VAIL RESORTS INC
Form 10-Q
March 11, 2009

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2009

¨ 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.
x 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 company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x 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 x No

As of March 6, 2009, 36,407,238 shares of the registrant's common stock were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements -- Unaudited

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

	January 31, 2009 (Unaudited)	July 31, 2008	January 31, 2008 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 139,172	$ 162,345	$ 274,433
Restricted cash	14,603	58,437	56,286
Trade receivables, net	50,495	50,185	44,756
Inventories, net	52,189	49,708	51,513
Other current assets	39,112	38,220	52,603
Total current assets	295,571	358,895	479,591
Property, plant and equipment, net (Note 5)	1,084,031	1,056,837	983,858
Real estate held for sale and investment	247,329	249,305	381,379
Goodwill, net	167,950	142,282	142,011
Intangible assets, net	79,785	72,530	72,658
Other assets	42,931	46,105	42,318
Total assets	$ 1,917,597	$ 1,925,954	$ 2,101,815
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 5)	$ 302,118	$ 294,182	$ 412,872
Income taxes payable	33,315	57,474	30,810
Long-term debt due within one year (Note 4)	304	15,355	100,710
Total current liabilities	335,737	367,011	544,392
Long-term debt (Note 4)	491,777	541,350	554,411
Other long-term liabilities (Note 5)	221,814	183,643	167,020
Deferred income taxes	93,469	75,279	86,303
Commitments and contingencies (Note 8)			
Minority interest in net assets of consolidated subsidiaries	30,918	29,915	28,805
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, 40,007,068 (unaudited), 39,926,496 and 39,883,167 (unaudited) shares issued, respectively	400	399	399
Additional paid-in capital	549,729	545,773	540,377
Retained earnings	334,086	308,045	231,824
Treasury stock, at cost; 3,600,235 (unaudited), 3,004,108 and 1,185,083 (unaudited) shares, respectively (Note 10)	(140,333)	(125,461)	(51,716)
Total stockholders' equity	743,882	728,756	720,884
Total liabilities and stockholders' equity	$ 1,917,597	$ 1,925,954	$ 2,101,815

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 January 31,	
	2009	2008
Net revenue:		
Mountain	$ 258,489	$ 279,722
Lodging	41,150	34,827
Real estate	89,157	45,471
Total net revenue	388,796	360,020
Segment operating expense:		
Mountain	156,188	163,188
Lodging	38,697	36,782
Real estate	59,508	44,409
Total segment operating expense	254,393	244,379
Other operating income (expense):		
Depreciation and amortization	(27,438)	(23,621)
Gain on sale of real property	--	709
Loss on disposal of fixed assets, net	(422)	(157)
Income from operations	106,543	92,572
Mountain equity investment income, net	1,161	926
Investment income	336	2,019
Interest expense, net	(7,295)	(7,535)
Minority interest in income of consolidated subsidiaries, net	(3,788)	(4,910)
Income before provision for income taxes	96,957	83,072
Provision for income taxes	(36,412)	(31,753)
Net income	$ 60,545	$ 51,319
Per share amounts (Note 3):		
Basic net income per share	$ 1.66	$ 1.32
Diluted net income per share	$ 1.65	$ 1.31

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)

	Six Months Ended January 31, 2009	Six Months Ended January 31, 2008
Net revenue:		
Mountain	$ 299,267	$ 322,258
Lodging	86,403	78,144
Real estate	155,907	57,504
Total net revenue	541,577	457,906
Segment operating expense:		
Mountain	237,411	244,136
Lodging	83,595	78,018
Real estate	110,885	51,322
Total segment operating expense	431,891	373,476
Other operating income (expense):		
Depreciation and amortization	(52,516)	(44,383)
Gain on sale of real property	--	709
Loss on disposal of fixed assets, net	(602)	(391)
Income from operations	56,568	40,365
Mountain equity investment income, net	2,176	2,895
Investment income	979	5,237
Interest expense, net	(15,242)	(15,179)
Contract dispute credit, net (Note 8)	--	11,920
Minority interest in income of consolidated subsidiaries, net	(1,437)	(2,847)
Income before provision for income taxes	43,044	42,391
Provision for income taxes	(17,003)	(15,685)
Net income	$ 26,041	$ 26,706
Per share amounts (Note 3):		
Basic net income per share	$ 0.71	$ 0.69
Diluted net income per share	$ 0.71	$ 0.68

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)

