

Intrawest Resorts Holdings, Inc.  
Form 10-Q  
March 17, 2014

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**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 December 31, 2013**

**o 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: 001-36286**

**Intrawest Resorts Holdings, Inc.**

**(Exact Name of Registrant as Specified in Its Charter)**

<b>Delaware</b>	<b>46-3681098</b>
<b>(State or Other Jurisdiction of Incorporation or Organization)</b>	<b>(I.R.S. Employer Identification No.)</b>

<b>1621 18th Street, Suite 300</b>	
<b>Denver, Colorado</b>	<b>80202</b>
<b>(Address of Principal Executive Offices)</b>	<b>(Zip Code)</b>

**(303) 749-8200**

**(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 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 March 17, 2014, 45,032,000 shares of the registrant's common stock were outstanding.

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**CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words believe, may, will, estimate, continue, anticipate, intend, expect, and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including: weakness in general economic conditions; lack of adequate snowfall and unfavorable weather conditions; adverse events that occur during our peak operating periods; increased competition; regulatory risks; our operational reliance on major equipment; risks associated with our acquisition strategy; Steamboat's dependence on subsidized direct air service; risks related to information technology; our potential failure to maintain the integrity of our customer or employee data; currency risks; adverse consequences of current or future legal claims; loss of key personnel; our ability to monetize real estate assets; a partial or complete loss of Alpine Helicopters' services; the effects of climate change; our ability to successfully remediate the material weakness in our internal control over financial reporting; risks associated with Fortress's ownership of a majority of our outstanding common stock and other risks described under the caption Risk Factors in our prospectus ("Prospectus") filed with the Securities and Exchange Commission ("SEC") pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on January 31, 2014, which are incorporated by reference into Part II-Item 1A, Risk Factors in this Quarterly Report on Form 10-Q. Moreover, we operate in a competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## INTRAWEST RESORTS HOLDINGS, INC.

**Condensed Consolidated Balance Sheets****(In thousands, except unit and share data)****(Unaudited)**

	Fiscal Year	
	End June 30, 2013	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$59,775	\$42,014
Restricted cash	13,685	21,140
Receivables, net of allowances of \$8,333 and \$7,808	38,298	41,587
Inventories	29,151	40,855
Prepaid expenses and other assets	20,838	25,790
Total current assets	161,747	171,386
Receivables, net of allowances of \$6,264 and \$5,854	37,779	33,793
Amounts due from related parties	6,262	—
Property, plant and equipment, net of accumulated depreciation of \$347,364 and \$361,642	475,856	501,094
Real estate held for development	164,916	153,096
Deferred charges and other	28,584	27,212
Equity method investments	86,344	82,536
Intangible assets, net	65,503	61,880
Goodwill	94,609	94,609
Total assets	\$1,121,600	\$1,125,606

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Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$62,196	\$88,677
Deferred revenue and deposits	52,110	122,810
Long-term debt due within one year	8,201	10,560
Total current liabilities	122,507	222,047
Deferred revenue and deposits	22,115	21,468
Long-term debt	580,662	568,718
Notes payable to affiliates	1,358,695	—
Other long-term liabilities	56,367	54,642
Total liabilities	2,140,346	866,875
Commitments and contingencies (Note 13)		
Partner's deficit:		
Partnership units, unlimited number authorized		
General partner: 0 units outstanding at June 30, 2013	—	—
Limited partners: 1,352,253 units outstanding at June 30, 2013	(1,166,797)	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 300,000,000 shares authorized; 0 issued and outstanding at December 31, 2013	—	—
Common stock, \$0.01 par value; 2,000,000,000 shares authorized; 41,882,000 shares issued and outstanding at December 31, 2013	—	419
Additional paid-in capital	—	2,864,320
Retained deficit	—	(2,805,726)
Accumulated other comprehensive income	148,805	201,109
Total partner's (deficit)/ stockholders' equity	(1,017,992)	260,122
Noncontrolling interest	(754)	(1,391)
Total (deficit) equity	(1,018,746)	258,731
Total liabilities and equity	\$1,121,600	\$1,125,606

See accompanying notes to condensed consolidated financial statements.

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INTRAWEST RESORTS HOLDINGS, INC.

