

VAIL RESORTS INC
Form 8-K
August 02, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): July 28, 2005

Vail Resorts, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-9614
(Commission
File Number)

51-0291762
(IRS Employer
Identification No.)

137 Benchmark Road Avon, Colorado
(Address of principal executive offices)

81620
(Zip Code)

Registrant's telephone number, including area code:

(970) 845-2500

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting materials pursuant to Rule 14a-12 under the Exchange Act
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Item 2.01 Completion of Acquisition or Disposition of Assets.

On July 28, 2005, VA Rancho Mirage Resort, L.P. ("VA Rancho"), a limited partnership owned by wholly-owned subsidiaries of Vail Resorts, Inc. (the "Company"), closed the previously announced sale of the assets constituting The Lodge at Rancho Mirage ("Rancho Mirage") for \$33.0 million, the proceeds of which were adjusted for normal working capital proration. The sale occurred pursuant to a purchase and sale agreement (the "Rancho Mirage Agreement") between VA Rancho and GENLB-Rancho LLC ("GenLB"), a partnership led by the Gencom Group, a private Miami-based hospitality investment firm ("Gencom"). The estimated carrying value of the assets sold (net of liabilities assumed) was \$43.4 million. Additionally, the Company is required to complete certain capital projects that were part of the Company's 2005 capital plan, the total of which is not expected to exceed \$344,000. The Company anticipates recording an estimated \$11.1 million pre-tax loss in its fourth fiscal quarter of 2005 after consideration of all transaction costs. The Company will continue to manage Rancho Mirage pursuant to a multi-year management agreement with GenLB.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information

The following unaudited pro forma financial statements give effect to the disposition of the assets constituting Rancho Mirage. The pro forma financial statements also give effect to the disposition of the Vail Marriott Mountain Resort and Spa (the "Vail Marriott"), previously described in the Company's Current Report on Form 8-K filed June 30, 2005. The following presents the Company's unaudited pro forma financial information for the nine months ended April 30, 2005 and for the fiscal year ended July 31, 2004. The unaudited pro forma balance sheet as of April 30, 2005 gives effect to the disposition of the assets and liabilities constituting Rancho Mirage and the Vail Marriott as if each had occurred on April 30, 2005. The unaudited pro forma statements of operations for the nine months ended April 30, 2005 and for the year ended July 31, 2004 give effect to the disposition of the assets and liabilities constituting Rancho Mirage and the Vail Marriott as if each had occurred and the management agreements to manage the hotels had been entered into as of the beginning of each respective period.

The unaudited pro forma consolidated financial statements should be read together with the Company's consolidated financial statements as of July 31, 2004, including the notes thereto, included in the Vail Resorts, Inc. Annual Report on Form 10-K for the fiscal year ended July 31, 2004 as well as the unaudited consolidated financial statements as of April 30, 2005, including the notes thereto, included in the Vail Resorts, Inc. Quarterly Report on Form 10-Q for the nine months ended April 30, 2005.

The pro forma financial information is for informational purposes only and does not purport to present what the Company's results would actually have been had these transactions actually occurred on the dates presented or to project the Company's results of operations or financial position for any future period.

**Vail Resorts, Inc.
Unaudited Pro Forma Consolidated Balance Sheet

As of April 30, 2005
(In thousands, except share and per share amounts)**

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| | April 30, 2005 <u>As Reported</u> | Rancho Mirage Pro Forma <u>Adjustments</u> | | Vail Marriott Pro Forma <u>Adjustments</u> | | April 30, 2005 <u>Pro Forma</u> |
|---|---|--|-----|--|-----|---------------------------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 41,068 | \$ 33,192 | (a) | \$ 62,859 | (a) | \$ 137,119 |
| Restricted cash | 17,709 | -- | | -- | | 17,709 |
| Receivables, net | 33,493 | (138) | (b) | (1,960) | (b) | 31,395 |
| Inventories, net | 31,098 | (252) | (c) | (70) | (c) | 30,776 |
| Other current assets | <u>27,985</u> | <u>(328)</u> | (d) | <u>(71)</u> | (d) | <u>27,586</u> |
| Total current assets | 151,353 | 32,474 | | 60,758 | | 244,585 |
| Property, plant and equipment, net | 978,464 | (36,294) | (e) | (56,861) | (e) | 885,309 |
| Real estate held for sale and investment | 140,009 | -- | | -- | | 140,009 |
| Goodwill, net | 145,090 | (6,396) | (f) | -- | | 138,694 |
| Intangible assets, net | 81,325 | (165) | (g) | (2,800) | (g) | 78,360 |
| Other assets | <u>34,044</u> | <u>(1,096)</u> | (h) | -- | | <u>32,948</u> |
| Total assets | <u>\$ 1,530,285</u> | <u>\$ (11,477)</u> | | <u>\$ 1,097</u> | | <u>\$ 1,519,905</u> |
| Liabilities and Stockholders' Equity | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 188,349 | \$ 331 | (i) | \$ 2,048 | (i) | \$ 190,728 |
| Long-term debt due within one year | <u>2,178</u> | <u>(172)</u> | (j) | -- | | <u>2,006</u> |
| Total current liabilities | 190,527 | 159 | | 2,048 | | 192,734 |
| Long-term debt | 520,349 | (389) | (k) | -- | | 519,960 |
| Other long-term liabilities | 102,016 | -- | | 1,132 | (l) | 103,148 |

