adverse effect on the Company’s business, financial condition and results of operations. In addition, a breach, if uncured, could cause a default under the 6.75% Notes and the Company’s other debt. The Company’s indebtedness may then become immediately due and payable. The Company may not have or be able to obtain sufficient funds to make these accelerated payments, including payments on the 6.75% Notes.

The Company may be able to incur substantial additional indebtedness in the future. The terms of the Indenture do not fully prohibit the Company from doing so. The Company’s Credit Facility permits additional borrowings of up to $323.4 million as of July 31, 2006. If new debt is added to the Company’s current debt levels, the related risks that the Company faces could intensify.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table sets forth the principal properties owned or leased by the Company for use in its operations:

Location	Ownership	Use
Arrowhead Mountain, CO	Owned	Ski trails and ski resort operations, including ski lifts, buildings and other improvements, commercial space
Avon, CO	Owned	Warehouse facility
BC Housing Riveredge, CO	26% Owned	Employee housing facilities
Bachelor Gulch Village, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and

		other improvements, commercial space
Beaver Creek Mountain, CO	Owned	Ski resort operations, including ski lifts, buildings and other improvements, commercial space, real estate held for sale or development
Beaver Creek Mountain, CO (3,801 acres)	Special Use Permit	Ski trails, ski lifts, buildings and other improvements
Beaver Creek Resort, CO	Owned	Golf course, clubhouse commercial space and residential spaces
Breckenridge Mountain, CO	Owned	Ski resort operations, including ski lifts, buildings and other improvements, commercial space, real estate held for sale or development
Breckenridge Mountain, CO (5,702 acres)	Special Use Permit	Ski trails, ski lifts, buildings and other improvements
Breckenridge Terrace, CO	50% Owned	Employee housing facilities
Broomfield, CO	Leased	Corporate offices
Colter Bay Village, WY	Concessionaire contract	Lodging, dining
Great Divide Lodge, CO	Owned	Lodging, dining and conference facilities
Heavenly Mountain Resort, CA	Owned	Ski resort operations, including ski lifts, buildings and other improvements, commercial space
Heavenly Mountain, CA (7,050 acres)	Special Use Permit	Ski trails, ski lifts, buildings and other improvements
Inn at Beaver Creek, CO	Owned	Lodging, dining and conference facilities
Inn at Keystone, CO	Owned	Lodging, dining and conference facilities
Jackson Hole Golf & Tennis Club, WY	Owned	Golf course, clubhouse, tennis facilities, dining, real estate held for sale or development
Jackson Lake Lodge, WY	Concessionaire contract	Lodging, dining, conference facilities
Jenny Lake Lodge, WY	Concessionaire contract	Lodging, dining
Keystone Conference Center, CO	Owned	Conference facility
Keystone Lodge, CO	Owned	Lodging, dining and conference facilities
Keystone Mountain, CO	Owned	Ski resort operations, including ski lifts, buildings and other improvements, commercial space

Keystone Mountain, CO (8,376 acres)	Special Use Permit	Ski trails, ski lifts, buildings and other improvements
Keystone Ranch, CO	Owned	Golf course, clubhouse and restaurant facilities
Keystone Resort, CO	Owned	Resort operations, dining, commercial space, conference facilities, real estate held for sale or development
Lakewood, CO	Leased	Administrative offices
Red Sky Ranch, CO	Owned	Golf course, clubhouses and real estate held for sale and development
River Course at Keystone, CO	Owned	Golf course and clubhouse
Seasons at Avon, CO	Leased/50% owned	Administrative offices
Ski Tip Lodge, CO	Owned	Lodging and dining facilities
The Lodge at Vail, CO	Owned	Lodging, dining and conference facilities, real estate held for sale or development
The Tarnes at Beaver Creek, CO	31% Owned	Employee housing facilities
Tenderfoot Housing, CO	50% Owned	Employee housing facilities
The Pines Lodge at Beaver Creek, CO	Owned	Lodging, dining, conference facilities
Vail Mountain, CO	Owned	Ski resort operations, including ski lifts, buildings and other improvements, commercial space
Vail Mountain, CO (12,226 acres)	Special Use Permit	Ski trails, ski lifts, buildings and other improvements
Village at Breckenridge, CO	Owned	Lodging, dining, conference facilities and commercial space
SSV Properties	61.7%-owned	Over 120 retail stores for recreational products including rental

The Forest Service permits of the Company's operating subsidiaries are encumbered under certain debt instruments of the Company. Many of the Company's properties are used across all segments in complementary and interdependent ways.

ITEM 3. LEGAL PROCEEDINGS.

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

Cheeca Lodge & Spa Contract Dispute

In March 2006, RockResorts was notified by the ownership of Cheeca Lodge & Spa (“Cheeca”), formerly a RockResorts managed property, that its management agreement was being terminated effective immediately. RockResorts believes that the termination is in violation of the management agreement and is seeking recovery of monetary damages for the loss of the remaining 27 years of management fees, inclusive of renewal periods under the contract, attorneys’ fees and costs. Pursuant to the dispute resolution provisions of the management agreement, the disputed matter is pending before a single judge arbitrator at the JAMS Arbitration Tribunal in Chicago, Illinois. The arbitration hearing is scheduled to conclude in early October 2006, and the Company expects the arbitrator to render a decision by the end of the second quarter for the year ending July 31, 2007. Cheeca Holdings, LLC, the entity owner of the hotel property, asserts that RockResorts breached the management contract, among other alleged breaches, and seeks a ruling that it had the right to terminate the management contract and recovery of monetary damages, attorneys’ fees and costs. The Company has incurred \$3.3 million of legal related costs related to this matter through July 31, 2006, which are included in “contract dispute charges” in the accompanying consolidated statement of operations for the year ended July 31, 2006.