**Condensed Consolidated Statements of Operations****(In thousands, except share data)****(Unaudited)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2013	2012	2013
Revenue	\$ 104,269	\$ 102,106	\$ 183,464	\$ 182,667
Operating expenses	109,038	106,726	210,217	210,922
Depreciation and amortization	15,007	13,998	29,660	27,143
(Gain) loss on disposal of assets	(214 )	23	996	(213 )
Impairment of real estate	—	—	62	633
Loss from operations	(19,562 )	(18,641 )	(57,471 )	(55,818 )
Interest income	1,580	2,090	3,217	3,722
Interest expense on third party debt	(31,427 )	(15,160 )	(66,433 )	(31,624 )
Interest expense on notes payable to affiliates	(58,197 )	(52,753 )	(113,568 )	(119,858 )
Loss from equity method investments	(10,842 )	(1,952 )	(10,933 )	(3,543 )
Gain on disposal of equity method investments	18,923	—	18,923	—
Loss on extinguishment of debt	(11,152 )	(35,480 )	(11,152 )	(35,480 )
Other income (expense), net	696	(715 )	1,098	(887 )
Loss before income taxes	(109,981 )	(122,611 )	(236,319 )	(243,488 )
Income tax (benefit) expense	(630 )	(404 )	342	297
Net loss	(109,351 )	(122,207 )	(236,661 )	(243,785 )
Loss attributable to noncontrolling interest	374	1,090	408	654
Net loss attributable to Intrawest Resorts Holdings, Inc.	\$(108,977 )	\$(121,117 )	\$(236,253 )	\$(243,131 )
Weighted average shares of common stock outstanding, basic and diluted	41,882,000	41,882,000	41,882,000	41,882,000
Net loss attributable to Intrawest Resorts Holdings, Inc. per share, basic and diluted	\$(2.60 )	\$(2.89 )	\$(5.64 )	\$(5.81 )



See accompanying notes to condensed consolidated financial statements.

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INTRAWEST RESORTS HOLDINGS, INC.

**Condensed Consolidated Statements of Comprehensive Loss****(In thousands)****(Unaudited)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2013	2012	2013
Net loss	\$(109,351)	\$(122,207)	\$(236,661)	\$(243,785)
Foreign currency translation adjustments	(5,209 )	(10,972 )	13,535	(2,747 )
Realized portion on cash flow hedge (net of tax of \$0)	1,132	1,082	2,102	2,683
Actuarial gain (loss) on pensions (net of tax of \$0)	74	(142 )	(141 )	(285 )
Comprehensive loss	(113,354)	(132,239)	(221,165)	(244,134)
Comprehensive loss attributable to noncontrolling interest	373	1,061	409	637
Comprehensive loss attributable to Intrawest Resorts Holdings, Inc.	\$(112,981)	\$(131,178)	\$(220,756)	\$(243,497)

See accompanying notes to condensed consolidated financial statements.

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INTRAWEST RESORTS HOLDINGS, INC.

**Condensed Consolidated Statements of Equity****(In thousands)****(Unaudited)**

	Partnership		Intrawest Resorts Holdings, Inc.				Accumulated Other Comprehensive Income		Noncontrolling Interest		Total
	General Partners	Limited Partners	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Deficit					
Balance, June 30, 2012	\$—	\$(877,879 )	—	\$—	\$—	\$—	\$ 153,598	\$—		\$(724,281 )	
Net loss	—	(236,253 )	—	—	—	—	—	(408 )		(236,661 )	
Other comprehensive income (loss):											
Foreign currency translation adjustments	—	—	—	—	—	—	13,536	(1 )		13,535	
Realized portion on cash flow hedge (net of tax of \$0)	—	—	—	—	—	—	2,102	—		2,102	
Actuarial loss on pensions (net of tax of \$0)	—	—	—	—	—	—	(141 )	—		(141 )	
Contribution from affiliates	—	2,667	—	—	—	—	—	—		2,667	
Unit-based compensation	—	317	—	—	—	—	—	—		317	
Cash settlement of unit-based compensation	—	(15 )	—	—	—	—	—	—		(15 )	
	\$—	\$(1,111,163 )	—	\$—	\$—	\$—	\$ 169,095	\$(409 )		\$(942,477 )	

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Balance,  
December 31,  
2012

Balance, June 30, 2013	\$—	\$(1,166,797)	—	\$—	\$—	\$—	\$ 148,805	\$(754 )	\$(1,018,746)
Net loss attributable from July 1, 2013 through December 8, 2013	—	(224,288 )	—	—	—	—	—	(577 )	(224,865 )
Contribution from affiliates	—	1,675	—	—	—	—	—	—	1,675
Restructuring transactions on December 9, 2013 (Note 1)	—	1,389,410	41,882	419	2,864,320	(2,786,883)	52,670	—	1,519,936
Net loss attributable from December 9, 2013 through December 31, 2013	—	—	—	—	—	(18,843 )	—	(77 )	(18,920 )
Other comprehensive income (loss):									
Foreign currency translation adjustments	—	—	—	—	—	—	(2,764 )	17	(2,747 )
Realized portion on cash flow hedge (net of tax of \$0)	—	—	—	—	—	—	2,683	—	2,683
Actuarial loss on pensions (net of tax of \$0)	—	—	—	—	—	—	(285 )	—	(285 )
Balance, December 31, 2013	\$—	\$—	41,882	\$419	\$2,864,320	\$(2,805,726)	\$201,109	\$(1,391 )	\$258,731

See accompanying notes to condensed consolidated financial statements.



