

VAIL RESORTS INC
Form 10-Q
June 09, 2010

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

FORM 10-Q

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

For the quarterly period ended April 30, 2010

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: 001-09614

Vail Resorts, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

51-0291762
(I.R.S. Employer Identification No.)

390 Interlocken Crescent
Broomfield, Colorado
(Address of Principal Executive Offices)

80021
(Zip Code)

(303) 404-1800
(Registrant's Telephone Number, Including Area
Code)

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 2, 2010, 36,293,774 shares of the registrant’s common stock were outstanding.

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PART I

FINANCIAL INFORMATION

Item 1.

Financial Statements -- Unaudited

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

	April 30, 2010 (Unaudited)	July 31, 2009	April 30, 2009 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 51,147	\$ 69,298	\$ 170,537
Restricted cash	11,826	11,065	10,129
Trade receivables, net	35,039	58,063	47,729
Inventories, net	42,669	48,947	45,667
Other current assets	46,037	41,615	34,761
Total current assets	186,718	228,988	308,823
Property, plant and equipment, net (Note 5)	1,024,977	1,057,658	1,066,165
Real estate held for sale and investment	445,885	311,485	276,952
Goodwill, net	168,197	167,950	167,950
Intangible assets, net	86,581	79,429	79,607
Other assets	32,481	38,970	41,154
Total assets	\$ 1,944,839	\$ 1,884,480	\$ 1,940,651
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 5)	\$ 237,583	\$ 245,536	\$ 220,927
Income taxes payable	10,022	5,460	32,156
Long-term debt due within one year (Note 4)	1,851	352	350
Total current liabilities	249,456	251,348	253,433
Long-term debt (Note 4)	489,822	491,608	491,668
Other long-term liabilities (Note 5)	196,693	233,169	221,462
Deferred income taxes	152,089	112,234	131,970
Commitments and contingencies (Note 9)			
Redeemable noncontrolling interest (Note 8)	--	15,415	15,016
Stockholders' equity:			
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	--	--	--
Common stock, \$0.01 par value, 100,000,000 shares authorized, 40,170,403 (unaudited), 40,049,988 and 40,034,958 (unaudited) shares issued, respectively	402	400	400
Additional paid-in capital	561,089	555,728	552,748
Retained earnings	429,301	356,995	395,725
Treasury stock, at cost; 3,878,535 (unaudited), 3,878,535 and 3,600,235 (unaudited) shares, respectively (Note 11)	(147,828)	(147,828)	(140,333)
Total Vail Resorts, Inc. stockholders' equity	842,964	765,295	808,540
Noncontrolling interests	13,815	15,411	18,562
Total stockholders' equity	856,779	780,706	827,102
Total liabilities and stockholders' equity	\$ 1,944,839	\$ 1,884,480	\$ 1,940,651

The accompanying Notes are an integral part of these consolidated condensed financial statements.

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

	Three months ended April 30,	
	2010	2009
Net revenue:		
Mountain	\$ 302,213	\$ 279,180
Lodging	44,877	44,896
Real estate	3,164	9,407
Total net revenue	350,254	333,483
Segment operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain	156,454	144,998
Lodging	39,292	38,988
Real estate	8,391	14,129
Total segment operating expense	204,137	198,115
Other operating (expense) income:		
Depreciation and amortization	(27,812)	(27,582)
Gain (loss) on disposal of fixed assets, net	18	(206)
Income from operations	118,323	107,580
Mountain equity investment income (loss), net	838	(410)
Investment income	141	449
Interest expense, net	(3,673)	(6,490)
Income before provision for income taxes	115,629	101,129
Provision for income taxes	(39,238)	(36,737)
Net income	76,391	64,392
Net income attributable to noncontrolling interests	(3,602)	(2,753)
Net income attributable to Vail Resorts, Inc.	\$ 72,789	\$ 61,639
Per share amounts (Note 3):		
Basic net income per share attributable to Vail Resorts, Inc.	\$ 2.01	\$ 1.69
Diluted net income per share attributable to Vail Resorts, Inc.	\$ 1.98	\$ 1.68

The accompanying Notes are an integral part of these consolidated condensed financial statements.