Breckenridge Terrace Employee Housing Construction Defect/Water Intrusion Claims

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

Forensic construction experts retained by Breckenridge Terrace have determined that the water intrusion and condensation problems were the result of construction and design defects. In accordance with Colorado law, Breckenridge Terrace served separate notices of claims on the general contractor, architect and developer and initiated arbitration proceedings. During the year ended July 31, 2006, the Company recorded a \$1.4 million mold remediation credit due to Breckenridge Terrace receiving reimbursement from third parties for costs incurred in conjunction with its mold remediation efforts and a true-up adjustment as the remediation project is substantially complete. This credit has been recognized by the Company as reduction of the remediation expense that was originally recognized in the year ended July 31, 2004.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's common stock is traded on the New York Stock Exchange under the symbol "MTN". As of September 29, 2006, 38,753,220 shares of common stock were outstanding, held by approximately 431 holders of record.

Other than a rights distribution in October 1996 which gave each stockholder of record the right to receive $2.44 per share of common stock held, the Company has never paid nor declared a cash dividend on its common stock. The declaration of cash dividends in the future will depend on the Company's earnings, financial condition, capital needs, restrictions under debt instruments and on other factors deemed relevant by the Board of Directors at that time. It is the current policy of the Company's Board of Directors to retain earnings to finance the operations and expansion of the Company's business.

The following table sets forth, for the years ended July 31, 2006 and 2005, and quarters indicated (ended October 31, January 31, April 30, and July 31) the range of high and low per share sales prices of the Company’s common stock as reported on the New York Stock Exchange Composite Tape.

	Vail Resorts Common Stock	
	High	**Low**
Year Ended July 31, 2006		
1st Quarter	$33.66	$26.30
2nd Quarter	38.89	30.16
3rd Quarter	39.13	30.10
4th Quarter	39.98	33.58
Year Ended July 31, 2005		
1st Quarter	$20.48	$17.30
2nd Quarter	24.00	18.85
3rd Quarter	26.95	22.83
4th Quarter	29.73	25.10

Repurchase of equity securities

The following table summarizes the purchase of the Company’s equity securities during the fourth quarter of the year ended July 31, 2006:

Period	**Total Number of Shares Repurchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly**	**Number of Shares that May yet Be Purchased**

			Announced Plans or Programs (1)	Under the Plans or Programs (1)
May 1, 2006 - May 31, 2006	--	$ --	--	3,000,000
June 1, 2006 - June 30, 2006	315,100	34.37	315,100	2,684,900
July 1, 2006 - July 31, 2006	--	--	--	2,684,900
Total	315,100	$ 34.37	315,100	

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

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected historical consolidated financial data of the Company derived from the Company's Consolidated Financial Statements for the periods indicated. The financial data for the years ended July 31, 2006, 2005 and 2004 should be read in conjunction with the Consolidated Financial Statements, related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this Form 10-K/A. The table presented below is unaudited. The data presented below are in thousands, except per share, effective ticket price ("ETP"), ADR, RevPAR and resort revenue per skier visit amounts.

	Year Ended July 31,				
	2006 (1)	**2005** (1)	**2004** (1)	**2003** (1)	**2002** (1)
Statement of Operations Data:					
Revenue:					
Mountain	$ 620,441	$ 540,855	$ 500,995	$ 460,568	$ 396,572
Lodging	155,807	196,351	180,525	172,003	154,834
Real estate	62,604	72,781	45,123	80,401	63,854
Total net revenue	838,852	809,987	726,643	712,972	615,260
Segment operating expense:					
Mountain	443,116	391,889	368,875	362,131	305,299
Lodging	142,693	177,469	165,983	161,846	140,856
Real estate	56,676	58,254	16,791	66,642	51,326
Total segment operating expense	642,485	627,612	551,649	590,619	497,481
Gain on transfer of property, net	--	--	2,147	--	--
Mountain equity investment income, net	3,876	2,303	1,376	1,009	1,748
Lodging equity investment loss, net	--	(2,679)	(3,432)	(5,995)	(57)
Real estate equity investment income (loss), net	791	(102)	460	3,962	2,744
Interest expense	(36,478)	(40,298)	(47,479)	(50,001)	(38,788)
Relocation and separation charges	(5,096)	--	--	--	--
Loss on extinguishment of debt	--	(612)	(37,084)	--	--
Contract dispute charges	(3,282)	--	--	--	--
Mold remediation credit (charge)	1,411	--	(5,500)	--	--
Gain (loss) from sale of businesses, net	4,625	(7,353)	--	--	--
Net income (loss)	$ 45,756	$ 23,138	$ (5,959)	$ (8,527)	$ 7,050
Diluted per share net income (loss)	$ 1.19	$ 0.64	$ (0.17)	$ (0.24)	$ 0.20
Other Data:					
Mountain					
Skier visits(2)	6,288	5,940	5,636	5,730	4,732
ETP (3)	$ 41.83	$ 39.30	$ 37.67	$ 34.13	$ 34.22
Lodging					