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INTRAWEST RESORTS HOLDINGS, INC.

**Condensed Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Six Months Ended December 31,	
	2012	2013
Cash provided by (used in):		
Operating activities:		
Net loss	\$(236,661)	\$(243,785)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	29,660	27,143
Loss from equity method investments	10,933	3,543
Distributions of earnings from equity method investments	4,843	26
Provision for doubtful accounts	1,428	1,218
Loss on extinguishment of debt	11,152	35,480
Amortization of deferred financing costs	2,838	2,026
Realized portion on cash flow hedge	2,102	2,683
Amortization of facility fee and discount	19,124	1,629
Gain on disposal of equity method investments and assets	(18,545 )	(167 )
Accrued interest on notes payable to affiliates	113,568	119,858
Other items, net	64	465
Changes in assets and liabilities:		
Restricted cash	(6,253 )	(7,461 )
Receivables	(1,380 )	(914 )
Inventories	(5,912 )	(11,889 )
Prepaid expenses and other assets	(3,591 )	(6,432 )
Real estate held for development	3,202	10,775
Accounts payable and accrued liabilities	38,234	27,748
Deferred revenue and deposits	71,946	70,478
Net cash provided by operating activities	36,752	32,424
Investing activities:		
Capital expenditures	(21,165 )	(32,910 )
Contributions to equity method investments	(43 )	(571 )

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Proceeds from the sale of equity method investments	117,868	—
Proceeds from the sale of assets	767	145
Net cash provided by (used in) investing activities	97,427	(33,336 )

See accompanying notes to condensed consolidated financial statements.

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INTRAWEST RESORTS HOLDINGS, INC.

**Condensed Consolidated Statements of Cash Flows (Continued)****(In thousands)****(Unaudited)**

	Six Months Ended December 31,	
	2012	2013
Financing activities:		
Proceeds from issuance of long-term debt	565,125	534,600
Proceeds from restricted cash	60,656	—
Repayments of bank and other borrowings	(734,164)	(582,725 )
Financing costs paid	(19,727 )	(17,985 )
Contributions from affiliates	2,667	49,984
Net cash used in financing activities	(125,443)	(16,126 )
Effect of exchange rate changes on cash	565	(723 )
Increase (decrease) in cash and cash equivalents	9,301	(17,761 )
Cash and cash equivalents, beginning of period	46,908	59,775
Cash and cash equivalents, end of period	\$56,209	\$42,014
Supplemental information:		
Cash paid for interest	\$27,136	\$21,565
Non-cash investing and financing activities		
Property, plant and equipment financed by capital lease obligations	\$—	\$19,565
Exchange of Tranche B Term Loans and Affiliate Loans for equity	\$—	\$1,471,627

See accompanying notes to condensed consolidated financial statements.



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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

1. Formation and Business

***Formation of the Company***

Intrawest Resorts Holdings, Inc. is a Delaware Corporation that was formed on August 30, 2013, and had not, prior to the completion of the restructuring transactions described below under *Restructuring*, conducted any activities other than those incident to its formation for the preparation of its initial public offering.

Intrawest Cayman L.P. (the *Partnership*) was formed on February 22, 2007 as a holding company that operated through various subsidiaries primarily engaged in the operation of mountain resorts, adventure, and real estate businesses, principally throughout North America. The subsidiaries of the Partnership held substantially all of the historical assets and liabilities that were contributed pursuant to the restructuring transactions described below under *Restructuring*.

Unless the context suggests otherwise, references in the condensed consolidated financial statements to the *Company*, *IRHI*, *our*, *us*, or *we* refer to the Partnership and its consolidated subsidiaries prior to the consummation of the restructuring transactions described below under *Restructuring* and to Intrawest Resorts Holdings, Inc. and its consolidated subsidiaries after the consummation of the restructuring transactions described below under *Restructuring*.