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

	Nine months ended April 30,	
	2010	2009
Net revenue:		
Mountain	\$602,395	\$578,447
Lodging	124,908	131,299
Real estate	4,239	165,314
Total net revenue	731,542	875,060
Segment operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain	386,940	382,409
Lodging	119,703	122,583
Real estate	20,985	125,014
Total segment operating expense	527,628	630,006
Other operating (expense) income:		
Depreciation and amortization	(82,768)	(80,098)
Gain on sale of real property	6,087	--
Loss on disposal of fixed assets, net	(83)	(808)
Income from operations	127,150	164,148
Mountain equity investment income, net	1,299	1,766
Investment income	563	1,428
Interest expense, net	(12,656)	(21,732)
Income before provision for income taxes	116,356	145,610
Provision for income taxes	(38,397)	(53,740)
Net income	77,959	91,870
Net income attributable to noncontrolling interests	(5,653)	(4,190)
Net income attributable to Vail Resorts, Inc.	\$ 72,306	\$ 87,680
Per share amounts (Note 3):		
Basic net income per share attributable to Vail Resorts, Inc.	\$ 2.00	\$ 2.39
Diluted net income per share attributable to Vail Resorts, Inc.	\$ 1.97	\$ 2.39

The accompanying Notes are an integral part of these consolidated condensed financial statements.

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

	Nine Months Ended April 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 77,959	\$ 91,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82,768	80,098
Cost of real estate sales	2,477	94,330
Stock-based compensation expense	8,979	7,794
Deferred income taxes, net	38,397	53,549
Gain on sale of real property	(6,087)	--
Other non-cash income, net	(5,707)	(4,286)
Changes in assets and liabilities:		
Restricted cash	(761)	48,308
Trade receivables, net	23,030	2,999
Inventories, net	6,278	4,041
Investments in real estate	(145,829)	(117,895)
Accounts payable and accrued liabilities	(35,932)	(42,715)
Deferred real estate deposits	1,243	(36,078)
Private club deferred initiation fees and deposits	1,616	40,960
Other assets and liabilities, net	8,280	(14,964)
Net cash provided by operating activities	56,711	208,011
Cash flows from investing activities:		
Capital expenditures	(48,801)	(87,089)
Acquisition of business	--	(38,170)
Cash received from sale of real property	8,920	--
Other investing activities, net	(7,915)	(355)
Net cash used in investing activities	(47,796)	(125,614)
Cash flows from financing activities:		
Acquisition of noncontrolling interest	(31,000)	--
Repurchases of common stock	--	(14,872)
Proceeds from borrowings under non-recourse real estate financings	--	9,013
Payments of non-recourse real estate financings	--	(58,407)
Proceeds from borrowings under other long-term debt	85,962	63,396
Payments of other long-term debt	(86,246)	(78,689)
Other financing activities, net	4,218	5,354
Net cash used in financing activities	(27,066)	(74,205)
Net (decrease) increase in cash and cash equivalents	(18,151)	8,192
Cash and cash equivalents:		
Beginning of period	69,298	162,345
End of period	\$ 51,147	\$ 170,537

The accompanying Notes are an integral part of these consolidated condensed financial statements.

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

1. Organization and Business

Vail Resorts, Inc. (“Vail Resorts” or the “Parent Company”) is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the “Company”) currently operate in three business segments: Mountain, Lodging and Real Estate. In the Mountain segment, the Company owns and operates five world-class ski resort properties at the Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado and the Heavenly Mountain Resort in the Lake Tahoe area of California and Nevada, as well as ancillary services, primarily including ski school, dining and retail/rental operations. These resorts operate primarily on Federal land under the terms of Special Use Permits granted by the USDA Forest Service (the “Forest Service”). In the Lodging segment, the Company owns and/or manages a collection of luxury hotels under its RockResorts brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to the Company’s ski resorts, the Grand Teton Lodge Company (“GTLC”), which operates three destination resorts at Grand Teton National Park (under a National Park Service concessionaire contract), Colorado Mountain Express (“CME”), a resort ground transportation company, and golf courses. Vail Resorts Development Company (“VRDC”), a wholly-owned subsidiary, conducts the operations of the Company’s Real Estate segment, which owns and develops real estate in and around the Company’s resort communities. The Company’s mountain business and its lodging properties at or around the Company’s ski resorts are seasonal in nature with peak operating seasons from mid-November through mid-April. The Company’s operations at GTLC and its golf courses generally operate from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 6, Variable Interest Entities).