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|---|---------------------|--------------------|-----|-----------------|-----|---------------------|
| Deferred income taxes | 116,638 | (4,274) | (m) | (792) | (m) | 111,572 |
| Commitments and contingencies | -- | -- | | -- | | -- |
| Put option liabilities | 451 | -- | | -- | | 451 |
| Minority interest in net assets of consolidated subsidiaries | 39,142 | -- | | -- | | 39,142 |
| Stockholders' equity: | | | | | | |
| Preferred stock, \$0.01 par value, 25,000,000 shares authorized, zero shares issued and outstanding | -- | -- | | -- | | -- |
| Common stock: | | | | | | |
| Class A common stock, convertible to common stock, \$0.01 par value, 20,000,000 shares authorized, zero shares issued and outstanding | -- | -- | | -- | | -- |
| Common stock, \$0.01 par value, 80,000,000 shares authorized, 35,946,776 shares issued and outstanding | 359 | -- | | -- | | 359 |
| Additional paid-in capital | 426,819 | -- | | -- | | 426,819 |
| Deferred compensation | (415) | -- | | -- | | (415) |
| Retained earnings | <u>134,399</u> | <u>(6,973)</u> | (n) | <u>(1,291)</u> | (n) | <u>126,135</u> |
| Total stockholders' equity | <u>561,162</u> | <u>(6,973)</u> | | <u>(1,291)</u> | | <u>552,898</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,530,285</u> | <u>\$ (11,477)</u> | | <u>\$ 1,097</u> | | <u>\$ 1,519,905</u> |

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

Vail Resorts, Inc.
Unaudited Pro Forma Consolidated Statement of Operations

For the Nine Months Ended April 30, 2005
(In thousands, except per share amounts)

| | Nine Months | | | | Nine Months |
|---|--------------------|--------------------|-----|--------------------|------------------|
| | Ended | Rancho Mirage | | Vail Marriott | Ended |
| | April 30, 2005 | Pro Forma | | Pro Forma | April 30, 2005 |
| | <u>As Reported</u> | <u>Adjustments</u> | | <u>Adjustments</u> | <u>Pro Forma</u> |
| Net revenue: | | | | | |
| Mountain | \$ 505,484 | \$ -- | | \$ -- | \$ 505,484 |
| Lodging | 145,148 | (15,950) | (o) | (17,539) | (o) 111,659 |
| Real estate | <u>39,329</u> | <u>--</u> | | <u>---</u> | <u>39,329</u> |
| Total net revenue | 689,961 | (15,950) | | (17,539) | 656,472 |
| Segment operating expense: | | | | | |
| Mountain | 329,210 | -- | | -- | 329,210 |
| Lodging | 127,282 | (15,385) | (p) | (12,398) | (p) 99,499 |
| Real estate | <u>32,939</u> | <u>--</u> | | <u>---</u> | <u>32,939</u> |
| Total segment operating expense | 489,431 | (15,385) | | (12,398) | 461,648 |
| Other operating expense: | | | | | |
| Depreciation and amortization | (69,387) | 1,437 | (q) | 2,553 | (q) (65,397) |
| Asset impairment charge | (1,573) | -- | | -- | (1,573) |
| Loss on disposal of fixed assets, net | <u>(1,519)</u> | <u>--</u> | | <u>---</u> | <u>(1,519)</u> |
| Income from operations | 128,051 | 872 | (r) | (2,588) | (r) 126,335 |
| Mountain equity investment income, net | 2,003 | -- | | -- | 2,003 |
| Lodging equity investment loss, net | (2,679) | -- | | -- | (2,679) |
| Real estate equity investment loss, net | (107) | -- | | -- | (107) |