***Business Operations***

The Company conducts business through three reportable segments: Mountain, Adventure and Real Estate. The Mountain segment includes our mountain resorts and lodging operations at Steamboat Ski & Resort ( Steamboat ) and Winter Park Resort ( Winter Park ) in Colorado, Stratton Mountain Resort ( Stratton ) in Vermont, Snowshoe Mountain Resort ( Snowshoe ) in West Virginia, Mont Tremblant Resort ( Tremblant ) in Quebec, and a 50% interest in Blue Mountain Ski Resort ( Blue Mountain ) in Ontario. The Mountain segment derives revenue mainly from sales of lift pass products, lodging management, ski school services, retail and rental merchandise, food and beverage, and other ancillary services. The Adventure segment includes Canadian Mountain Holidays ( CMH ), which provides heli-skiing, mountaineering and hiking at 11 lodges in British Columbia, Canada. In support of CMH s operations, the Company owns a fleet of Bell helicopters that are also used in the off-season for fire suppression in the United States and Canada and other commercial uses. Alpine Aerotech Ltd. provides helicopter maintenance, repair and overhaul services to the Company s fleet of helicopters as well as to aircraft owned by unaffiliated third parties. The Real Estate segment is comprised of and derives revenue from Intrawest Resort Club Group ( IRCG ), a vacation club business, Intrawest Hospitality Management ( IHM ), which manages condominium hotel properties in Maui, Hawaii and in Mammoth Lakes, California, and Playground, a residential real estate sales and marketing business. The Real Estate segment is also comprised of ongoing real estate development activities, and includes costs associated with these activities, including planning activities and land carrying costs. The Company s business is seasonal in nature generating the highest revenue in the third fiscal quarter.

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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

***Restructuring***

On December 9, 2013, the Company was party to a series of transactions in which the Partnership caused its indirect subsidiaries to contribute 100% of their equity interest in both Intrawest U.S. Holdings Inc., a Delaware corporation (“Intrawest U.S.”), and Intrawest ULC, an unlimited liability company organized under the laws of the Province of Alberta (“Intrawest Canada”), to an indirect subsidiary of the Company. Concurrently, \$1.1 billion of notes payable to affiliates, including \$0.7 billion of accrued and unpaid interest thereon, were exchanged for 42,999,900 shares of the Company's common stock (or 41,881,903 shares after giving effect to the 0.974-for-1 reverse stock split as discussed in Note 14, “Subsequent Events”) and subsequently cancelled. The Company's subsidiaries were released from all obligations, including guaranty obligations, in respect of an additional \$355.6 million of notes payable to affiliates (the Third Lien Loan), including \$145.6 million of accrued and unpaid interest thereon. These transactions are collectively referred to as the “Restructuring.” The condensed consolidated statements of operations include interest expense related to the non-contributed notes payable to affiliates of \$23.8 million and \$24.4 million for the six month periods ended December 31, 2012 and 2013, respectively.

The Restructuring was accounted for as a transaction among entities under common control as Intrawest Resorts Holdings, Inc. and the Partnership were, since August 30, 2013, and continue to be, under the common control of entities managed or controlled by Fortress Investment Group, LLC, (“Fortress”). The Company had no operations prior to the Restructuring. After the Restructuring, the Company continues to be indirectly wholly-owned by Fortress and is the parent holding company of the businesses conducted by Intrawest U.S. and Intrawest Canada and their respective subsidiaries. Due to the entities being under common control the assets, liabilities and equity contributed to the Company were recorded at their historical carrying values on the condensed consolidated balance sheet. The condensed consolidated statements of operations include the historical results of the Partnership combined with the results of the Company since the Restructuring. The condensed consolidated statements of equity include \$2.8 billion of accumulated net losses attributable to the partners, converted to and reflected as an accumulated retained deficit of the Company, and the historical contributed capital from partners of \$1.4 billion, combined with the debt to equity

conversion from the Restructuring, converted to and reflected as additional paid in capital (“APIC”). The condensed consolidated statements of cash flows reflect the activity of the historical Partnership balances combined with those of the Company since the Restructuring. The European operations of the Partnership were not contributed to the Company in connection with the Restructuring. As a result, the condensed consolidated balance sheet as of December 31, 2013 reflects the removal of approximately \$4.1 million in total assets. In addition, the condensed consolidated balance sheet as of December 31, 2013 reflects the conversion of the \$1.1 billion of affiliate debt and the removal of the principal balance and accrued and unpaid interest related to the remaining \$355.6 million of notes payable to affiliates that were not contributed to the Company, but from which the Company’s subsidiaries were released from all of their obligations, including guarantor obligations. The conversion of affiliate debt and removal of the Third Lien Loan resulted in the Company recording an additional \$1.5 billion of APIC.

The Company’s income tax net operating loss carryforwards were reduced due to the Restructuring. As of June 30, 2013, the Company had net operating loss carryforwards of approximately \$4.0 billion, which included \$2.1 billion pertaining to the European operations. Due to the Restructuring, the net operating loss carryforwards pertaining to the European operations are no longer part of the Company’s net operating loss carryforward balance. Additionally, the Restructuring resulted in cancellation of indebtedness income in the United States and Canada. In accordance with the applicable tax rules in each jurisdiction, the Company’s net operating loss carryforwards have been reduced by approximately \$0.5 billion. The Company believes uncertainty exists with respect to the future realization of the remaining net operating loss carryforwards and continues to provide a full valuation allowance. As of December 31, 2013, after giving effect to the Restructuring, the Company had estimated remaining net operating loss carryforwards of approximately \$1.4 billion.