	Six Months Ended January 31, 2009	Six Months Ended January 31, 2008
Cash flows from operating activities:		
Net income	$ 26,041	$ 26,706
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52,516	44,383
Cost of real estate sales	87,631	35,757
Stock-based compensation expense	5,242	4,057
Deferred income taxes, net	16,204	12,560
Minority interest in income of consolidated subsidiaries, net	1,437	2,847
Other non-cash income, net	(3,998)	(3,464)
Changes in assets and liabilities:		
Restricted cash	43,834	(1,537)
Accounts receivable, net	358	(6,824)
Inventories, net	(2,481)	(3,449)
Investments in real estate	(80,567)	(112,718)
Accounts payable and accrued liabilities	36,725	82,399
Deferred real estate deposits	(36,117)	23,128
Private club deferred initiation fees and deposits	39,667	8,691
Other assets and liabilities, net	(19,828)	(20,881)
Net cash provided by operating activities	166,664	91,655
Cash flows from investing activities:		
Capital expenditures	(77,560)	(91,177)
Acquisition of business	(38,170)	--
Other investing activities, net	(417)	3,029
Net cash used in investing activities	(116,147)	(88,148)
Cash flows from financing activities:		
Repurchases of common stock	(14,872)	(25,870)
Proceeds from borrowings under non-recourse real estate financings	9,013	85,984
Payments of non-recourse real estate financings	(58,407)	(25,201)
Proceeds from borrowings under other long-term debt	55,782	64,145
Payments of other long-term debt	(71,013)	(64,447)
Other financing activities, net	5,807	5,496
Net cash (used in) provided by financing activities	(73,690)	40,107
Net (decrease) increase in cash and cash equivalents	(23,173)	43,614
Cash and cash equivalents:		
Beginning of period	162,345	230,819
End of period	$ 139,172	$ 274,433

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 businesses, 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”). The Company holds a 69.3% interest in SSI Venture, LLC (“SSV”), a retail/rental company. In the Lodging segment, the Company owns and/or manages a collection of luxury hotels under its RockResorts International, LLC (“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).

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 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, 2008. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The July 31, 2008 Consolidated Condensed Balance Sheet was derived from audited financial statements.

2. Summary of Significant Accounting Policies

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.

Reclassification of Book Overdrafts-- Book overdrafts represent checks issued that had not been presented for payment to the banks and are classified as accounts payable in the Company’s Consolidated Condensed Balance Sheets. The Company typically funds these overdrafts through normal collections of funds or transfers from other bank balances. For the six months ended January 31, 2008, the Company revised its presentation of changes in book overdrafts from a financing activity to an operating activity in its Consolidated Condensed Statement of Cash Flows to conform to its current year presentation. In the Company’s Annual Report on Form 10-K for the year ended July 31, 2008, the Company also presented changes in book overdrafts as an operating activity. The effect of this change increased cash provided by operating activities for the six months ended January 31, 2008 from $85.1 million (as previously disclosed in the prior year's Quarterly Report on Form 10-Q) to $91.7 million with a corresponding decrease in the cash flows provided by financing activities for the six months ended January 31, 2008 from $46.7 million (as previously disclosed in the prior year's Quarterly Report on Form 10-Q) to $40.1 million.

New Accounting Pronouncements-- In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but rather provides guidance on how to measure fair value by providing a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The Company adopted SFAS 157 beginning August 1, 2008 (see Note 7, Fair Value Measurements, for more information on the adoption of SFAS 157).

In February 2008, the FASB issued Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). This FSP delays the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 (the Company's fiscal year ending July 31, 2010) and interim periods within the fiscal year of adoption. The Company has deferred the application of SFAS 157 for nonfinancial assets and liabilities as prescribed by FSP 157-2. The Company is currently evaluating the impacts, if any, the adoption of the provisions of SFAS 157 for nonfinancial assets and liabilities will have on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides the Company the irrevocable option to carry many financial assets and liabilities at fair value, with changes in fair value recognized in earnings. The requirements of SFAS 159 became effective for the Company beginning August 1, 2008; however, the Company did not elect the fair value measurement option for any of its financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R"), which establishes principles and requirements for 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. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. The Company will apply SFAS 141R prospectively to business combinations consummated after July 31, 2009 (the Company's fiscal year ending July 31, 2010).

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the balance sheet. Currently, noncontrolling interests (minority interests) are reported as a liability in the Company's consolidated balance sheet and the related income (loss) attributable to minority interests is reflected as an expense (credit) in arriving at net income. Upon adoption of SFAS 160, the Company will be required to report its minority interests as a separate component of stockholders' equity and present net income allocable to the minority interests along with net income attributable to the stockholders of the Company separately in its consolidated statement of operations. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. The requirements of SFAS 160 are effective for the Company beginning August 1, 2009 (the Company's fiscal year ending July 31, 2010).

3. Net Income Per Common Share

SFAS No. 128, "Earnings Per Share" ("SFAS 128"), establishes standards for computing and presenting earnings per share ("EPS"). SFAS 128 requires the dual presentation of basic and diluted EPS on the face of the Consolidated Condensed

Statements of Operations and requires a reconciliation of numerators (net income/loss) and denominators (weighted-average shares outstanding) for both basic and diluted EPS in the footnotes. Basic EPS excludes dilution and is computed by dividing net income/loss available to holders of common stock by the weighted-average shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of the Company. Presented below is basic and diluted EPS for the three months ended January 31, 2009 and 2008 (in thousands, except per share amounts):

	Three Months Ended January 31,			
	2009		2008	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	$ 60,545	$ 60,545	$ 51,319	$ 51,319
Weighted-average shares outstanding	36,570	36,570	38,796	38,796
Effect of dilutive securities	--	93	--	349
Total shares	36,570	36,663	38,796	39,145
Net income per share	$ 1.66	$ 1.65	$ 1.32	$ 1.31

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 438,000 and 53,000 for the three months ended January 31, 2009 and 2008, respectively.