ADR[4]	$ 202.27	$ 196.26	$ 187.90	$ 184.25	$ 185.97
RevPAR[5]	$ 92.41	$ 90.98	$ 81.33	$ 77.86	$ 80.35
Resort					
Resort revenue per skier visit[6]	$ 116.25	$ 112.09	$ 109.72	$ 99.18	$ 106.53
Real Estate					
Real estate held for sale and investment[7]	$ 259,384	$ 154,874	$ 134,548	$ 123,223	$ 161,778
Other Balance Sheet Data					
Cash and cash equivalents[8]	$ 191,794	$ 136,580	$ 46,328	$ 7,874	$ 13,110
Total assets	$1,687,643	$1,525,921	$1,533,957	$1,455,442	$1,449,026
Long-term debt (including long-term debt due within one year)	$ 531,228	$ 521,710	$ 625,803	$ 584,151	$ 602,786
Net debt[9]	$ 339,434	$ 385,130	$ 579,475	$ 576,277	$ 589,676
Stockholders' equity	$ 642,777	$ 540,529	$ 491,163	$ 496,246	$ 504,004

(footnotes to selected financial data appear on following page)

Footnotes to Selected Financial Data:

(1) The Company has made several acquisitions and dispositions which impact comparability between years during the past five years: Heavenly Ski Resort (acquired in May 2002), Vail Marriott (acquired in December 2001 and subsequently sold in June 2005), The Lodge at Rancho Mirage ("Rancho Mirage") (acquired in November 2001 and subsequently sold in July 2005), RockResorts (acquired in November 2001), investment in Ritz-Carlton, Bachelor Gulch ("BG Resort") (opened November 2002 and subsequently sold in December 2004) and SRL&S (sold in January 2006). In addition, the Company consolidated several entities during the year ended July 31, 2004 as a result of the adoption of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities-an Interpretation of ARB No. 51, Revised" ("FIN 46R"). See Note 7,Variable Interest Entities, of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K/A for information regarding the entities consolidated under FIN 46R. Effective August 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment" ("SFAS 123R"). See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K/A for the impact to the consolidated statement of operations as a result of the adoption of SFAS 123R.

(2) A skier visit represents a person utilizing a ticket or pass to access a mountain resort for any part of one day, and includes both paid and complimentary access.

(3) ETP is defined as lift ticket revenue divided by total skier visits.

(4) ADR is calculated by dividing total room revenue by the number of occupied rooms during the respective periods.

(5) RevPAR is calculated by dividing total room revenue by the number of rooms that are available to guests during the respective periods.

(6) Resort revenue per skier visit is defined as the sum of the Mountain and Lodging revenue (excluding revenue generated by GTLC, SRL&S, Rancho Mirage and RockResorts) divided by skier visits.

(7) Real estate held for sale and investment includes all land, development costs and other improvements associated with real estate held for sale and investment, as well as investments in real estate joint ventures.

(8) Cash and cash equivalents excludes restricted cash.

(9) Net debt is defined as long-term debt plus long-term debt due within one year less cash and cash equivalents.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company should be read in conjunction with the Consolidated Financial Statements and notes related thereto included in this Form 10-K/A. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements which involve risks and uncertainties. These risks include, but are not limited to, changes in the competitive environment of the mountain and lodging industries, real estate development risk, general business and economic conditions, the weather, war, terrorism and other factors discussed in "Item 1A Risk Factors" in this Form 10-K/A. The following discussion and analysis should be read in conjunction with the Forward-Looking Statements and "Item 1A Risk Factors" each included in this Form 10-K/A.

Management's Discussion and Analysis includes discussion of financial performance within each of the Company's segments. The Company has chosen to specifically address the non-GAAP measures, Reported EBITDA (defined as segment net revenues less segment operating expenses plus gain on transfer of property, as applicable, plus or minus segment equity income or loss), Reported EBITDA excluding stock-based compensation and Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents), in the following discussion because management considers these measurements to be significant indications of the Company's financial performance and available capital resources. The Company evaluates performance and allocates resources to its segments based on Reported EBITDA and Reported EBITDA excluding stock-based compensation. The Company primarily uses Reported EBITDA excluding stock-based compensation targets in determining management bonuses. Additionally, the Company believes that Reported EBITDA excluding stock-based compensation is an important measurement for comparability purposes as prior periods do not reflect the impact of the adoption of SFAS 123R. Refer to the end of the Results of Operations section for a reconciliation of Reported EBITDA and Reported EBITDA excluding stock-based compensation to net income (loss). Management also believes that Net Debt is an important measurement as it is an indicator of the Company's ability to obtain additional capital resources for its future cash needs.

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

Restatement

The following Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement as discussed in Note 22, Restatement, of the Notes to Consolidated Financial Statements.