2. Summary of Significant Accounting Policies

The Financial Accounting Standards Board (“FASB”) has established the FASB Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the United States of America for financial statements of interim and annual periods ending after September 15, 2009. This standard does not alter current accounting principles generally accepted in the United States of America (“GAAP”), but rather integrates existing accounting standards with other authoritative guidance.

Basis of Presentation

Consolidated Condensed Financial Statements-- In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire fiscal year. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended July 31, 2009. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with GAAP have been condensed or omitted. The July 31, 2009 Consolidated Condensed Balance Sheet was derived from audited financial statements.

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

Noncontrolling Interests in Consolidated Financial Statements-- Effective August 1, 2009, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 160, "Noncontrolling Interest in Consolidated Financial Statements – an Amendment of Accounting Research Bulletin No. 51" ("SFAS 160"). The guidance of this statement is now included in ASC Topic 810 "Consolidation." This statement requires the presentation of net income or loss attributable to noncontrolling interests (previously referred to as minority interest) along with net income or loss attributable to the stockholders of the Company separately in its consolidated statement of operations. Additionally, noncontrolling interests in the consolidated subsidiaries of the Company are reported as a separate component of equity in the consolidated balance sheet, apart from the Company's equity. However, redeemable noncontrolling interests in which the Company is subject to a put option under which it may be required to repurchase an interest in a consolidated subsidiary from a noncontrolling interest holder, must be classified outside of stockholders' equity.

On April 23, 2010, the Company entered into a transfer agreement with the noncontrolling interest holder in SSI Venture, LLC ("SSV") to acquire all the noncontrolling interest holder's remaining interest in SSV. As a result of this agreement, equity-noncontrolling interest and redeemable noncontrolling interest related to SSV has been eliminated and the purchase price in excess of the carrying value of the noncontrolling interest of approximately \$2.6 million (net of deferred taxes) was recorded as a reduction in additional paid-in capital (see Note 8, Redeemable Noncontrolling Interest). Prior to the acquisition of the remaining noncontrolling interest in SSV, the Company was subject to a put option beginning August 1, 2010 and each year thereafter. As such, the redeemable noncontrolling interest in SSV was classified in the mezzanine section of the accompanying consolidated condensed balance sheets at the redemption value at the end of each prior reporting period.

Upon adoption, the provisions of this statement have been applied to all noncontrolling interests prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented. The retrospective impact of applying this guidance was a reclassification of \$15.4 million and \$15.0 million as of July 31, 2009 and April 30, 2009, respectively, of minority interest to redeemable noncontrolling interest, representing noncontrolling interest which was subject to a put option. In addition, as of July 31, 2009 and April 30, 2009, noncontrolling interests, which were not subject to a put option, have been reclassified as part of equity-noncontrolling interests. The following table summarizes the changes in total stockholders' equity (in thousands):

	For the Nine months ended April 30,					
	2010			2009		
	Vail Resorts Stockholders' Equity	Noncontrolling Interests	Total Equity	Vail Resorts Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	\$ 765,295	\$ 15,411	\$780,706	\$ 716,633	\$ 8,848	\$725,481
Net income	72,306	5,653	77,959	87,680	4,190	91,870
Stock-based compensation expense	8,979	--	8,979	7,794	--	7,794
Issuance of shares under share award plans	(1,180)	--	(1,180)	(590)	--	(590)
Tax benefit (expense) from share award plans	140	--	140	(225)	--	(225)
Repurchases of common stock	--	--	--	(14,872)	--	(14,872)
Adjustment to redemption value of	--	(10,338)	(10,338)	12,120	6,051	18,171

redeemable noncontrolling interest Contributions (distributions) from/to noncontrolling interests, net	--	3,203	3,203	--	(527)	(527)
Acquisition of noncontrolling interest, net of deferred taxes	(2,576)	(114)	(2,690)	--	--	--
Balance, end of period \$	842,964 \$	13,815	\$856,779	\$ 808,540	\$ 18,562	\$827,102

Additionally, upon adoption of this statement, even though the Company's total provision for income taxes did not change, the Company's effective tax rate calculation has changed because net income or loss attributable to noncontrolling interests is no longer included in the determination of pre-tax income in calculating its effective tax rate.