Following the completion of the Restructuring, Fortress indirectly owned 100% of the voting and economic equity interests of the Company.

### ***Refinancing***

In conjunction with the Restructuring on December 9, 2013, one of the Company’s subsidiaries, as borrower, entered into a new credit agreement (the “New Credit Agreement”) with a syndicate of lenders, Goldman Sachs Bank USA, as issuing bank, and Goldman Sachs Lending Partners LLC, as administrative agent, providing for a \$540.0 million term loan facility (the “Term Loan”), a \$25.0 million senior secured first-lien revolving loan facility (the “New Revolver”), and a \$55.0 million senior secured first-lien letters of credit facility (the “New LC Facility”, together with the Term Loan and New Revolver, are collectively referred to herein as the “FY14 Loans”).

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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

The proceeds from the Term Loan, together with cash on hand and \$48.3 million contributed to the Company by Fortress, were used to refinance and extinguish the existing debt under the First Lien Credit Agreement dated December 4, 2012 (the FY13 First Lien Loans ) and the Second Lien Credit Agreement, also dated December 4, 2012 (the FY13 Second Lien Loans , collectively, the FY13 Lien Loans ). The refinancing has been accounted for as an extinguishment of debt resulting in a non-cash, pre-tax loss of \$35.5 million during the three and six months ended December 31, 2013. For a description of the New Credit Agreement see Note 6, Long Term Debt and Notes Payable to Affiliates .

***Initial Public Offering***

On February 5, 2014, the Company completed its initial public offering ( IPO ) and sold 3,125,000 shares of its common stock at an offering price of \$12.00 per share. Fortress sold an additional 14,843,750 shares of the Company's common stock, including 2,343,750 shares sold on February 18, 2014 upon exercise of an option granted to the underwriters. The Company did not receive any proceeds from the sale of common stock by Fortress.

The Company received net proceeds of \$29.0 million, after deducting \$2.4 million of underwriting discounts and commissions and \$6.1 million of offering expenses payable by the Company, of which \$4.2 million was deferred as of December 31, 2013. The Company intends to use such proceeds for working capital and other general corporate purposes, which may include potential investments in, and acquisitions of, ski and adventure travel businesses and assets.

Following the completion of the IPO, Fortress beneficially owns 60.1% of the voting and economic equity interests of the Company.

2. Significant Accounting Policies

***Basis of Presentation***

The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and related notes included in our prospectus filed with the Securities and Exchange Commission ( SEC ) pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on January 31, 2014 ( Prospectus ). The condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States of America ( GAAP ). We believe the disclosures made herein are adequate to prevent the information presented from being misleading. The Company's fiscal year end is June 30.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Fortress contribution of Intrawest U.S. and Intrawest Canada to the Company is treated as a reorganization of entities under common control. As required by GAAP for common control transactions, all assets and liabilities transferred to the Company as part of the Restructuring were recorded in the financial statements at carryover basis. The European operations held by a wholly-owned subsidiary of the Partnership were not contributed to the Company in connection with the Restructuring. See Note 1, Formation and Business .

All significant intercompany transactions are eliminated in consolidation. Investments in which the Company does not have a controlling interest or is not the primary beneficiary, but over which the Company is able to exercise significant influence, are accounted for under the equity method. Under the equity method, the original cost of the investment is adjusted for the Company's share of post-acquisition earnings or losses less distributions received.

In January of 2013, the Canadian helicopter business was reorganized and Alpine Helicopters Inc. ( Alpine Helicopters ) was formed in which the Company owns a 20% equity interest. Alpine Helicopters employs all the pilots that fly the helicopters in the CMH land tenures. Alpine Helicopters leases 100% of its helicopters from Intrawest Canada, a consolidated subsidiary, creating economic dependence thus giving Intrawest Canada a variable interest in Alpine Helicopters. Alpine Helicopters is a variable interest entity for which the Company is the primary beneficiary and is consolidated in these financial statements. As of December 31, 2013, Alpine Helicopters had total assets of \$6.0

million and total liabilities of \$5.0 million.

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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which include normal and recurring adjustments, necessary to present fairly the Company's financial position as of December 31, 2013, and the results of operations and comprehensive income for the three and six months ended December 31, 2012 and 2013, and cash flows for the six months ended December 31, 2012 and 2013. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

Derivative Financial Instruments

The Company engages in activities that expose it to market risks including the effects of changes in interest rates and exchange rates. Financial exposures are managed as an integral part of the Company's risk management activities, which seeks to reduce the potentially adverse effect that the volatility of interest rates or exchange rates may have on operating results.

