

## Section 1: 10-Q (10-Q)

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended October 31, 2017.

OR

**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 001-35363

**Peak Resorts, Inc.**

(Exact name of registrant as specified in its charter)

Missouri  
(State or other jurisdiction of  
incorporation or organization)

43-1793922  
(I.R.S. Employer  
Identification No.)

17409 Hidden Valley Drive  
Wildwood, Missouri  
(Address of principal executive offices)

63025  
(Zip Code)

(636) 938-7474  
(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 (§ 232.405 of this chapter) 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting  
company)  
Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 December 5, 2017, 13,982,400 shares of the registrant's common stock were outstanding.

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**PART I: FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**Peak Resorts Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(dollars in thousands, except per share amounts)**

	<u>October 31,</u> <u>2017</u>	<u>April 30,</u> <u>2017</u>
<b>Assets</b>	<b>(Unaudited)</b>	
Current assets:		
Cash and cash equivalents	\$ 12,962	\$ 33,665
Restricted cash	1,339	11,113
Income tax receivable	11,668	-
Accounts receivable	712	5,083
Inventory	2,630	2,215
Deferred income taxes	591	591
Prepaid expenses and deposits	6,926	2,183
Total current assets	36,828	54,850
Property and equipment, net	199,970	188,143
Land held for development	37,601	37,583
Restricted cash, construction	19,539	33,700
Goodwill	4,825	4,825
Intangible assets, net	755	788
Other assets	676	648
Total assets	<u>\$ 300,194</u>	<u>\$ 320,537</u>

**Liabilities and Stockholders' Equity**

Current liabilities:		
Revolving lines of credit	\$ 12,375	\$ 4,500
Accounts payable and accrued expenses	11,120	12,371
Accrued salaries, wages and related taxes and benefits	1,045	1,035
Unearned revenue	18,753	14,092
EB-5 investor funds in escrow	-	500
Current portion of deferred gain on sale/leaseback	333	333
Current portion of long-term debt and capitalized lease obligation	2,838	3,592
Total current liabilities	46,464	36,423
Long-term debt	164,881	174,785
Capitalized lease obligations	2,148	2,708
Deferred gain on sale/leaseback	2,679	2,845
Deferred income taxes	12,474	12,474
Other liabilities	522	540
Total liabilities	<u>229,168</u>	<u>229,775</u>

Series A preferred stock, \$0.01 par value per share, \$1,000 liquidation preference per share, 40,000 shares authorized, 20,000 shares issued and outstanding	17,401	17,001
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock, \$0.01 par value per share, 20,000,000 shares authorized, 13,982,400 shares issued and outstanding	140	140
Additional paid-in capital	86,529	86,372
Accumulated deficit	(33,044)	(12,751)
Total stockholders' equity	53,625	73,761
Total liabilities and stockholders' equity	<u>\$ 300,194</u>	<u>\$ 320,537</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Peak Resorts, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
(dollars in thousands, except per share amounts)  
(Unaudited)