Presented below is basic and diluted EPS for the six months ended January 31, 2009 and 2008 (in thousands, except per share amounts):

	Six Months Ended January 31,			
	2009		2008	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	$ 26,041	$ 26,041	$ 26,706	$ 26,706
Weighted-average shares outstanding	36,728	36,728	38,883	38,883
Effect of dilutive securities	--	184	--	388
Total shares	36,728	36,912	38,883	39,271
Net income per share	$ 0.71	$ 0.71	$ 0.69	$ 0.68

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 207,000 and 79,000 for the six months ended January 31, 2009 and 2008, respectively.

4. Long-Term Debt

Long-term debt as of January 31, 2009, July 31, 2008 and January 31, 2008 is summarized as follows (in thousands):

	Maturity (a)	January 31, 2009	July 31, 2008	January 31, 2008
Credit Facility Revolver	2012	$ --	$ --	$ --
SSV Facility	2011	--	--	--
Industrial Development Bonds (b)	2011-2020	42,700	57,700	57,700
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
Non-Recourse Real Estate Financings (c)	--	--	49,394	147,665
6.75% Senior Subordinated Notes ("6.75% Notes")	2014	390,000	390,000	390,000
Other	2009-2029	6,806	7,036	7,181
Total debt		492,081	556,705	655,121
Less: Current maturities (d)		304	15,355	100,710
Long-term debt		$491,777	$ 541,350	$554,411

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

(b) The Company has outstanding $42.7 million of industrial development bonds (collectively, the “Industrial Development Bonds”), of which $41.2 million were issued by Eagle County, Colorado and mature, subject to prior redemption, on August 1, 2019. The Series 1991 Sports Facilities Refunding Revenue Bonds, issued by Summit County, Colorado, have an aggregate outstanding principal amount of $1.5 million and mature, subject to prior redemption, on September 1, 2010. On August 29, 2008, $15.0 million of borrowings under the Series 1990 Sports Facilities Refunding Revenue Bonds, issued by Summit County, Colorado were paid in full at maturity.

(c) Non-recourse real estate financings borrowings under the original $123.0 million construction agreement for The Chalets at The Lodge at Vail, LLC (“Chalets”) were paid in full during the six months ended January 31, 2009. As of July 31, 2008 non-recourse real estate financings included borrowings under the construction agreement for the Chalets of $49.4 million. As of January 31, 2008 non-recourse real estate financings consisted of borrowings of $85.3 million under the original $175.0 million construction agreement for Arrabelle at Vail Square, LLC (“Arrabelle”) and under the construction agreement for the Chalets of $62.3 million.

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

Aggregate maturities for debt outstanding as of January 31, 2009 reflected by fiscal year are as follows (in thousands):

2009	$ 119
2010	349
2011	1,831
2012	305
2013	319
Thereafter	489,158
Total debt	$492,081

The Company incurred gross interest expense of $8.7 million and $11.7 million for the three months ended January 31, 2009 and 2008, respectively, of which $0.4 million and $0.6 million was amortization of deferred financing costs. The Company incurred gross interest expense of $18.4 million and $22.8 million for the six months ended January 31, 2009 and 2008, respectively, of which $1.2 million and $1.2 million was amortization of deferred financing costs. The Company capitalized $1.4 million and $4.1 million of interest during the three months ended January 31, 2009 and 2008, respectively. The Company capitalized $3.1 million and $7.6 million of interest during the six months ended January 31, 2009 and 2008, respectively.

5. Supplementary Balance Sheet Information

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

	January 31, 2009	July 31, 2008	January 31, 2008
Land and land improvements	$ 262,930	$ 265,123	$ 252,552
Buildings and building improvements	752,217	685,393	650,694
Machinery and equipment	497,795	457,825	459,427
Furniture and fixtures	162,745	149,251	127,515
Software	43,753	39,605	34,933
Vehicles	34,573	28,829	28,170
Construction in progress	27,243	80,601	47,408
Gross property, plant and equipment	1,781,256	1,706,627	1,600,699
Accumulated depreciation	(697,225)	(649,790)	(616,841)
Property, plant and equipment, net	$1,084,031	$1,056,837	$ 983,858