As of June 30, 2013 and December 31, 2013, the Company had no significant outstanding derivative instruments. Prior to October 2008, the Company had outstanding interest rate swaps that were accounted for as cash flow hedges. The outstanding swap contracts were terminated on October 11, 2008, and the deferred loss previously recorded in accumulated other comprehensive income is being recognized in earnings during the period that the hedge covered. The Company estimates that \$2.5 million of deferred losses related to the terminated interest rate swaps will be amortized from accumulated other comprehensive income into interest expense in the next 12 months.

Concentration of Credit Risk



The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and restricted cash. The Company places its cash and temporary cash investments in high quality credit institutions, but these investments may be in excess of regulatory insurance limits. The Company does not enter into financial instruments for trading or speculative purposes. Concentration of credit risk with respect to trade and notes receivables is limited due to the large number of customers and small transactions associated with the Company's consumer and retail operations and the wide variety of customers and markets in which the Company transacts business. The Company performs ongoing credit evaluations of its customers and generally does not require collateral, but does require advance deposits on certain transactions.

#### Receivables

Trade receivables are stated at amounts due from customers for the Company's goods and services net of an allowance for doubtful accounts. The allowance is based on a specific reserve analysis and considers such factors as the customer's past repayment history, the economic environment and other factors that could affect collectability. Write-offs are evaluated on a case by case basis.

For notes receivable from IRCG customers, interest income is recognized on an accrual basis when earned. Any deferred portion of contractual interest is recognized on methods that approximate the effective interest method over the term of the corresponding note.

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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

***Foreign Currency Translation***

The condensed consolidated financial statements are presented in United States dollars (“USD”). The Company’s Canadian subsidiaries generally use the Canadian dollar (“CAD”) as their functional currency.

The accounts of entities where the USD is not the functional currency are translated into USD using the exchange rate in effect at the balance sheet date for asset and liability amounts and at the average rate in effect for the period for amounts included in the determination of income. Cumulative unrealized gains or losses arising from the translation of the financial position of these subsidiaries into USD are included in the condensed consolidated statements of equity as a component of accumulated other comprehensive income (loss).

Exchange gains or losses arising from transactions that are denominated in foreign currencies into the applicable functional currency are included in the determination of income.

***Income Taxes***

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and the book basis reported in the condensed consolidated balance sheets and for operating loss and tax credit carryforwards. The change in deferred tax assets and liabilities for the period gives rise to the deferred tax provision or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and

liabilities are reflected as adjustments to the tax provision or benefit in the period of enactment. To the extent that it is not considered to be more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is provided.

The Company recognizes interest related to uncertain tax positions as a component of income tax expense. Penalties, if incurred, are recorded in operating expenses in the condensed consolidated statements of operations.

### ***Recent Accounting Pronouncements***

In February 2013, the Financial Accounting Standards Board (“FASB”) issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The ASU does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Specifically, the ASU requires the Company to present either in a single note or parenthetically on the face of the financial statements the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, the Company would instead cross-reference to the related note for additional information. The guidance included in ASU 2013-02 was effective for the Company beginning July 1, 2013 and was applied prospectively. The adoption of this authoritative guidance did not have an impact on the Company’s financial position, results of operations or cash flows.

In July 2012, the FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*. This update amends ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, *Intangibles - Goodwill and Other - General Intangibles Other than Goodwill*. The Company adopted the provisions of the ASU effective July 1, 2013. The adoption of ASU 2012-02 did not have a material impact on the Company’s financial position, results of operations or cash flows.

### 3. Supplementary Balance Sheet Information

#### Receivables

Receivables as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Fiscal Year End June 30, 2013</b>	<b>December 31, 2013</b>
Receivables – current:		
Trade receivables	\$14,522	\$ 12,818
Loans, mortgages and notes receivable	10,467	10,762
Other amounts receivable	21,642	25,815
Allowance for doubtful accounts	(8,333 )	(7,808 )
	<b>\$38,298</b>	<b>\$ 41,587</b>

***Deferred charges and other***

Deferred charges and other as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Fiscal Year End June 30, 2013</b>	<b>December 31, 2013</b>
Long-term deferred financing costs, net	\$22,124	\$ 18,648
Deferred IPO costs <sup>(a)</sup>	—	4,170
Other long-term assets	6,460	4,394
	<b>\$28,584</b>	<b>\$ 27,212</b>

Deferred IPO costs consist principally of professional fees, printing and registration costs incurred in connection (a) with the IPO. Such costs were deferred until the closing of the IPO on February 5, 2014, at which time the deferred costs will be offset against the offering proceeds.