Fair Value Instruments-- The recorded amounts for cash and cash equivalents, receivables, other current assets, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts outstanding under the Employee Housing Bonds (Note 4, Long-Term Debt) approximate book value due to the variable nature of the interest rate associated with that debt. The fair value of the 6.75% Senior Subordinated Notes ("6.75% Notes") (Note 4, Long-Term Debt) is based on quoted market price. The fair value of the Company's Industrial Development Bonds (Note 4, Long-Term Debt) and other long-term debt have been estimated using discounted cash flow analyses based on current borrowing rates for debt with similar remaining maturities and ratings. The estimated fair value of the 6.75% Notes, Industrial Development Bonds and other long-term debt as of April 30, 2010 is presented below (in thousands):

	April 30, 2010	
	Carrying Value	Fair Value
6.75% Notes	\$ 390,000	\$ 394,875
Industrial Development Bonds	\$ 42,700	\$ 47,420
Other long-term debt	\$ 6,398	\$ 6,247

New Accounting Standards

Fair Value Measurements and Disclosures-- In September 2006, the FASB issued guidance which is included in ASC Topic 820, "Fair Value Measurements and Disclosures" (SFAS No. 157 "Fair Value Measurements") on fair value measurements and disclosures. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value guidance in this standard for financial assets and liabilities was effective for the Company on August 1, 2008. The Company adopted the guidance for nonfinancial assets and liabilities on August 1, 2009 and the provisions did not have a material impact on the Company's financial position or results of operations.

Business Combinations-- In December 2007, the FASB issued guidance which is included in ASC Topic 805, "Business Combinations" (SFAS No. 141R, "Business Combinations") which establishes principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. This standard also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. The

guidance was effective for the Company on August 1, 2009 and will be applied prospectively to business combinations.

Amendments to FASB Interpretation, Consolidation of Variable Interest Entities-- In June 2009, the FASB issued guidance which is included in ASC 810, "Consolidation" (SFAS 167 "Amendments to FASB No. 46(R)") which amends the consolidation guidance for variable interest entities. Under this new standard, entities must perform a qualitative assessment in determining the primary beneficiary of a variable interest entity which includes, among other things, consideration as to whether a variable interest holder has the power to direct the activities that most significantly impact the economic performance of the variable interest entity and the obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to the variable interest entity. This standard is effective for the Company beginning August 1, 2010 (the Company's fiscal year ending July 31, 2011). The Company is currently evaluating the impacts, if any, the adoption of this new standard will have on the Company's financial position or results of operations.

Revenue Recognition Guidance for Arrangements with Multiple Deliverables-- In September 2009, the FASB issued Accounting Standards Update ("ASU") 2009-13, "Multiple-Deliverables Revenue Arrangements" (amendments to ASC Topic 605, "Revenue Recognition," and the Emerging Issues Task Force Issue No. 08-01 "Revenue Arrangements with Multiple Deliverables") which amends the revenue recognition guidance for arrangements with multiple deliverables. This new standard requires entities to allocate revenue in arrangements with multiple deliverables using estimated selling prices and eliminates the use of the residual method. The provisions of this new standard are effective for the Company beginning August 1, 2010 (the Company's fiscal year ending July 31, 2011); however, early adoption is permitted. The Company is currently evaluating the impacts, if any, the adoption of this new standard will have on the Company's financial position or results of operations.

3. Net Income Per Common Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net income attributable to Vail Resorts stockholders by the weighted-average shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of Vail Resorts. Presented below is basic and diluted EPS for the three months ended April 30, 2010 and 2009 (in thousands, except per share amounts):

	Three Months Ended April 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income attributable to Vail Resorts	\$ 72,789	\$ 72,789	\$ 61,639	\$ 61,639
Weighted-average shares outstanding	36,271	36,271	36,574	36,574
Effect of dilutive securities	--	563	--	99
Total shares	36,271	36,834	36,574	36,673
Net income per share attributable to Vail Resorts	\$ 2.01	\$ 1.98	\$ 1.69	\$ 1.68

The number of shares issuable on the exercise of share based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 35,000 and 696,000 for the three months ended April 30, 2010 and 2009, respectively.