	<u>Three months ended</u> <u>October 31,</u>		<u>Six months ended</u> <u>October 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net revenue	\$ 8,838	\$ 8,475	\$ 16,358	\$ 15,601
Operating expenses:				
Resort operating costs	15,121	13,015	28,660	24,779
Depreciation and amortization	3,154	3,216	6,299	6,433
General and administrative	1,529	1,517	2,777	2,889
Real estate and other non-income taxes	471	537	1,155	1,100
Land and building rent	339	326	692	653
	<u>20,614</u>	<u>18,611</u>	<u>39,583</u>	<u>35,854</u>
Loss from operations	(11,776)	(10,136)	(23,225)	(20,253)
Other (expense) income:				
Interest, net of amounts capitalized of \$514 and \$945 in 2017 and \$398 and \$782 in 2016, respectively	(3,196)	(3,156)	(6,207)	(6,204)
Gain on sale/leaseback	83	83	166	166
Other income	34	1	89	3
	<u>(3,079)</u>	<u>(3,072)</u>	<u>(5,952)</u>	<u>(6,035)</u>
Loss before income taxes	(14,855)	(13,208)	(29,177)	(26,288)
Income tax benefit	(5,941)	(5,226)	(11,668)	(10,402)
Net loss	<u>\$ (8,914)</u>	<u>\$ (7,982)</u>	<u>\$ (17,509)</u>	<u>\$ (15,886)</u>
Less declaration and accretion of Series A preferred stock dividends	(400)	-	(800)	-
Net loss attributable to common shareholders	<u>\$ (9,314)</u>	<u>\$ (7,982)</u>	<u>\$ (18,309)</u>	<u>\$ (15,886)</u>
Basic and diluted loss per common share	<u>\$ (0.66)</u>	<u>\$ (0.57)</u>	<u>\$ (1.30)</u>	<u>\$ (1.13)</u>
Cash dividends declared per common share	<u>\$ 0.07</u>	<u>\$ -</u>	<u>\$ 0.14</u>	<u>\$ -</u>
Cash dividends declared per preferred share	<u>\$ 20.00</u>	<u>\$ -</u>	<u>\$ 20.00</u>	<u>\$ -</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Peak Resorts, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(dollars in thousands)  
(Unaudited)

	<u>Six months ended October 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net loss	\$ (17,509)	\$ (15,886)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment and intangibles	6,299	6,433
Amortization of deferred financing costs	521	373
Stock based compensation	157	75
Amortization of other liabilities	(18)	(18)
Gain on sale/leaseback	(166)	(166)
Changes in operating assets and liabilities:		
Income tax receivable	(11,668)	(10,402)
Accounts receivable	4,371	3,588
Inventory	(415)	(780)
Prepaid expenses and deposits	(4,743)	(3)
Other assets	(28)	(6)
Accounts payable and accrued expenses	(1,173)	(3,474)
Accrued salaries, wages and related taxes and benefits	10	286
Unearned revenue	4,661	4,615
Net cash used in operating activities	<u>(19,701)</u>	<u>(15,365)</u>
Cash flows from investing activities:		
Additions to property and equipment	(18,597)	(1,847)
Additions to land held for development	(18)	(17)
Change in restricted cash	23,935	6,638
Net cash provided by investing activities	<u>5,320</u>	<u>4,774</u>
Cash flows from financing activities:		
Borrowings on lines of credit	12,375	10,000
Payment on long-term debt and capital lease obligations	(12,101)	(915)
Payments on lines of credit	(4,500)	-
Distributions to stockholders	(1,958)	-
Payment of deferred financing costs	(138)	(202)
Borrowings on long-term debt	-	44
Net cash (used in) provided by financing activities	<u>(6,322)</u>	<u>8,927</u>
Net decrease in cash and cash equivalents	(20,703)	(1,664)
Cash and cash equivalents, beginning of period	33,665	5,396
Cash and cash equivalents, end of period	<u>\$ 12,962</u>	<u>\$ 3,732</u>
Supplemental cash flow information:		
Cash paid interest, including amounts prepaid of \$2,201 and \$0, respectively	<u>\$ 9,112</u>	<u>\$ 6,789</u>

Supplemental disclosure of noncash investing  
and financing activities:

Assets under construction included in accounts payable	<u>\$ 38</u>	<u>\$ 942</u>
Reclassification of EB-5 funds from escrow to long term debt	<u>\$ 500</u>	<u>\$ -</u>
Accretive dividend - Series A preferred stock	<u>\$ 400</u>	<u>\$ -</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**PEAK RESORTS, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except per share amounts)**  
**(Unaudited)**

**Note 1. Basis of Presentation**

***Unaudited Interim Condensed Consolidated Financial Statements***

The unaudited interim condensed consolidated financial statements of Peak Resorts, Inc. and its subsidiaries (the “Company”) reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of the Company’s management, necessary for a fair presentation of its financial position, results of operations and cash flows. The results for the three and six months ended October 31, 2017 are not necessarily indicative of the results expected for a full fiscal year. Due to the seasonality of the ski industry, the Company typically incurs significant operating losses during its first and second fiscal quarters. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s annual report on Form 10-K for the fiscal year ended April 30, 2017, filed with the Securities and Exchange Commission.