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

	January 31, 2009	July 31, 2008	January 31, 2008
Trade payables	$ 56,758	$ 53,187	$ 84,016
Real estate development payables	38,098	52,574	43,913
Deferred revenue	81,995	45,805	70,684
Deferred real estate and other deposits	28,871	58,421	109,137
Accrued salaries, wages and deferred compensation	18,578	22,397	25,552
Accrued benefits	25,118	22,777	26,205
Accrued interest	13,910	14,552	14,634
Liabilities to complete real estate projects, short term	6,950	4,199	7,808
Other accruals	31,840	20,270	30,923
Total accounts payable and accrued liabilities	$302,118	$ 294,182	$412,872

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

	January 31, 2009	July 31, 2008	January 31, 2008
Private club deferred initiation fee revenue and deposits	$155,195	$121,947	$117,928
Deferred real estate deposits	46,240	45,775	34,316
Other long-term liabilities	20,379	15,921	14,776
Total other long-term liabilities	$221,814	$183,643	$167,020

On November 1, 2008, the Company acquired substantially all of the assets of Colorado Mountain Express ("CME"), a resort ground transportation business, for a total consideration of $38.3 million, as well as $0.9 million to reimburse the seller for certain new capital expenditures as provided for in the agreement. The acquisition was accounted for as a business purchase combination using the purchase method of accounting under the provisions of SFAS No. 141, "Business Combinations". The purchase price was allocated to tangible and identifiable intangible assets acquired based on their estimated fair values at the acquisition date. The Company has completed its preliminary purchase price allocation and has recorded $25.7 million in goodwill and $7.5 million in intangible assets on the date of acquisition.

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 ("Tarnes"), 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 January 31, 2009, the Employee Housing Entities had total assets of $38.0 million (primarily recorded in property, plant and equipment, net) and total liabilities of $70.2 million (primarily recorded in long-term debt as "Employee Housing Bonds"). All of the assets ($7.9 million as of January 31, 2009) of Tarnes serve as collateral for Tarnes' Tranche B Employee Housing Bonds. The Company has issued under its senior credit facility (the "Credit Facility") $38.3 million letters of credit related to the Tranche A Employee Housing Bonds and $12.6 million letters of credit related to the Tranche B Employee Housing Bonds. 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 $5.7 million (primarily recorded in property, plant and equipment, net) and no debt as of January 31, 2009.

The Company, through various lodging subsidiaries, manages hotels in which the Company has no ownership interest in the entities that own such hotels. 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 six hotel properties as of January 31, 2009. 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 $236 million and total liabilities of approximately $148 million. The Company's maximum exposure to loss as a result of its involvement with these VIEs is limited to a $2.2 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 $0.6 million as of January 31, 2009.

7. Fair Value Measurements

SFAS 157 establishes how reporting entities should measure fair value for measurement and disclosure purposes. The Standard does not require any new fair value measurements but rather establishes a common definition of fair value applicable to all assets and liabilities measured at fair value. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy established by SFAS 157 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 financial assets and liabilities measured at fair value in accordance with SFAS 157 as of January 31, 2009 (all other financial assets and liabilities applicable to SFAS 157 are immaterial) (in thousands):

		Fair Value Measurements at Reporting Date Using		
Description	Balance at January 31, 2009	Level 1	Level 2	Level 3
Cash equivalents	$ 111,536	$ 93,036	$ 18,500	$ --

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

8. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances $8.5 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through an $8.6 million letter of credit issued against the Company's Credit Facility. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to Red Sky Ranch Metropolitan District ("RSRMD") until RSRMD's revenue streams from property taxes are sufficient to meet debt service requirements under HCMD's bonds, and the Company has recorded a liability of $1.5 million, $1.6 million and $1.3 million, primarily within "other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheets, as of January 31, 2009, July 31, 2008 and January 31, 2008, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates that it will make capital improvement fee payments under this arrangement through the year ending July 31, 2018.

Guarantees

As of January 31, 2009, the Company had various other guarantees, primarily in the form of letters of credit in the amount of $88.0 million, consisting primarily of $51.0 million in support of the Employee Housing Bonds, $29.2 million of construction and development related guarantees and $6.1 million for workers' compensation and general liability deductibles related to construction and development activities.

In addition to the guarantees noted above, the Company has entered into contracts in the normal course of business which include certain indemnifications within the scope of FASB Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") under which it could be required to make payments to third parties upon the occurrence or non-occurrence of certain future events. These indemnities include indemnities to licensees in connection with the licensees' use of the Company's trademarks and logos, indemnities for liabilities associated with the infringement of other parties' technology and software products, indemnities related to liabilities associated with the use of easements, indemnities related to employment of contract workers, the Company's use of trustees, indemnities related to the Company's use of public lands and environmental indemnifications. The duration of these indemnities generally is indefinite and generally do not limit the future payments the Company could be obligated to make.

As permitted under applicable law, the Company and certain of its subsidiaries indemnify their directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company or its subsidiaries in such a capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that should enable the Company to recover a portion of any future amounts paid.