Presented below is basic and diluted EPS for the nine months ended April 30, 2010 and 2009 (in thousands, except per share amounts):

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	Nine months ended April 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income attributable to Vail Resorts	\$ 72,306	\$ 72,306	\$ 87,680	\$ 87,680
Weighted-average shares outstanding	36,239	36,239	36,624	36,624
Effect of dilutive securities	--	499	--	128
Total shares	36,239	36,738	36,624	36,752
Net income per share attributable to Vail Resorts	\$ 2.00	\$ 1.97	\$ 2.39	\$ 2.39

The number of shares issuable on the exercise of share based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 12,000 and 816,000 for the nine months ended April 30, 2010 and 2009, respectively.

4. Long-Term Debt

Long-term debt as of April 30, 2010, July 31, 2009 and April 30, 2009 is summarized as follows (in thousands):

	Maturity (a)	April 30, 2010	July 31, 2009	April 30, 2009
Credit Facility Revolver	2012	\$ --	\$ --	\$ --
SSI Venture LLC Facility (b)	--	--	--	--
Industrial Development Bonds	2011-2020	42,700	42,700	42,700
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
6.75% Senior Subordinated Notes	2014	390,000	390,000	390,000
Other	2010-2029	6,398	6,685	6,743
Total debt		491,673	491,960	492,018
Less: Current maturities (c)		1,851	352	350
Long-term debt		\$489,822	\$ 491,608	\$491,668

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

(b) As result of the Company's acquisition of the remaining noncontrolling interest in SSV on April 30, 2010 (see Note 8, Redeemable Noncontrolling Interest) and the ensuing designation of SSV as a restricted subsidiary under its senior credit facility, the Amended and Restated Revolving Credit and Security Agreement dated as of September 23, 2005 (SSV Facility), by and between SSI Venture LLC and U.S. Bank National Association was terminated on April 29, 2010.

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

Aggregate maturities for debt outstanding as of April 30, 2010 reflected by fiscal year are as follows (in thousands):

2010	\$ 61
2011	1,831
2012	305

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2013	319
2014	390,219
Thereafter	98,938
Total debt	\$ 491,673

The Company incurred gross interest expense of \$8.4 million in each of the three months ended April 30, 2010 and 2009, of which \$0.4 million in each period was amortization of deferred financing costs. The Company capitalized \$4.7 million and \$1.9 million of interest during the three months ended April 30, 2010 and 2009, respectively. The Company incurred gross interest expense of \$25.3 million and \$26.7 million for the nine months ended April 30, 2010 and 2009, respectively, of which \$1.2 million and \$1.6 million, respectively, was amortization of deferred financing costs. The Company capitalized \$12.6 million and \$5.0 million of interest during the nine months ended April 30, 2010 and 2009, respectively.

5. Supplementary Balance Sheet Information

The composition of property, plant and equipment follows (in thousands):

	April 30, 2010	July 31, 2009	April 30, 2009
Land and land improvements	\$ 269,176	\$ 262,255	\$ 263,966
Buildings and building improvements	738,228	734,576	732,288
Machinery and equipment	514,009	498,912	500,720
Furniture and fixtures	191,054	187,316	182,011
Software	53,687	44,584	44,114
Vehicles	35,296	33,991	34,300
Construction in progress	46,947	40,724	32,063
Gross property, plant and equipment	1,848,397	1,802,358	1,789,462
Accumulated depreciation	(823,420)	(744,700)	(723,297)
Property, plant and equipment, net	\$ 1,024,977	\$ 1,057,658	\$ 1,066,165

The composition of accounts payable and accrued liabilities follows (in thousands):

	April 30, 2010	July 31, 2009	April 30, 2009
Trade payables	\$ 37,717	\$ 42,530	\$ 49,657
Real estate development payables	35,920	45,681	34,925
Deferred revenue	31,363	57,171	42,420
Deferred real estate and other deposits	56,940	21,637	18,833
Accrued salaries, wages and deferred compensation	24,000	15,202	17,167
Accrued benefits	28,716	23,496	27,251
Accrued interest	6,506	14,002	6,591
Liabilities to complete real estate projects, short term	1,937	3,972	5,639
Other accruals	14,484	21,845	18,444
Total accounts payable and accrued liabilities	\$ 237,583	\$ 245,536	\$ 220,927

The composition of other long-term liabilities follows (in thousands):