***Nature of business***

The Company is a leading owner and operator of high-quality, individually branded ski resorts in the United States and operates 14 ski resorts primarily located in the Northeast and Midwest, 13 of which are owned. The majority of the resorts are located within 100 miles of major metropolitan markets, including New York City, Boston, Philadelphia, Cleveland and St. Louis, enabling day and overnight drive accessibility. The Company’s resorts are comprised of nearly 1,859 acres of skiable terrain appropriate to a wide range of ages and abilities. The activities, services and amenities available at the Company’s resorts include skiing, snowboarding, terrain parks, tubing, dining, lodging, equipment rentals and sales, ski and snowboard instruction, zip lines, mountain coasters, mountain biking, hiking and other summer activities. The Company operates in a single business segment—ski resort operations.

***Principles of Consolidation***

The accompanying condensed consolidated financial statements include the accounts of Peak Resorts, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Note 2. Recently Issued Accounting Standards**

The Company qualifies as an “emerging growth company” under the JOBS Act of 2012, which provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards. As an emerging growth company, the Company may delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-11, “Simplifying the Measurement of Inventory,” which requires entities to measure inventory at “the lower of cost and net realizable value,” simplifying the current guidance under which entities must measure inventory at the lower of cost or market. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of disposal. This ASU requires prospective adoption and will be applicable for the Company as of April 30, 2018. The Company does not expect the adoption of this ASU will have a material impact on its condensed consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred taxes,” which requires deferred tax assets and liabilities be classified as noncurrent on a classified balance



sheet. This ASU may be adopted either prospectively or retrospectively, and will be applicable for the Company as of April 30, 2019, with early adoption permitted. The Company is currently evaluating which adoption method it will elect. As of October 31, 2017, the Company had deferred tax assets of \$591 classified as current assets on its condensed consolidated balance sheet, which would be netted with long-term income tax liabilities under the new guidance.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which requires lessees to recognize most leases on the balance sheet. This ASU requires modified retrospective adoption and will be applicable for the Company as of April 30, 2020, with early adoption permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements, and expects a significant impact to be the recognition of lease obligations and right of use assets for operating leases on its condensed consolidated balance sheet.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which was subsequently modified by other ASUs from 2015 through 2017. This ASU, as amended, provides new guidance for the recognition of revenue and provides for a five-step analysis of transactions to determine when and how revenue is recognized. This ASU establishes a core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU may be adopted using either a full or modified retrospective approach and will be applicable for the Company as of April 30, 2020, with early adoption permitted. The Company expects to adopt this ASU using the full retrospective approach and does not expect the adoption of this ASU will have a material impact on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,” which provides new guidance related to accounting for share-based payments. This ASU requires entities to record the income tax effect of share-based payments when the awards vest or are settled, and clarifies the cash flow statement presentation of excess tax benefits and withholding tax payments. In addition, the ASU allows for a policy election to account for forfeitures either upon occurrence or by estimating forfeitures. This ASU requires prospective adoption and will be applicable for the Company as of April 30, 2019, with early adoption permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),” which clarifies the requirements for the presentation of changes in restricted cash balances on the statement of cash flows. This ASU requires retrospective adoption and will be applicable for the Company as of May 1, 2019, with early adoption permitted. The Company is currently evaluating the impact the adoption of this ASU will have on the Company’s presentation of its condensed consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-04, “Intangibles-Goodwill and Other (Topic 350),” which simplifies the existing guidance for testing goodwill for impairment. The new standard eliminates the current two-step approach used to test goodwill for impairment and requires an entity to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill. This standard will be applicable for the Company as of May 1, 2020, with early adoption permitted. The Company does not expect the adoption of this ASU will have a material impact on its consolidated financial position, results of operations or cash flows.