Unless otherwise noted, the Company has not recorded any significant liabilities for the letters of credit, indemnities and other guarantees noted above in the accompanying Consolidated Condensed Financial Statements, either because the Company has recorded on its Consolidated Condensed Balance Sheets the underlying liability associated with the guarantee, the guarantee or indemnification existed prior to January 1, 2003, the guarantee is with respect to the Company’s own performance and is therefore not subject to the measurement requirements of FIN 45, or because the Company has calculated the fair value of the indemnification or guarantee to be immaterial based upon the current facts and circumstances that would trigger a payment under the indemnification clause. In addition, with respect to certain indemnifications it is not possible to determine the maximum potential amount of liability under these guarantees due to the unique set of facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

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

Self Insurance

The Company is self-insured for claims under its health benefit plans and for workers’ compensation claims, subject to a stop loss policy. The self-insurance liability related to workers' compensation is determined actuarially based on claims filed. The self-insurance liability related to claims under the Company’s health benefit plans is determined based on analysis of actual claims. The amounts related to these claims are included as a component of accrued benefits in accounts payable and accrued liabilities (see Note 5, Supplementary Balance Sheet Information).

Legal

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 operations. Management believes the Company has adequate insurance coverage or has accrued for loss contingencies for all known matters that are deemed to be probable losses and estimable. As of January 31, 2009, July 31, 2008 and January 31, 2008 the accrual for the above loss contingencies was not material individually and in the aggregate.

Cheeca Lodge & Spa Contract Dispute

On October 19, 2007, RockResorts received payment of the final settlement from Cheeca Holdings, LLC, related to the disputed contract termination of the formerly managed RockResorts Cheeca Lodge & Spa property, in the amount of $13.5 million, of which $11.9 million (net of final attorney’s fees) is recorded in “Contract dispute credit, net” in the Consolidated Condensed Statement of Operations for the six months ended January 31, 2008.

9. Segment Information

The Company has three reportable segments: Mountain, Lodging and Real Estate. The Mountain segment includes the operations of the Company’s ski resorts and related ancillary activities. The Lodging segment includes the operations of all of the Company's owned hotels, RockResorts, GTLC, CME, condominium management and golf operations. The Resort segment is the combination of the Mountain and Lodging segments. The Real Estate segment owns and develops real estate in and around the Company's resort communities. The Company's reportable segments, although integral to the success of the others, offer distinctly different products and services and require different types of management focus. As such, these segments are managed separately.

The Company reports its segment results using Reported EBITDA (defined as segment net revenue less segment operating expense, plus segment equity investment income and for the Real Estate segment plus gain on sale of real property), which is a non-GAAP financial measure. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" requires the Company to report segment results in a manner consistent with management's internal reporting of operating results to the chief operating decision maker (Chief Executive Officer) for purposes of evaluating segment performance.

Reported EBITDA is not a measure of financial performance under GAAP. Items excluded from Reported EBITDA are significant components in understanding and assessing financial performance. Reported EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, net change in cash and cash equivalents or other financial statement data presented in the consolidated condensed financial statements as indicators of financial performance or liquidity. Because Reported EBITDA is not a measurement determined in accordance with GAAP and thus is susceptible to varying calculations, Reported EBITDA as presented may not be comparable to other similarly titled measures of other companies.

The Company utilizes Reported EBITDA in evaluating performance of the Company and in allocating resources to its segments. Mountain Reported EBITDA consists of Mountain net revenue less Mountain operating expense plus Mountain equity investment income. Lodging Reported EBITDA consists of Lodging net revenue less Lodging operating expense. Real Estate Reported EBITDA consists of Real Estate net revenue less Real Estate operating expense plus gain on sale of real property. All segment expenses include an allocation of corporate administrative expense. Assets are not allocated between segments, or used to evaluate performance, except as shown in the table below.

Following is key financial information by reportable segment which is used by management in evaluating performance and allocating resources (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2009	2008	2009	2008
Net revenue:				
Lift tickets	$127,158	$133,998	$127,158	$133,998
Ski school	28,962	35,155	28,962	35,155
Dining	20,281	22,895	24,210	27,658
Retail/rental	59,238	66,771	81,664	90,311
Other	22,850	20,903	37,273	35,136
Total Mountain net revenue	258,489	279,722	299,267	322,258
Lodging	41,150	34,827	86,403	78,144
Total Resort net revenue	299,639	314,549	385,670	400,402
Real Estate	89,157	45,471	155,907	57,504
Total net revenue	$388,796	$360,020	$541,577	$457,906
Operating expense:				
Mountain	$156,188	$163,188	$237,411	$244,136
Lodging	38,697	36,782	83,595	78,018
Total Resort operating expense	194,885	199,970	321,006	322,154
Real estate	59,508	44,409	110,885	51,322