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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Fiscal Year End June 30, 2013</b>	<b>December 31, 2013</b>
Trade payables	\$53,390	\$83,975
Other payables and accrued liabilities	8,806	4,702
	<b>\$62,196</b>	<b>\$88,677</b>

***Deferred revenue and deposits***

Deferred revenue and deposits as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Fiscal Year End</b>	<b>December 31, 2013</b>
--	--------------------------------	------------------------------

**June 30,  
2013**

Deferred revenue and deposits – current:

Season pass and other	\$31,262	\$72,458
Lodging and tour deposits	12,147	43,694
Deposits on real estate sales	8,701	6,658
	\$52,110	\$122,810

**Fiscal  
Year  
End  
June 30,  
2013**

**December  
31, 2013**

Deferred revenue and deposits – long term:

Government grants	\$12,814	\$12,079
Club initiation deposits and other	9,301	9,389
	\$22,115	\$21,468

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**Notes to Condensed Consolidated Financial Statements**

**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

***Other long-term liabilities***

Other long-term liabilities as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Fiscal Year End June 30, 2013</b>	<b>December 31, 2013</b>
Other long-term liabilities:		
Pension liability	\$ 34,456	\$ 34,827
Other long-term liabilities	21,911	19,815
	<b>\$ 56,367</b>	<b>\$ 54,642</b>

4.

Notes Receivable

IRCG, the Company's vacation club business, allows deferred payment terms that exceed one year for customers purchasing vacation points. A note receivable exists when all contract documentation has been executed. Notes receivable primarily consist of nonrecourse installment loans. The Company performs a credit review of its notes receivable individually each reporting period to determine if an allowance for credit losses is required. As of June 30, 2013 and December 31, 2013, notes receivable were \$42.1 million and \$39.4 million, respectively, and are included in current receivables and long-term receivables on the condensed consolidated balance sheets. As of June 30, 2013 and December 31, 2013, the allowance for credit losses on the notes receivable was \$3.4 million and \$2.9 million, respectively.





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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements****Three and Six Months Ended December 31, 2012 and 2013****(Unaudited)**

## 5. Intangible Assets

Finite-lived intangible assets as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Fiscal Year End June 30, 2013			
Permits and licenses	\$15,747	\$ 4,222	\$11,525
Trademarks and trade names	75,217	24,302	50,915
Customer relationships	17,105	14,129	2,976
Other	8,999	8,912	87
	\$117,068	\$ 51,565	\$65,503

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
December 31, 2013			
Permits and licenses	\$15,573	\$ 4,478	\$11,095
Trademarks and trade names	74,915	26,089	48,826
Customer relationships	16,949	15,058	1,891
Other	8,930	8,862	68
	\$116,367	\$ 54,487	\$61,880

## 6. Long-Term Debt and Notes Payable to Affiliates

Long-term debt as of June 30, 2013 and December 31, 2013 consisted of the following (in thousands):

	<b>Maturity</b>	<b>Fiscal Year End December 31, June 30, 2013</b>	
FY14 First Lien Loans <sup>(a)</sup>	2020	\$—	\$ 534,664
FY13 First Lien Loans <sup>(b)</sup>	2017	441,669	—
FY13 Second Lien Loans <sup>(b)</sup>	2018	122,084	—
Obligations under capital leases <sup>(c)</sup>	2021-2052	20,264	39,893
Other obligations <sup>(d)</sup>	2014-2016	4,846	4,721
		588,863	579,278
Less current maturities <sup>(e)</sup>		8,201	10,560
		\$580,662	\$ 568,718

As described in Note 1, Formation and Business, the Company entered into the New Credit Agreement providing for a \$540.0 million Term Loan. The Company has the ability to increase the size of the Term Loan under certain circumstances in an aggregate amount of up to \$100.0 million plus an additional amount such that, after giving effect to such additional amount, it does not exceed the total secured debt leverage ratio. The proceeds from the Term Loan, together with cash on hand and \$48.3 million contributed to the Company by Fortress, were used to refinance and extinguish the existing debt under the FY13 Lien Loans.

The refinancing has been accounted for as an extinguishment of debt resulting in a non-cash, pre-tax loss of \$35.5 million during the three and six months ended December 31, 2013, consisting of the difference between the principal value and fair value of the FY13 Lien Loans and the write-off of unamortized financing costs and unamortized original issue discount ("OID"). The following table provides detail of the calculation of the net loss on debt extinguishment for the three months ended December 31, 2013:

	Three Months Ended December 31, 2013
FY13 First Lien Loans	\$446,625
FY13 Second Lien Loans	125,000
Total FY13 Lien Loans	571,625
Total fair value	(580,389)
Write off of unamortized discount and financing fees related to FY13 Lien Loans	(26,716 )
Net loss on debt extinguishment	\$(35,480 )

The Term Loan has a maturity date of December 9, 2020 and bears interest at LIBOR + 4.50% with a LIBOR floor of 1.0% (rate of 5.50% at December 31, 2013). The credit agreement requires quarterly principal payments in the amount of \$1.4 million commencing in March 2014 and periodic interest payments that commenced at the end of December 2013. The Company recorded interest expense of \$1.8 million related to the Term Loan for the three and six months ended December 31, 2013.