### **Note 3. Income Taxes**

Deferred income tax assets and liabilities are measured at enacted tax rates in the respective jurisdictions where the Company operates. In assessing the ability to realize deferred tax assets, the Company considers whether it is

more likely than not that some portion or all deferred tax assets will not be realized, and a valuation allowance would be provided if necessary.

Income tax receivable of \$11,668 as of October 31, 2017, is a result of the expected tax rate for the Company's fiscal year ending April 30, 2018, applied to its loss before income tax for the six months ended October 31, 2017. Due to the seasonality of the ski industry, the Company typically incurs significant operating losses during its first and second fiscal quarters.

The Company does not have any material uncertain tax positions.

#### **Note 4. Fixed Assets**

The composition of property and equipment is as follows:

	<b>October 31, 2017</b>	<b>April 30, 2017</b>
Land and improvements	\$ 35,220	\$ 35,609
Buildings and improvements	86,900	86,685
Equipment, furniture and fixtures	190,201	171,934
	312,321	294,228
Less: accumulated depreciation and amortization	112,351	106,085
	<u>\$ 199,970</u>	<u>\$ 188,143</u>

## Note 5. Credit Facilities and Long-term Debt

The composition of long-term debt is as follows:

	October 31, 2017	April 30, 2017
Attitash/Mount Snow Debt; payable in monthly interest only payments at an increasing interest rate (11.26% at October 31, 2017 and April 30, 2017); remaining principal and interest due on December 1, 2034	\$ 51,050	\$ 51,050
EPR Credit Facility Debt; payable in monthly interest only payments at an increasing interest rate (10.43% and 10.28% at October 31, 2017 and April 30, 2017, respectively); remaining principal and interest due on December 1, 2034	37,562	37,562
West Lake Water Project EB-5 Debt; payable in quarterly interest only payments of 1.0%; remaining principal and interest due on December 27, 2021	30,000	30,000
Carinthia Ski Lodge EB-5 Debt; payable in quarterly interest only payments of 1.0%; remaining principal and interest due on December 27, 2021	22,000	21,500
Hunter Mountain Debt; payable in monthly interest only payments at an increasing interest rate (8.14% at October 31, 2017 and April 30, 2017); remaining principal and interest due on January 5, 2036	21,000	21,000
Royal Banks of Missouri Debt; payable in monthly principal payments of \$42 and interest payments at prime plus 1.0% (5.0% at April 30, 2017) with an original maturity in January 2020; paid in full on October 27, 2017	-	9,875
Sycamore Lake (Alpine Valley) Debt; payable in monthly interest only payments at an increasing interest rate (10.72% at October 31, 2017 and April 30, 2017); remaining principal and interest due on December 1, 2034	4,550	4,550
Wildcat Mountain Debt; payable in monthly installments of \$27, including interest at a rate of 4.00%; remaining principal and interest due on December 22, 2020	3,329	3,425
Other debt	1,352	2,870
Unamortized debt issuance costs	(4,857)	(5,240)
	<u>165,986</u>	<u>176,592</u>
Less: current maturities	<u>1,105</u>	<u>1,807</u>
	<u>\$ 164,881</u>	<u>\$ 174,785</u>

As of October 31, 2017, the Company was in compliance with all debt covenants under its various credit facility and debt agreements.

### *Royal Banks of Missouri Credit Facilities*

On October 27, 2017, the Company renewed and increased its existing credit facility with Royal Banks of Missouri (the “2017 Royal Banks Credit Facility”). The 2017 Royal Banks Credit Facility provides for a \$10,000 working capital line of credit to be used for general business purposes and a \$15,000 acquisition line of credit to be used i) to pay off \$12,415 of principal and accrued interest outstanding under the previous credit agreement with Royal Banks of Missouri (the “Original Credit Facility”) and ii) for the acquisition of additional ski resort properties. On October 27, 2017, the Company used the borrowing capacity available under the acquisition line of credit to pay off the amount outstanding under the Original Credit Facility, including amounts outstanding under term loan described in the table above as Royal Banks of Missouri Debt. As of October 31, 2017, after the repayment of accrued interest, \$12,375 was outstanding under the 2017 Royal Banks Credit Facility.