Total segment operating expense	$254,393	$244,379	$431,891	$373,476
Gain on sale of real property	$ --	$ 709	$ --	$ 709
Mountain equity investment income, net	$ 1,161	$ 926	$ 2,176	$ 2,895
Reported EBITDA:				
Mountain	$103,462	$117,460	$ 64,032	$ 81,017
Lodging	2,453	(1,955)	2,808	126
Resort	105,915	115,505	66,840	81,143
Real Estate	29,649	1,771	45,022	6,891
Total Reported EBITDA	$135,564	$117,276	$111,862	$ 88,034
Real estate held for sale and investment	$247,329	$381,379	$247,329	$381,379
Reconciliation to net income:				
Total Reported EBITDA	$135,564	$117,276	$111,862	$ 88,034
Depreciation and amortization	(27,438)	(23,621)	(52,516)	(44,383)
Loss on disposal of fixed assets, net	(422)	(157)	(602)	(391)
Investment income	336	2,019	979	5,237
Interest expense, net	(7,295)	(7,535)	(15,242)	(15,179)
Contract dispute credit, net	--	--	--	11,920
Minority interest in income of consolidated subsidiaries, net	(3,788)	(4,910)	(1,437)	(2,847)
Income before provision for income taxes	96,957	83,072	43,044	42,391
Provision for income taxes	(36,412)	(31,753)	(17,003)	(15,685)
Net income	$ 60,545	$ 51,319	$ 26,041	$ 26,706

10. Stock Repurchase Plan

On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock and on July 16, 2008 approved an increase of the Company's common stock repurchase authorization by an additional 3,000,000 shares. During the three and six months ended January 31, 2009, the Company repurchased 317,727 and 596,127 shares of common stock at a cost of $7.5 million and $14.9 million, respectively. Since inception of this stock repurchase plan through January 31, 2009, the Company has repurchased 3,600,235 shares at a cost of approximately $140.3 million. As of January 31, 2009, 2,399,765 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under the Company's employee share award plans.

11. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 6.75% Notes (see Note 4, Long-Term Debt) are fully and unconditionally guaranteed on a joint and several, senior subordinated basis by substantially all of the Company's consolidated subsidiaries (collectively, and excluding Non-Guarantor Subsidiaries (as defined below), the "Guarantor Subsidiaries") except for Eagle Park Reservoir Company, Gros Ventre Utility Company, Mountain Thunder, Inc., SSV, Larkspur Restaurant & Bar, LLC, Gore Creek Place, LLC and certain other insignificant entities (together, the "Non-Guarantor Subsidiaries"). APII and the Employee Housing Entities are included with the Non-Guarantor Subsidiaries for purposes of the consolidated financial information, but are not considered subsidiaries under the indenture governing the 6.75% Notes (the "Indenture").

Presented below is the consolidated financial information of the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for the Non-Guarantor Subsidiaries is presented in the column titled “Other Subsidiaries.” Balance sheet data is presented as of January 31, 2009, July 31, 2008 and January 31, 2008. Statements of operations are presented for the three and six months ended January 31, 2009 and 2008. Statements of cash flows are presented for the six months ended January 31, 2009 and January 31, 2008.

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

Supplemental Condensed Consolidating Balance Sheet
As of January 31, 2009
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 135,264	$ 3,908	$ --	$ 139,172
Restricted cash	--	14,268	335	--	14,603
Trade receivables, net	--	46,253	4,242	--	50,495
Inventories, net	--	11,079	41,110	--	52,189
Other current assets	17,129	19,655	2,328	--	39,112
Total current assets	17,129	226,519	51,923	--	295,571
Property, plant and equipment, net	--	1,014,366	69,665	--	1,084,031
Real estate held for sale and investment	--	247,329	--	--	247,329
Goodwill, net	--	148,702	19,248	--	167,950
Intangible assets, net	--	63,933	15,852	--	79,785
Other assets	3,581	34,284	5,066	--	42,931
Investments in subsidiaries and advances to (from) parent	1,255,605	362,310	(20,886)	(1,597,029)	--
Total assets	$1,276,315	$ 2,097,443	$ 140,868	$(1,597,029)	$ 1,917,597
Current liabilities:					
Accounts payable and accrued liabilities	$ 12,507	$ 266,525	$ 23,086	$ --	$ 302,118
Income taxes payable	33,315	--	--	--	33,315
Long-term debt due within one year	--	11	293	--	304
Total current liabilities	45,822	266,536	23,379	--	335,737
Long-term debt	390,000	42,720	59,057	--	491,777
Other long-term liabilities	3,142	215,861	2,811	--	221,814
Deferred income taxes	93,469	--	--	--	93,469
Minority interest in net assets of consolidated subsidiaries	--	--	--	30,918	30,918
Total stockholders' equity	743,882	1,572,326	55,621	(1,627,947)	743,882
Total liabilities and stockholders' equity	$1,276,315	$ 2,097,443	$ 140,868	$(1,597,029)	$ 1,917,597