Overview

The Company's operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate, which represented 74%, 19% and 7%, respectively, of the Company's revenues for the year ended July

31, 2006. The Mountain segment is comprised of the operations of five ski resort properties as well as ancillary businesses, primarily including ski school, dining and retail/rental operations. Mountain segment revenue is seasonal in nature, the majority of which is earned in the Company’s second and third quarters. Operations within the Lodging segment include (1) ownership/management of a group of eight luxury hotels through the RockResorts brand, including four proximate to the Company's ski resorts, (2) the operations of GTLC, (3) the ownership/management of non-RockResorts branded hotels and condominiums proximate to the Company's ski resorts and (4) golf course operations. The Real Estate segment is involved with the development of property in and around the Company's resort properties.

The Company's single largest source of revenue is the sale of lift tickets (including season passes), which represented approximately 31%, 29% and 29% of total net revenue for the years ended July 31, 2006, 2005 and 2004, respectively. Lift ticket revenues are driven by volume (skier visits) and average pricing. Pricing is impacted by both absolute pricing as well as the demographic mix of guests, which impacts the price points at which various products are purchased. Over the past three years the Company has experienced increased skier visits and the industry as a whole has in the last seven years experienced the six best seasons in terms of visitation, in its history. The demographic mix of guests is divided into two primary categories: (1) out-of-state and international guests ("Destination") and (2) in-state and local visitors ("In-State"). Destination guests comprise approximately 60% of the Company's skier visits, while the In-State market comprises approximately 40% of the Company's skier visits. Nearly 50% of total visitors and 79% of Destination visitors utilize airline transportation to arrive at the Company's resorts. Destination guests generally purchase the Company's higher-priced lift ticket products and utilize more ancillary services like ski school, lodging and retail/rental. Destination guests are less likely to be impacted by changes in the weather, due to the advance planning required for their trip, but can be impacted by the economy (including the strength of the U.S. dollar) and the global geopolitical climate. In-State guests tend to be more weather-sensitive and value-oriented; to mitigate against this, the Company markets season passes to In-State guests and from which the Company generated 23% of total lift revenue for the year ended July 31, 2006. The Company continues to make capital investments in its ski operations, which it believes exceed what is typical in the industry, in an effort to provide a superior resort experience, which together with the overall quality of the Company’s ski resort offerings allows the Company to continue charging some of the highest ticket prices in the industry. The cost structure of ski resort operations is largely fixed; as such, incremental revenue generally has high associated profit margin.

Lodging properties at or around the Company's ski resorts, which represented approximately 70%, 62% and 63% of the Lodging segments revenue for the years ended July 31, 2006, 2005 and 2004, respectively, are closely aligned with the performance of the Mountain segment, particularly with respect to visitation from Destination guests. Revenues from hotel management operations under the RockResorts brand are generated through management fees based upon the revenue of the individual hotel properties within the RockResorts portfolio, and to the extent that these managed properties are not proximate to the Company’s ski resorts, they are more subject to the seasonality of those hotels and trends within the overall travel industry. Revenues of the Lodging segment during the Company's first and fourth quarters are generated primarily by the operations of GTLC (as GTLC's peak operating season occurs during the summer months), a NPS concession within the Park, as well as golf operations and seasonally low operations from the Company's other owned and managed properties.

The Company's Real Estate segment engages in both (1) vertical development of projects and (2) the sale of land to developers, which generally includes the retention of some control in the oversight and design of the projects and a contingent revenue structure based on the sale of the developed units. The Company attempts to mitigate the risk of vertical development by utilizing guaranteed maximum price construction contracts, pre-selling all or a portion of the project, requiring significant non-refundable deposits and obtaining non-recourse financing for certain projects. The Company's Real Estate development projects also may create certain resort assets that provide additional benefit to the Resort segment. The Company’s Real Estate revenues fluctuate based upon the timing of closings and the type of real estate being sold, thus increasing the volatility of Real Estate operating results from period to period. In the near-term, the majority of real estate revenues will be generated from vertical development projects that are currently under construction, in which revenues will be recorded at the time of real estate closing, after the investment has been made.

Recent Trends, Risks and Uncertainties

The data provided in this section should be read in conjunction with the risk factors identified in Item 1A and elsewhere in this Form 10-K/A. The Company's management has identified the following important factors (as well as uncertainties associated with such factors) that could impact the Company's future financial performance:

- The timing and amount of snowfall has an impact on skier visits. To mitigate this impact, the Company focuses efforts on sales of season passes prior to the beginning of the season to In-State skiers, as most weather sensitive visitors to the Company’s ski resorts tend to be from the Colorado Front Range, to whom the Company markets season pass products. Additionally, the Company has invested in snowmaking upgrades in an effort to address the inconsistency of early season snowfall where possible. In the year ended July 31, 2006, season pass sales represented 23% of total lift revenues, which represented approximately 10% of total net revenues for the Mountain segment. Season pass sales to date for the 2006/07 season indicate favorable trends in revenue. However, there can be no certainty that such favorable trends will continue in the future.
- Consistent with prior years, the Company plans to raise prices on all lift ticket products, including season pass products, for the 2006/07 ski season and continues to charge some of the highest prices in the industry. While pricing increases historically have not reduced demand, there can be no assurances that demand will remain price inelastic.
- The Company operates its ski areas under various Forest Service permits, and many of the Company's operations require permits and approval from governmental authorities; therefore many of the Company’s on-mountain capital improvements must go through an approval process. Changes or impacts of the regulatory environment applicable to the Company may have detrimental effects on the Company.
- During the years ended July 31, 2006 and 2005, the Company successfully executed its strategy to reduce hotel ownership in favor of selectively increasing its managed property portfolio. Sales of owned hotel properties included SRL&S in January 2006, Rancho Mirage in July 2005, Vail Marriott in June 2005 and the sale of the Company's investment in the BG Resort in December 2004. The Company retained management contracts for SRL&S, Rancho Mirage and Vail Marriott, although the Rancho Mirage contract was subsequently terminated in the first quarter of the year ending July 31, 2007 in conjunction with the closing of the hotel by the new owners for redevelopment purposes. The Company continues to evaluate potential sales and other strategic initiatives which could also involve the conversion of hotel rooms to real estate product with respect to some of its lodging properties; however, the Company does not anticipate future sales of hotel properties will approach the magnitude of recent activity. The sale of owned hotel properties results in Lodging Reported EBITDA no longer reflecting the operating results of the hotels, but includes management fee revenue in cases where the management contract is retained. See "Results of Operations" for information regarding the financial impacts of these transactions.
- Potential ownership changes of hotels currently under RockResorts management could result in the termination of existing RockResorts management contracts, which could impact the results of operations of the Lodging segment. In August 2006, RockResorts' management agreement for Rancho Mirage was terminated in conjunction with the closing of the hotel as part of a of redevelopment plan by the current hotel owner, which will result in the Company earning a termination fee subsequent to July 31, 2006, but loss of future management fees. RockResorts recognized $644,000 in revenue related to the management of this property in the year ended July 31, 2006. However, the Company continues to pursue new management contracts, which may include, in addition to management fees, marketing license fees and technical service fees in conjunction with a project’s development and sales.
- On March 6, 2006, RockResorts was notified by the ownership of Cheeca, formerly a RockResorts managed property, that its management agreement was being terminated effective immediately. RockResorts recognized $666,000 in revenue related to the management of this property in the year ended July 31, 2005 (its last full year of the Company’s management of the property). RockResorts believes and asserts that the termination is in violation of the management agreement and is seeking recovery of monetary damages for the loss of the remaining 27 years

of management fees, inclusive of renewal periods under the contract, attorneys' fees and costs. Pursuant to the dispute resolution provisions of the management agreement, the disputed matter is pending before a single judge arbitrator at the JAMS Arbitration Tribunal in Chicago, Illinois. The arbitration hearing is scheduled to conclude in early October 2006, and the Company expects the arbitrator to render a decision by the end of the second quarter for the year ending July 31, 2007. Cheeca Holdings, LLC, the entity owner of the hotel property, asserts that RockResorts breached the management contract, among other alleged breaches, and seeks a ruling that it had a right to terminate the management agreement and recovery of monetary damages, attorneys' fees and costs. The Company has recorded $3.3 million in legal related costs (classified as "contract dispute charges" in the accompanying consolidated statement of operations) in the year ended July 31, 2006 as a result of legal action against the hotel owner and anticipates incurring substantially more legal related costs until this matter is resolved.

- GTLC operates three lodging properties, food and beverage services, retail, camping and other services within the Park under a concession contract with the NPS. In accordance with Federal law, the NPS had considered competitive bids for a new concession contract as the Company's contract had expired, and in May 2006, the Company was informed it was awarded a new 15 year agreement to continue as the concessionaire for GTLC. The Company expects to execute the contract within the current calendar year. Provisions of the new agreement include an increase in the NPS franchise fee. On an annual basis, effective January 1, 2007, assuming final approval by the United States Congress and the NPS, the Company will pay approximately $2.0 million more annually in franchise fees to the NPS than it has previously incurred. Additionally, the Company expects the new contract will require capital improvement outlays in excess of historical expenditures.
- In recent years, the Company has shifted its real estate focus to more vertical development, which requires significant capital investment prior to project completion. For example, the Company expects to incur between $325 million and $375 million of construction costs subsequent to July 31, 2006 on the Arrabelle and The Lodge at Vail Chalets projects (including the construction of related resort depreciable assets). The Company mitigates the risk associated with vertical development by utilizing the following: (1) the Company generally pre-sells residential units and requires non-refundable deposits of at least 15% of the sales prices. Pre-sales require buyers to provide earnest money deposits to the Company, which would be refundable to the buyer should the Company fail to complete the related development. Pre-sale targets are set by management. Generally, the Company strives to meet its pre-sale targets in the period between the commencement of the marketing of a development and the planned commencement of construction, (2) the Company attempts to secure guaranteed maximum price contracts with its general contractors which helps protect the Company against rising costs of construction and (3) the Company generally uses non-recourse financing for its vertical development projects that only allow for recourse against the specific project's assets.
- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate under contract. Changes to the anticipated timing of closing on one or more real estate units could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. Additionally, the magnitude of real estate projects currently under development or contemplated could result in a significant increase in Real Estate Reported EBITDA as these projects close, expected in the year ending July 31, 2008 and beyond. However, continual increases in construction costs, including construction-related commodities, have resulted in increases in the total costs for certain of the Company's current development projects. Additionally, the profitability and/or viability of current or proposed real estate development projects could be adversely affected by continued escalation in construction costs and/or a slow-down in market demand, as well as project difficulties or delays and the resulting potential negative financial impact associated with design or construction issues that may arise in the course of construction.
- The Company and the minority shareholder in SSV have put and call rights whereby starting on August 1, 2007, each of the Company and the minority shareholder may call or put the remaining minority interest in SSV to the Company. Execution of the put or call by either party may modify the management agreement of SSV and could impact the Company's ownership percentage and the way the SSV business is managed. The Company has entered into preliminary discussions with the minority shareholder, with the intent of both parties being to extend the existing management agreement.
- The Company had $191.8 million in cash and cash equivalents as of July 31, 2006 with no borrowings under its revolver and expects to generate additional cash from operations including future closures on real estate. The