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| | | | | | |
|---|------------------|---------------|-------------------|-----|------------------|
| Investment income, net | 1,443 | -- | (20) | (s) | 1,423 |
| Interest expense | (30,734) | -- | -- | | (30,734) |
| Loss on extinguishment of debt | (612) | -- | -- | | (612) |
| Gain on sale of equity investment | 5,690 | -- | -- | | 5,690 |
| Gain on put options, net | 741 | -- | -- | | 741 |
| Other income, net | 49 | -- | -- | | 49 |
| Minority interest in income of consolidated subsidiaries, net | <u>(6,980)</u> | <u>--</u> | <u>--</u> | | <u>(6,980)</u> |
| Income before provision for income taxes | 96,865 | 872 | (2,608) | | 95,129 |
| Provision for income taxes | <u>37,293</u> | <u>(331)</u> | <u>991</u> | (t) | <u>36,634</u> |
| Net income | <u>\$ 59,572</u> | <u>\$ 541</u> | <u>\$ (1,617)</u> | | <u>\$ 58,496</u> |
| Per share amounts: | | | | | |
| Basic net income per share | <u>\$ 1.68</u> | | | | <u>\$ 1.65</u> |
| Diluted net income per share | <u>\$ 1.65</u> | | | | <u>\$ 1.62</u> |
| Basic weighted-average shares outstanding | <u>35,526</u> | | | | <u>35,526</u> |
| Diluted weighted-average shares outstanding | <u>36,021</u> | | | | <u>36,021</u> |

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

Vail Resorts, Inc.
Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended July 31, 2004
(In thousands, except per share amounts)

| Year Ended | | | Year Ended |
|------------|------------------|------------------|------------|
| July 31, | Rancho Mirage | Vail Marriott | July 31, |
| 2004 | Pro Forma | Pro Forma | 2004 |

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| | <u>As Reported</u> | <u>Adjustments</u> | | <u>Adjustments</u> | | <u>Pro Forma</u> |
|---|--------------------|--------------------|-----|--------------------|-----|------------------|
| Net revenues: | | | | | | |
| Mountain | \$ 500,436 | \$ -- | | \$ -- | | \$ 500,436 |
| Lodging | 176,334 | (19,174) | (o) | (19,689) | (o) | 137,471 |
| Real estate | <u>45,123</u> | <u>--</u> | | <u>--</u> | | <u>45,123</u> |
| Total net revenues | 721,893 | (19,174) | | (19,689) | | 683,030 |
| Operating expenses: | | | | | | |
| Mountain | 368,984 | -- | | -- | | 368,984 |
| Lodging | 161,124 | (20,006) | (p) | (15,581) | (p) | 125,537 |
| Real estate | <u>16,790</u> | <u>--</u> | | <u>--</u> | | <u>16,790</u> |
| Total segment operating expense | 546,898 | (20,006) | | (15,581) | | 511,311 |
| Other operating income (expense): | | | | | | |
| Gain on transfer of property, net | 2,147 | -- | | -- | | 2,147 |
| Depreciation and amortization | (86,378) | 1,765 | (q) | 3,386 | (q) | (81,227) |
| Asset impairment charge | (1,108) | -- | | -- | | (1,108) |
| Mold remediation charge | (5,500) | -- | | -- | | (5,500) |
| Loss on disposal of fixed assets, net | <u>(2,345)</u> | <u>--</u> | | <u>--</u> | | <u>(2,345)</u> |
| Income from operations | 81,811 | 2,597 | (r) | (722) | (r) | 83,686 |
| Mountain equity investment income, net | 1,376 | -- | | -- | | 1,376 |
| Lodging equity investment loss, net | (3,432) | -- | | -- | | (3,432) |
| Real estate equity investment income, net | 460 | -- | | -- | | 460 |
| Investment income, net | 1,886 | -- | | (12) | (s) | 1,874 |
| Interest expense | (47,479) | -- | | -- | | (47,479) |
| Loss on extinguishment of debt | (37,084) | -- | | -- | | (37,084) |
| Loss on put options, net | (1,875) | -- | | -- | | (1,875) |
| Other expense, net | (179) | -- | | -- | | (179) |
| Minority interest in income of consolidated subsidiaries, net | <u>(4,000)</u> | <u>--</u> | | <u>--</u> | | <u>(4,000)</u> |
| Loss before provision for income taxes | (8,516) | 2,597 | | (734) | | (6,653) |
| Benefit for income taxes | <u>2,557</u> | <u>(987)</u> | (t) | <u>279</u> | (t) | <u>1,849</u> |

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| | | | | |
|---|-------------------|-----------------|-----------------|-------------------|
| Net loss | \$ <u>(5,959)</u> | \$ <u>1,610</u> | \$ <u>(455)</u> | \$ <u>(4,804)</u> |
| Per share amounts: | | | | |
| Basic net loss per share | \$ <u>(0.17)</u> | | | \$ <u>(0.14)</u> |
| Diluted net loss per share | \$ <u>(0.17)</u> | | | \$ <u>(0.14)</u> |
| Basic weighted-average shares outstanding | <u>35,294</u> | | | <u>35,294</u> |
| Diluted weighted-average shares outstanding | <u>35,294</u> | | | <u>35,294</u> |