Supplemental Condensed Consolidating Balance Sheet
As of July 31, 2008
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 156,782	$ 5,563	$ --	$ 162,345
Restricted cash	--	10,526	47,911	--	58,437
Trade receivables, net	--	47,953	2,232	--	50,185
Inventories, net	--	11,786	37,922	--	49,708
Other current assets	15,142	19,205	3,873	--	38,220
Total current assets	15,142	246,252	97,501	--	358,895
Property, plant and equipment, net	--	806,696	250,141	--	1,056,837
Real estate held for sale and investment	--	204,260	45,045	--	249,305
Goodwill, net	--	123,034	19,248	--	142,282
Intangible assets, net	--	56,650	15,880	--	72,530
Other assets	3,936	34,922	7,247	--	46,105
Investments in subsidiaries and advances to (from) parent	1,248,019	599,199	(61,968)	(1,785,250)	--
Total assets	$ 1,267,097	$ 2,071,013	$ 373,094	$ (1,785,250)	$ 1,925,954
Current liabilities:					
Accounts payable and accrued liabilities	$ 12,446	$ 196,360	$ 85,376	$ --	$ 294,182
Income taxes payable	57,474	--	--	--	57,474
Long-term debt due within one year	--	15,022	333	--	15,355
Total current liabilities	69,920	211,382	85,709	--	367,011
Long-term debt	390,000	42,722	108,628	--	541,350
Other long-term liabilities	3,142	149,557	30,944	--	183,643
Deferred income taxes	75,279	--	--	--	75,279
Minority interest in net assets of consolidated subsidiaries	--	--	--	29,915	29,915
Total stockholders' equity	728,756	1,667,352	147,813	(1,815,165)	728,756
Total liabilities and stockholders' equity	$ 1,267,097	$ 2,071,013	$ 373,094	$ (1,785,250)	$ 1,925,954

Supplemental Condensed Consolidating Balance Sheet
As of January 31, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ --	$ 268,224	$ 6,209	$ --	$ 274,433
Restricted cash	--	16,818	39,468	--	56,286
Trade receivables, net	--	34,825	9,931	--	44,756
Inventories, net	--	10,169	41,344	--	51,513
Other current assets	16,585	25,267	10,751	--	52,603
Total current assets	16,585	355,303	107,703	--	479,591
Property, plant and equipment, net	--	886,695	97,163	--	983,858
Real estate held for sale and investment	--	90,456	290,923	--	381,379
Goodwill, net	--	123,034	18,977	--	142,011
Intangible assets, net	--	56,779	15,879	--	72,658
Other assets	4,291	27,110	10,917	--	42,318
Investments in subsidiaries and advances to (from) parent	1,221,672	282,398	(5,755)	(1,498,315)	--
Total assets	$1,242,548	$ 1,821,775	$ 535,807	$(1,498,315)	$ 2,101,815
Current liabilities:					
Accounts payable and accrued liabilities	$ 12,462	$ 237,602	$ 162,808	$ --	$ 412,872
Income taxes payable	30,810	--	--	--	30,810
Long-term debt due within one year	--	15,039	85,671	--	100,710
Total current liabilities	43,272	252,641	248,479	--	544,392
Long-term debt	390,000	42,710	121,701	--	554,411
Other long-term liabilities	2,089	104,143	60,788	--	167,020
Deferred income taxes	86,303	--	--	--	86,303
Minority interest in net assets of consolidated subsidiaries	--	--	--	28,805	28,805
Total stockholders' equity	720,884	1,422,281	104,839	(1,527,120)	720,884
Total liabilities and stockholders' equity	$1,242,548	$ 1,821,775	$ 535,807	$(1,498,315)	$ 2,101,815

Supplemental Condensed Consolidating Statement of Operations
For the three months ended January 31, 2009
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 343,277	$ 48,386	$ (2,867)	$ 388,796
Total operating expense	98	245,356	39,628	(2,829)	282,253
(Loss) income from operations	(98)	97,921	8,758	(38)	106,543
Other (expense) income, net	(6,757)	326	(566)	38	(6,959)
Equity investment income, net	--	1,161	--	--	1,161
Minority interest in income of consolidated subsidiaries, net	--	--	--	(3,788)	(3,788)
(Loss) income before income taxes	(6,855)	99,408	8,192	(3,788)	96,957
Benefit (provision) for income taxes	2,951	(39,360)	(3)	--	(36,412)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(3,904)	60,048	8,189	(3,788)	60,545
Equity in income (loss) of consolidated subsidiaries	64,449	(4,942)	--	(59,507)	--
Net income (loss)	$ 60,545	$ 55,106	$ 8,189	$ (63,295)	$ 60,545