Company is currently evaluating how to use its excess cash, including a combination of the following strategic options: increase real estate investment for further development; increase Resort capital expenditures; pursue strategic acquisitions; pay cash dividends; repurchase additional stock of the Company (see Note 17, Capitalization, of the Notes to Consolidated Financial Statements for more information regarding the Company's stock repurchase plan) or payoff outstanding debt. The Company's debt generally has favorable fixed interest rates and is long-term in nature. Additionally, the Company's Credit Facility and Indenture limit the Company's ability to pay dividends, repurchase stock and pay off certain of its debt, including its 6.75% Notes.

- The Company uses many methods, estimates and judgments in applying its accounting policies (see "Critical Accounting Policies" in this section of this Form 10-K/A). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead the Company to change its methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect the Company's results of operations.
- Due to the adoption of SFAS 123R, the Company's operating expenses have increased by $6.1 million for the year ended July 31, 2006, as compared to the previous year, after considering the change in the Company's compensation strategy to issue a portion of its stock-based compensation as restricted stock to certain levels of employees. The Company cannot predict the impact to future operating results of expensing stock-based compensation as the expense is predicated on the amount and type of future stock-based compensation awards granted and the fair value of those awards to be determined at the time of grant.

Results of Operations

Summary

The Company realized significant increases to net income in both the years ended July 31, 2006 and 2005, compared to the previous periods, primarily due to improved performance from its Mountain segment, as shown below (in thousands):

	Year Ended July 31,		
	2006	**2005**	**2004**
Mountain Reported EBITDA excluding stock-based compensation	$184,886	$151,523	$133,649
Lodging Reported EBITDA excluding stock-based compensation	14,448	16,291	11,163
Real Estate Reported EBITDA excluding stock-based compensation	8,223	14,520	30,981
Income (loss) before (provision) benefit for income taxes	75,010	37,623	(8,516)
Net income (loss)	$ 45,756	$ 23,138	$ (5,959)

Net income increased from the year ended July 31, 2005 to the year ended July 31, 2006 due to several other items which are further described after the segment discussion, including: a $12.0 million increase in gain (loss) on sale of business, net, a $5.9 million increase in investment income, net, a $3.9 million decrease in depreciation and amortization and a $3.8 million decrease in interest expense, which were partially offset by a $14.8 million increase in provision for income taxes, a $6.1 million increase in stock-based compensation, $5.1 million in relocation and separation charges and $3.3 million in contract dispute charges.

Net income increased from the year ended July 31, 2004 to the year ended July 31, 2005 due to the increases in Resort Reported EBITDA excluding stock-based compensation (the combination of Mountain Reported EBITDA excluding stock-based compensation and Lodging Reported EBITDA excluding stock-based compensation segments) as shown above as well as a $36.5 million decrease in loss on extinguishment of debt, a $7.2 million decrease in interest expense, a $5.5 million mold remediation charge recorded in the year ended July 31, 2004 and a $3.0 million increase in gain on put options, net, which were partially offset by a $17.0 million increase in provision income taxes, a $7.4 million loss on sale of businesses, net recorded in the year ended July 31, 2005 and a $3.6 million increase in deprecation and amortization.

Mountain Segment

Mountain segment operating results for the years ended July 31, 2006, 2005 and 2004 are presented by category as follows (in thousands, except ETP):

	Year Ended July 31,			Percentage Increase	
	2006	**2005**	**2004**	**2006/2005**	**2005/2004**
Mountain segment revenues:					
Lift tickets	$263,036	$233,458	$212,329	12.7%	10.0%
Ski school	72,628	63,915	58,526	13.6%	9.2%
Dining	56,657	53,688	51,511	5.5%	4.2%
Retail/rental	149,350	120,149	115,044	24.3%	4.4%
Other	78,770	69,645	63,585	13.1%	9.5%
Total Mountain net revenue	620,441	540,855	500,995	14.7%	8.0%
Total Mountain operating expense	443,116	391,889	368,875	13.1%	6.2%
Mountain equity investment income, net	3,876	2,303	1,376	68.3%	67.4%
Total Mountain Reported EBITDA	$181,201	$151,269	$133,496	19.8%	13.3%
Total Mountain Reported EBITDA excluding stock-based compensation	$184,886	$151,523	$133,649	22.0%	13.4%
Total skier visits	6,288	5,940	5,636	5.9%	5.4%
ETP	$ 41.83	$ 39.30	$ 37.67	6.4%	4.3%

Total Mountain Reported EBITDA included $3.7 million, $254,000 and $153,000 of stock-based compensation expense for the years ended July 31, 2006, 2005 and 2004, respectively.