The term of the 2017 Royal Banks Credit Facility is 14 months with loans payable in monthly interest only installments charged at the bank’s prime rate plus 1.00% per annum, with any outstanding principal amounts due in December 2018. Beginning on January 31, 2018, the Company is required to fund a debt service account by depositing in three equal monthly installments an amount equal to the estimated annual interest due in connection with outstanding loans under the 2017 Royal Banks Credit Facility. The Company is required to maintain a minimum debt service coverage ratio (as defined in the credit agreement) of 1.25 to 1.00. In addition, were the Company’s fixed charge coverage ratio (as defined in the credit agreement) to fall below 1.50 to 1.00, the Company would be required to prefund certain other debt service payments, and should the ratio fall below 1.25 to 1.00, the Company would be prohibited from paying dividends. The 2017 Royal Banks Credit Facility is secured by the assets of the Company’s subsidiaries which operate its Hidden Valley, Paoli Peaks, Snow Creek, Crotched Mountain and Attitash resorts.

## **Note 6. Financial Instruments and Credit Risk**

### ***Financial Instruments***

The Company’s financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and long-term debt. For cash and cash equivalents, restricted cash, accounts receivable and accounts payable, the carrying amounts approximate fair value. The fair value of the Company’s long-term debt is estimated based on quoted market prices for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities. The interest rates on the Company’s long-term debt are estimated to be consistent with those currently available to the Company for borrowings with similar maturities and terms and, accordingly, their fair values are consistent with their carrying values.

### ***Concentrations 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’s cash and cash equivalents and restricted cash are on deposit with financial institutions where such balances may, at times, be in excess of federally insured limits. The Company has not experienced any loss as a result of those deposits.

## **Note 7. Commitments and Contingencies**

### ***Loss contingencies***

The Company is periodically involved in various claims and legal proceedings, many of which occur in the normal course of business. Management routinely assesses the likelihood of adverse judgments or outcomes, including consideration of its insurance coverage and, in the opinion of the Company’s management, the ultimate liabilities resulting from such claims and proceedings will not have a material adverse effect on its business, financial condition, results of operations or cash flows.

### ***Construction Commitment***

As of October 31, 2017, the Company had approximately \$877 of third party commitments outstanding with its main contractor for construction projects at its Mount Snow ski resort.

## ***Leases***

The Company leases certain land, land improvements, buildings and equipment under noncancelable operating leases. Certain of the leases contain escalation provisions based generally on changes in the consumer price index with maximum annual percentage increases capped at rates between 1.5% to 4.5%. Additionally, certain leases contain contingent rental provisions which are based on revenue. The Company paid no contingent rentals in the periods presented.

## ***Restricted cash***

In accordance with the terms of the Company's agreements with EPR Properties, its main lender, the Company is required to maintain a debt service reserve (the "Debt Service Reserve") related to borrowings from EPR Properties. In September 2017, the Company paid EPR Properties \$4,395 to satisfy the Debt Service Reserve requirement, and as of October 31, 2017, \$2,201 was recorded in prepaid expenses and deposits on the condensed consolidated balance sheets related to this payment. Previously, the Company had satisfied the requirements of the Debt Service Reserve by maintaining restricted cash deposits with a third party financial institution.

The provisions of certain of the Company's other debt instruments require that the Company make and maintain deposits, to be held in escrow for the benefit of the lender, in an amount equal to the estimated minimum interest payment for the upcoming fiscal year. When funded, these amounts are included in restricted cash on the condensed consolidated balance sheets.

## **Note 8. Stock-Based Compensation**

Stock-based compensation expense was recognized in general and administrative expense in the accompanying consolidated condensed statements of operations for the three and six months ended October 31, 2017 in the amounts of \$94 and \$157, respectively, and for the three and six months ended October 31, 2016, in the amounts of \$28 and \$75, respectively.