The net cash proceeds from the Term Loan were reduced by an OID of 1%, or \$5.4 million. The OID is amortized using a method which approximates the effective interest method over the term of the Term Loan. There was \$5.3 million of unamortized OID remaining as of December 31, 2013.

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**Three and Six Months Ended December 31, 2012 and 2013**

**(Unaudited)**

The Company capitalized \$18.0 million of costs in connection with the FY14 Loans included in deferred charges and other on the condensed consolidated balance sheets. These costs are amortized using a method which approximates the effective interest method over the term of the Term Loan. There was \$17.8 million of unamortized costs remaining as of December 31, 2013.

The Company's obligations under the New Credit Agreement are collateralized by guarantees of substantially all of its material U.S. subsidiaries. The guarantees are further supported by mortgages and other security interests in certain properties and assets held by U.S. subsidiaries of the Company. The collateral includes both general and specific assets.

The FY14 Loans provide for affirmative and negative covenants that restrict, among other things, the Company's ability and the ability of its subsidiaries to incur indebtedness, dispose of property, or make investments or distributions. It also includes customary cross-default provisions with respect of certain other borrowings of the Company and its subsidiaries.

The Company was in compliance with the covenants of the New Credit Agreement at December 31, 2013.

As a result of entering into the FY14 Loans and refinancing and extinguishing the FY13 Lien Loans, the Company (b) paid a call premium, totaling \$4.4 million and \$3.8 million related to the FY13 First Lien and FY13 Second Lien Loans, respectively, which is included in loss on extinguishment of debt on the condensed consolidated statements of operations during the three and six months ended December 31, 2013.

Additionally, the Company wrote off \$8.3 million of unamortized discount and \$18.4 million of unamortized financing costs related to the FY13 First Lien and FY13 Second Lien Loans which are included in loss on extinguishment of debt on the condensed consolidated statements of operations for the three and six months ended

December 31, 2013.

Capital lease obligations are primarily for equipment except for the lease of Winter Park ski resort. As of  
 (c) September 30, 2013, the Winter Park capital lease was modified to remove a floor on a payment obligation in exchange for other concessions resulting in a \$19.6 million increase to the capital lease obligation and related capital lease assets due to a change in the present value of the future minimum lease payments.

Amortization of assets under capital leases is included in depreciation and amortization expense in the condensed consolidated statements of operations. The leases have remaining terms ranging from 8 years to 39 years and have a weighted average interest rate of 10%.

(d) In addition to various other lending agreements, a subsidiary of the Company has government loan agreements with a weighted average interest rate of 5.9%.

Current maturities represent principal payments due in the next twelve months. As of December 31, 2013, the  
 (e) long-term debt and capital lease obligation aggregate maturities for the twelve month periods are as follows (in thousands):

2014	\$10,560
2015	8,939
2016	22,377
2017	5,677
2018	5,696
Thereafter	526,029
	\$579,278

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INTRAWEST RESORTS HOLDINGS, INC.

**Notes to Condensed Consolidated Financial Statements****Three and Six Months Ended December 31, 2012 and 2013****(Unaudited)**

Notes payable to affiliates as of June 30, 2013 and December 31, 2013 were as follows (in thousands):

	<b>Maturity</b>	<b>Fiscal Year End June 30, 2013</b>	<b>December 31, 2013</b>
Third Lien Loan <sup>(f)</sup>	2019	\$ 196,991	\$ —
Accrued interest on Third Lien Loan <sup>(f)</sup>	2019	133,328	—
Tranche B Term Loans <sup>(g)</sup>	2019	300,000	—
Accrued Interest on Tranche B Term Loans <sup>(g)</sup>	2019	469,963	—
Affiliate Loan <sup>(g)</sup>	2019	100,000	—
Accrued interest on Affiliate Loan <sup>(g)</sup>	2019	158,413	—
		<b>\$1,358,695</b>	<b>\$ —</b>

<sup>(f)</sup> In connection with the Restructuring, the Third Lien Loan was amended to release the Company's subsidiaries from their obligations in respect of the Third Lien Loan and accrued and unpaid interest thereon.

<sup>(g)</sup> In connection with the Restructuring, the Tranche B Term Loans and Affiliate Loans, including accrued and unpaid interest thereon were exchanged for equity interests in the Company and subsequently cancelled.

In addition to the Term Loan, the New Credit Agreement provided a \$55.0 million New LC Facility and a \$25.0 million New Revolver. The New LC Facility and the New Revolver each have a maturity date of December 9, 2018.