April 30, 2010	July 31, 2009	April 30, 2009
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Private club deferred initiation fee revenue and deposits	\$ 149,889	\$ 153,265	\$ 154,950
Deferred real estate deposits	--	32,792	46,151
Other long-term liabilities	46,804	47,112	20,361
Total other long-term liabilities	\$ 196,693	\$ 233,169	\$ 221,462

6. Variable Interest Entities

The Company is the primary beneficiary of four employee housing entities (collectively, the “Employee Housing Entities”), Breckenridge Terrace, LLC, The Tarnes at BC, LLC, BC Housing, LLC and Tenderfoot Seasonal Housing, LLC, which are Variable Interest Entities (“VIEs”), and has consolidated them in its Consolidated Condensed Financial Statements. As a group, as of April 30, 2010, the Employee Housing Entities had total assets of \$34.9 million (primarily recorded in property, plant and equipment, net) and total liabilities of \$61.6 million (primarily recorded in long-term debt as “Employee Housing Bonds”). The Company’s lenders have issued letters of credit totaling \$53.4 million under the Company’s senior credit facility (the “Credit Facility”) related to Employee Housing Bonds. Payments under the letters of credit would be triggered in the event that one of the entities defaults on required payments. The letters of credit have no default provisions.

The Company is the primary beneficiary of Avon Partners II, LLC (“APII”), which is a VIE. APII owns commercial space and the Company currently leases substantially all of that space. APII had total assets of \$5.3 million (primarily recorded in property, plant and equipment, net) and no debt as of April 30, 2010.

The Company, through various lodging subsidiaries, manages hotels in which the Company has no ownership interest in the entities that own such hotels. The Company has extended a \$2.0 million note receivable to one of these entities. These entities were formed by unrelated third parties to acquire, own, operate and realize the value in resort hotel properties. The Company managed the day-to-day operations of seven hotel properties as of April 30, 2010. The Company has determined that the entities that own the hotel properties are VIEs, and the management contracts are significant variable interests in these VIEs. The Company has also determined that it is not the primary beneficiary of these entities and, accordingly, is not required to consolidate any of these entities. Based upon the latest information provided by these third party entities, these VIEs had estimated total assets of approximately \$229 million and total liabilities of approximately \$151 million. The Company's maximum exposure to loss as a result of its involvement with these VIEs is limited to a \$2.4 million note receivable including accrued interest from one of the third parties and the net book value of the intangible asset associated with a management agreement in the amount of \$0.5 million as of April 30, 2010.

7. Fair Value Measurements

The FASB issued fair value guidance that establishes how reporting entities should measure fair value for measurement and disclosure purposes. The guidance establishes a common definition of fair value applicable to all assets and liabilities measured at fair value and prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The three levels of the hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities;

Level 2: Inputs include quoted prices for similar assets and liabilities in active and inactive markets or that are observable for the asset or liability either directly or indirectly; and

Level 3: Unobservable inputs which are supported by little or no market activity.

The table below summarizes the Company's cash equivalents measured at fair value (all other assets and liabilities measured at fair value are immaterial) (in thousands):

Fair Value Measurements at Reporting Date Using	April 30, 2010	July 31, 2009	April 30, 2009
Level 1	\$ 8,695	\$ 47,915	\$ 121,742
Level 2	300	13,300	35,000
Level 3	--	--	--
Total	\$ 8,995	\$ 61,215	\$ 156,742

The Company's cash equivalents include money market funds (Level 1) and time deposits (Level 2) which are measured utilizing quoted market prices or pricing models whereby all significant inputs are either observable or corroborated by observable market data.

8. Redeemable Noncontrolling Interest

On April 23, 2010, the Company entered into a transfer agreement with GSSI LLC ("GSSI"), the noncontrolling interest holder in SSV, to acquire all of GSSI's remaining 30.7% ownership interest in SSV for a negotiated price of \$31.0 million. The purchase of GSSI's interest in SSV was completed on April 30, 2010, resulting in the Company holding 100% interest in SSV. As a result of this agreement, equity-noncontrolling interest and redeemable noncontrolling interest related to SSV has been eliminated. The purchase price in excess of the carrying value of the noncontrolling interest of approximately \$2.6 million (net of deferred taxes) was recorded as a reducti