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

Vail Resorts, Inc. Notes to Unaudited Pro Forma Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements reflect the sale of (i) the assets constituting The Lodge at Rancho Mirage ("Rancho Mirage") by VA Rancho Mirage Resort, L.P. ("VA Rancho"), a limited partnership owned by wholly-owned subsidiaries of Vail Resorts, Inc. (the "Company") and (ii) the Vail Marriott Mountain Resort and Spa (the "Vail Marriott") by VAMHC, Inc. ("VAMHC"), a subsidiary of the Company. The accompanying unaudited pro forma consolidated statements of operations for the nine months ended April 30, 2005 and for the year ended July 31, 2004 assume that the disposition of the assets constituting Rancho Mirage and the Vail Marriott occurred and the management agreements to manage the hotels had been entered into as of the beginning of the earliest period presented. The accompanying unaudited pro forma consolidated balance sheet as of April 30, 2005 assumes that the disposition of the assets constituting Rancho Mirage and Vail Marriott occurred on April 30, 2005.

2. Pro Forma Adjustments

The unaudited pro forma consolidated financial statements reflect the following pro forma adjustments:

- (a) Net proceeds from the disposition of the assets (net of assumed liabilities) constituting Rancho Mirage and the Vail Marriott as of April 30, 2005.
- (b) Elimination of the receivables balance related to Rancho Mirage and the Vail Marriott as of April 30, 2005.
- (c) Elimination of the inventories balance related to Rancho Mirage and the Vail Marriott as of April 30, 2005.
- (d) Elimination of the other current assets balance related to Rancho Mirage and the Vail Marriott and the removal of the deferred transaction costs related to the Vail Marriott incurred as of April 30, 2005.
- (e) Elimination of the net property, plant and equipment balance related to Rancho Mirage and the Vail Marriott as of April 30, 2005.
- (f) Elimination of the goodwill balance related to Rancho Mirage as of April 30, 2005.
- (g) Elimination of the net intangible assets balance related to Rancho Mirage and the Vail Marriott as of April 30, 2005.
- (h) Elimination of the other assets balance related to Rancho Mirage as of April 30, 2005.
- (i) Elimination of the accounts payable and accrued expenses balance related to Rancho Mirage and the Vail Marriott, offset by the addition of estimated liabilities related to completion of certain capital projects as well as other services and obligations assumed in connection with the disposition of the assets constituting Rancho Mirage and the Vail Marriott as of April 30, 2005.
- (j) Elimination of capital lease obligations due within one year assumed by the buyer related to Rancho Mirage as of April 30, 2005.
- (k) Elimination of long-term capital lease obligations assumed by the buyer related to Rancho Mirage as of April 30, 2005.
- (l) Estimated long-term liabilities related to completion of certain capital projects as well as other services assumed in connection with the disposition of the assets constituting the Vail Marriott as of April 30, 2005.
- (m) Recognition of long-term deferred tax asset associated with the net loss on sale of assets constituting Rancho Mirage and the Vail Marriott.
- (n) Recognition of the estimated net loss on sale of assets constituting Rancho Mirage of \$11.3 million and the Vail Marriott of \$2.0 million, net of tax effect of loss at 38% statutory tax rate.

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- (o) Elimination of revenues recognized by Rancho Mirage and the Vail Marriott from the beginning of the period presented, offset by estimated management fees and, for the Vail Marriott only, accounting services fees that would have been recognized as if the Company was only managing Rancho Mirage and the Vail Marriott from the beginning of the period, based on the management contracts now in effect.
- (p) Elimination of operating expenses incurred by Rancho Mirage and the Vail Marriott from the beginning of the period presented, offset by incremental costs of providing accounting services (Vail Marriott only).
- (q) Elimination of depreciation and amortization expense from the beginning of the period presented related to the assets constituting Rancho Mirage and the Vail Marriott.
- (r) Represents (income) loss from operations of the Vail Marriott and Rancho Mirage for the period, net of assumed management fee revenue
- (s) Elimination of investment income from the beginning of the period presented recognized by the Vail Marriott.
- (t) Tax effect of pro forma adjustments at 38% statutory tax rate.

The following estimated nonrecurring losses resulting as of the assumed transaction date of April 30, 2005 will be recognized, subject to final adjustments, by the Company in its fourth quarter of fiscal 2005. These losses were not considered in the pro forma income statements presented herein.

1. Loss on the sale of the assets constituting Rancho Mirage of approximately \$11.3 million (\$7.0 million net of tax) and the Vail Marriott of approximately \$2.0 million (\$1.3 million net of tax).

(c) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|-------------------------------------|
| 99.1 | Press Release, dated August 2, 2005 |

SIGNATURE

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

Date: August 2, 2005

Vail Resorts, Inc.
By: /s/ Jeffrey W. Jones
Jeffrey W. Jones
Senior Vice President and Chief Financial
Officer