Supplemental Condensed Consolidating Statement of Operations
For the three months ended January 31, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 255,493	$ 106,965	$ (2,438)	$ 360,020
Total operating expense	122	182,166	87,560	(2,400)	267,448
(Loss) income from operations	(122)	73,327	19,405	(38)	92,572
Other (expense) income, net	(6,758)	2,078	(874)	38	(5,516)
Equity investment income, net	--	926	--	--	926
Minority interest in income of consolidated subsidiaries, net	--	--	--	(4,910)	(4,910)
(Loss) income before income taxes	(6,880)	76,331	18,531	(4,910)	83,072
Benefit (provision) for income taxes	2,719	(34,472)	--	--	(31,753)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(4,161)	41,859	18,531	(4,910)	51,319
Equity in income (loss) of consolidated subsidiaries	55,480	--	--	(55,480)	--
Net income (loss)	$ 51,319	$ 41,859	$ 18,531	$ (60,390)	$ 51,319

Supplemental Condensed Consolidating Statement of Operations
For the six months ended January 31, 2009
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 460,445	$ 87,224	$ (6,092)	$ 541,577
Total operating expense	267	407,513	83,245	(6,016)	485,009
(Loss) income from operations	(267)	52,932	3,979	(76)	56,568
Other expense, net	(13,518)	794	(1,615)	76	(14,263)
Equity investment income, net	--	2,176	--	--	2,176
Minority interest in income of consolidated subsidiaries, net	--	--	--	(1,437)	(1,437)
(Loss) income before income taxes	(13,785)	55,902	2,364	(1,437)	43,044
Benefit (provision) for income taxes	5,445	(22,442)	(6)	--	(17,003)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(8,340)	33,460	2,358	(1,437)	26,041
Equity in income (loss) of consolidated subsidiaries	34,381	921	--	(35,302)	--
Net income (loss)	$ 26,041	$ 34,381	$ 2,358	$ (36,739)	$ 26,041

Supplemental Condensed Consolidating Statement of Operations
For the six months ended January 31, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ --	$ 330,263	$ 132,901	$ (5,258)	$ 457,906
Total operating expense	(68)	300,432	122,359	(5,182)	417,541
Income (loss) from operations	68	29,831	10,542	(76)	40,365
Other (expense) income, net	(13,518)	17,586	(2,166)	76	1,978
Equity investment income, net	--	2,895	--	--	2,895
Minority interest in income of consolidated subsidiaries, net	--	--	--	(2,847)	(2,847)
(Loss) income before income taxes	(13,450)	50,312	8,376	(2,847)	42,391
Benefit (provision) for income taxes	5,313	(20,998)	--	--	(15,685)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(8,137)	29,314	8,376	(2,847)	26,706
Equity in income (loss) of consolidated subsidiaries	34,843	--	--	(34,843)	--
Net income (loss)	$ 26,706	$ 29,314	$ 8,376	$ (37,690)	$ 26,706

Supplemental Condensed Consolidating Statement of Cash Flows
For the six months ended January 31, 2009
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$ (16,952)	$ 186,007	$ (2,391)	$ 166,664
Cash flows from investing activities:				
Capital expenditures	--	(71,551)	(6,009)	(77,560)
Acquisition of business	--	(38,170)	--	(38,170)
Other investing activities, net	--	(740)	323	(417)
Net cash used in investing activities	--	(110,461)	(5,686)	(116,147)
Cash flows from financing activities:				
Repurchases of common stock	(14,872)	--	--	(14,872)
Proceeds from borrowings under non-recourse real estate financings	--	9,013	--	9,013
Payments of non-recourse real estate financings	--	(58,407)	--	(58,407)
Proceeds from borrowings under other long-term debt	--	--	55,782	55,782
Payments of other long-term debt	--	(15,014)	(55,999)	(71,013)
Other financing activities, net	(213)	4,428	1,592	5,807
Advances from (to) affiliates	32,037	(37,084)	5,047	--
Net cash provided by (used in) financing activities	16,952	(97,064)	6,422	(73,690)
Net increase in cash and cash equivalents	--	(21,518)	(1,655)	(23,173)
Cash and cash equivalents:				
Beginning of period	--	156,782	5,563	162,345
End of period	$ --	$ 135,264	$ 3,908	$ 139,172

Supplemental Condensed Consolidating Statement of Cash Flows
For the six months ended January 31, 2008
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash provided by (used in) operating activities	$ 105	$ 114,969	$ (23,419)	$ 91,655
Cash flows from investing activities:				
Capital expenditures	--	(61,973)	(29,204)	(91,177)
Other investing activities, net	--	3,121	(92)	3,029
Net cash used in investing activities	--	(58,852)	(29,296)	(88,148)
Cash flows from financing activities:				
Repurchases of common stock	(25,870)	--	--	(25,870)
Proceeds from borrowings under non-recourse real estate financings	--	--	85,984	85,984
Payments of non-recourse real estate financings	--	--	(25,201)	(25,201)
Proceeds from borrowings under other long-term debt	--	819	63,326	64,145
Payments of other long-term debt	--	--	(64,447)	(64,447)
Other financing activities, net	2,638	8,463	(5,605)	5,496
Advances from (to) affiliates	23,127	(23,127)	--	--
Net cash (used in) provided by financing activities	(105)	(13,845)	54,057	40,107
Net increase in cash and cash equivalents				