Lift revenues increased 12.7% and 10.0% for the years ended July 31, 2006 and 2005 respectively, as compared to the same periods in the previous years due to increased ticket pricing, visitation and season pass sales. Overall, ETP increased by 6.4% and 4.3% for the years ended July 31, 2006 and 2005, respectively. The increases in ETP for both years were due to increased pricing which was partially offset by increased visitation by season pass holders. ETP excluding season pass revenue and visitation increased 9.4% and 7.5% for the years ended July 31, 2006 and 2005, respectively, as compared to the same periods in the previous years due primarily to absolute price increases. ETP was also positively impacted by a higher level of Destination guest visitation, including international visitors. Total season pass revenue recognized increased by approximately $6.7 million from the year ended July 31, 2005 to the year ended July 31, 2006 and $1.5 million from the year ended July 31, 2004 to the year ended July 31, 2005 due to increases in passes sold and average pass price. Skier visitation increased by similar percentages in both the years ended July 31, 2006 and 2005. For the 2005/06 ski season, the Company’s growth in visitation of 5.9% exceeded the overall growth in the U.S. industry of 3.5%. Visitation at the Company's Colorado resorts was up 8.0% for the year ended July 31, 2006 due in part to the strong early season snowfall (which especially impacted season pass visitation), while visitation at Heavenly was down 3.9% for the year ended July 31, 2006 due to unfavorable weather conditions, including during the Christmas holiday period.

Revenues from ancillary businesses improved as a result of increased skier visitation and increased pricing similar to lift revenues for the years ended July 31, 2006 and 2005. Additionally, retail/rental revenue grew incrementally for the year ended July 31, 2006 as a result of the acquisition by SSV in the first quarter of the year ended July 31, 2006 of six retail locations in the San Francisco Bay Area. Excluding the impact of the acquisition made by SSV, retail/rental revenues increased by 10.1% for the year ended July 31, 2006, compared to the prior year. For the years ended July 31, 2006 and 2005, dining experienced a lower percentage growth than the other ancillary businesses due to the reduction in revenue resulting from the conversion of certain formerly owned restaurants to leased operations and the closing of certain owned restaurants (during the year ended July 31, 2006) due to the redevelopment in LionsHead for the construction of Arrabelle.

Other revenue mainly consists of private club revenue (which includes both club dues and amortization of initiation fees), allocated strategic alliance and employee housing revenue, technology services revenue, commercial leasing revenue, municipal services revenue and other recreation activity revenue. For the year ended July 31, 2006, other revenue increased due to higher strategic alliance incentives, increased technology service revenue and additional municipal services revenue. The increase in other revenue for the year ended July 31, 2005 compared to the year ended July 31, 2004 is due primarily to private clubs revenue from dues increases, a full year of operations of the spa at BG Resort and higher club initiation fees due to new memberships and incremental commercial leasing revenue.

Mountain operating expense increased 13.1% for the year ended July 31, 2006 as compared to the previous year mainly due to higher retail/rental operations resulting from increased sales volume and the SSV acquisition mentioned above as well as increased costs for stock-based compensation due to the adoption of SFAS 123R in the year ended July 31, 2006. Excluding retail/rental and stock-based compensation attributable to the Mountain segment, expenses increased 7.6%, or $21.9 million, for the year ended July 31, 2006 primarily attributable to higher variable costs related to the higher revenues, including, Forest Service fees, credit card fees and other fees associated with revenue; higher absolute energy costs; and certain labor related costs, including higher ski school labor to support the higher ski school revenue, all of which was partially offset by lower corporate allocated costs including legal costs and SOX 404 compliance costs. For the year ended July 31, 2005, new initiatives to expand grooming and snowmaking caused an increase in operating costs including labor, utilities and fuel. The Company also incurred incremental operating costs associated with the additional chairlifts placed in service in the year ended July 31, 2005. In addition, in the year ended July 31, 2005 allocated corporate costs increased due to higher legal costs and first year SOX 404 compliance costs.

Mountain equity investment income primarily includes the Company's share of income or loss from the operations of a real estate brokerage; the increase in equity investment income is due primarily to increased commissions earned by the brokerage associated with increased real estate activity surrounding the Company’s Vail and Beaver Creek resorts.

The Company currently anticipates that the Mountain segment in the year ending July 31, 2007 and beyond should continue to realize increasing revenues as a result of the Company’s continuing ability to raise prices as well as attract Destination guests and season pass holders. The higher visitation is expected due to recent industry trends and the Company’s high quality offerings complemented by continued capital investment including real estate development, which will expand the destination bed base and should result in incremental resort assets. Ancillary revenues should grow commensurate with expected lift revenue growth.

Lodging Segment

Lodging segment operating results for the years ended July 31, 2006, 2005 and 2004 are presented by category as follows (in thousands except ADR and RevPAR):

	Year Ended July 31,	**Percentage Increase/(Decrease)**

	2006	2005	2004	2006/2005	2005/2004
Total Lodging net revenue	$155,807	$196,351	$180,525	(20.6) %	8.8 %
Total Lodging operating expense	142,693	177,469	165,983	(19.6) %	6.9 %
Lodging equity investment loss, net	--	(2,679)	(3,432)	100.0 %	(21.9) %
Total Lodging Reported EBITDA	$ 13,114	$ 16,203	$ 11,110	(19.1) %	45.8 %
Total Lodging Reported EBITDA excluding stock-based compensation	$ 14,448	$ 16,291	$ 11,163	(11.3) %	45.9 %
ADR	$ 202.27	$ 196.26	$ 187.90	3.1 %	4.4 %
RevPAR	$ 92.41	$ 90.98	$ 81.33	1.6 %	11.9 %

Total Lodging Reported EBITDA included $1.3 million, $88,000 and $53,000 of stock-based compensation expense for the years ended July 31, 2006, 2005 and 2004, respectively.

The Company sold the assets constituting SRL&S in January 2006. For the year ended July 31, 2006, Lodging Reported EBITDA includes revenues of $5.2 million and operating expenses of $4.8 million related to SRL&S prior to the sale of SRL&S in January 2006. In the year ended July 31, 2005, the Company sold its minority interest in BG Resort and the assets constituting the Vail Marriott and Rancho Mirage. For the year ended July 31, 2005, Lodging Reported EBITDA includes revenue of $51.6 million, operating expense of $44.8 million and equity investment loss of $2.7 million related to these entities. For the year ended July 31, 2004, Lodging Reported EBITDA includes revenue of $49.1 million, operating expenses of $44.2 million and equity investment loss of $3.4 million related to these entities. Commencing with the sale of the Vail Marriott, Rancho Mirage and SRL&S, the Company is earning base management fees of approximately 3% of each hotel's revenue. Accordingly, Lodging Reported EBITDA includes incremental management fee revenue of $1.6 million and $60,000 for the Vail Marriott, Rancho Mirage and SRL&S for the years ended July 31, 2006 and 2005, respectively.

Excluding the impact of the sales of the Vail Marriott, Rancho Mirage, SRL&S and the interest in BG Resort, revenue (including the incremental management fees described above) increased $5.9 million, or 4.1%, while expense increased $5.3 million, or 4.0%, for the year ended July 31, 2006 compared to the year ended July 31, 2005, and revenues increased $13.3 million, or 10.1%, while expense increased $10.9 million, or 8.9%, for the year ended July 31, 2005 compared to the year ended July 31, 2004. The Lodging revenue increases were due to increases in ADR of 3.9% and 2.7%, increases in occupancy rates of 6.1% and 6.2% and increases in RevPAR of 10.4% and 12.7% for the years ended July 31, 2006 and 2005, respectively, compared to the years ended July 31, 2005 and 2004, respectively. For the years ended July 31, 2006 and 2005, the increases in ADR, occupancy rates and RevPAR were primarily driven by the properties at or around the Company's ski resorts and increases in both leisure travelers and group business. The Company's lodging properties, which are proximate to the Company's ski resorts have benefited from the increase in skier visits and increased Destination guests and have experienced an increase in group business in both the years ended July 31, 2006 and 2005 compared to the years ended July 31, 2005 and 2004, respectively. The Company's properties not located in close proximity to its ski resorts also performed favorably in the years ended July 31, 2006 and 2005 compared to the years ended July 31, 2005 and 2004, respectively, both commensurate with the overall travel industry and due to the Company's successful effort to improve yield management and attract group business.

Excluding the impact of the sales of Vail Marriott, Rancho Mirage, SRL&S and stock-based compensation expense, expenses increased 3.0% and 8.9% for the years ended July 31, 2006 and 2005, respectively, compared to the years ended July 31, 2005 and 2004, respectively, primarily due to increased variable costs associated with occupancy and increased labor and benefits costs. Additionally, for the year ended July 31, 2005, allocated corporate overhead increased due primarily to higher legal costs and first year SOX 404 compliance costs.

Lodging equity loss primarily consists of the Company's share of losses from BG Resort. As the Company sold its investment in BG Resort in December 2004, the year ended July 31, 2005 equity loss only reflects five months of operations.

In August 2006, the management agreement for Rancho Mirage was terminated in conjunction with closing the hotel for redevelopment purposes and the Company will receive a termination fee, which the Company will record as Lodging revenue in the year ending July 31, 2007, once received. The Company recorded $644,000 in revenue related to the management of this property in the year ended July 31, 2006. The Company continues to pursue new management contracts, as well as continue to invest capital in certain properties in order to attract guests and support higher room rates, and thus maximizing profits.

Real Estate Segment

Real Estate segment operating results for the years ended July 31, 2006, 2005 and 2004 are presented by major categories as follows (in thousands):

	Year Ended July 31,			Percentage Increase/(Decrease)	
	2006	**2005**	**2004**	**2006/2005**	**2005/2004**
Single family land sales	$ 8,261	$ 23,872	$13,313	(65.4) %	79.3 %
Multi-family unit and land sales	47,912	28,798	30,740	66.4 %	(6.3) %
Parking unit sales	--	11,750	--	(100.0) %	100.0 %
Other	6,431	8,361	1,070	(23.1) %	681.4 %
Total Real Estate net revenue	62,604	72,781	45,123	(14.0) %	61.3 %
Gain on transfer of property	--	--	2,147	-- %	(100.0