## ***Restricted Stock Units***

Under the Company's 2014 Equity Incentive Plan, the Company granted 48,602 restricted stock units ("RSUs") during the six months ended October 31, 2017, with a weighted-average grant date fair value per unit of \$4.40, and granted 38,140 RSUs during the six months ended October 31, 2016, with a weighted-average grant date fair value per unit of \$4.85. As of October 31, 2017, 144,161 RSUs were outstanding, of which 91,471 were vested.

## **Note 9. Loss Per Share**

The computation of basic and diluted loss per share for the three and six months ended October 31, 2017 and 2016 is as follows:

	Three Months ended October 31,		Six Months ended October 31,	
	2017	2016	2017	2016
Net loss attributable to common shareholders	\$ (9,314)	\$ (7,982)	(18,309)	(15,886)
Weighted average number of shares:				
Common stock	13,982,400	13,982,400	13,982,400	13,982,400
Outstanding vested Restricted Stock Units	60,297	29,486	55,020	34,163
	<u>14,042,697</u>	<u>14,011,886</u>	<u>14,037,420</u>	<u>14,016,563</u>
Basic and diluted loss per share	\$ (0.66)	\$ (0.57)	\$ (1.30)	\$ (1.13)

The Company's 52,690 and 5,655 outstanding unvested RSUs as of October 31, 2017 and 2016, respectively, have been excluded from the calculations of diluted earnings per share because their impact would be anti-dilutive. In addition, warrants to purchase 2,719,018 shares of common stock and the effect of the Company's Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock"), issued in November 2016, have been excluded from the calculation of diluted earnings per share for the three and six months ended October 31, 2017, because the impact would be antidilutive.

## **Note 10. Distributions to Shareholders**

### ***Series A Preferred Stock***

The terms of the Company's Series A Preferred Stock provide that cumulative dividends accrue on a daily basis in arrears from August 2017 at the rate of 8.0% per annum on the liquidation value of \$1,000 per share.

All accrued and accumulated dividends on the Series A Preferred Stock must be paid prior and in preference to any cash dividend on the Company's common stock. In addition, until the earlier of i) such date as no Series A Preferred Stock remains outstanding or ii) January 1, 2027, the Company is prohibited from paying any dividend on common stock when there are accrued or unpaid dividends with respect to the Series A Preferred Stock. On October 4, 2017, the Company's board of directors approved a preferred stock cash dividend of \$400 (\$20.00 per share of Series A Preferred Stock) which, as of October 31, 2017, is included in accounts payable and accrued expenses on the condensed consolidated balance sheets.

### ***Common Stock***

During the six months ended October 31, 2017, the Company paid common stock dividends of \$1,958 (\$0.07 per share of common stock on each of May 12, 2017 and August 11, 2017). On October 4, 2017, the Company's board of directors approved a quarterly cash dividend payment of \$979 (\$0.07 per share of common stock) which, as of October 31, 2017, is included in accounts payable and accrued expenses on the condensed consolidated balance sheets.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q (the "Report") and with the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2017 filed with the Securities and Exchange Commission. In addition to historical financial information, the following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.*

*Unless the context suggests otherwise, references in this Report to the "Company", "Peak", "our", "us", or "we" refer to Peak Resorts, Inc. and its consolidated subsidiaries.*

### Forward-Looking Statements

Except for any historical information contained herein, the matters discussed in this Report contain certain "forward-looking statements" within the meaning of the federal securities laws. This includes statements regarding our future financial position, economic performance, results of operations, business strategy, budgets, projected costs, plans and objectives of management for future operations, and the information referred to under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

These forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "continue" or similar terminology, although not all forward-looking statements contain these words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, you are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although we believe that the expectations reflected in such forward-looking statements are reasonable as of the date made, expectations may prove to have been materially different from the results expressed or implied by such forward-looking statements. Unless otherwise required by law, we also disclaim any obligation to update our view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made in this Report. Important factors that could cause actual results to differ materially from our expectations include, among others:

- weather, including climate change;
- seasonality;
- availability of funds for capital expenditures and operations;
- competition with other indoor and outdoor winter leisure activities and ski resorts;
- the leases and permits for property underlying certain of our ski resorts;
- ability to integrate new acquisitions;
- environmental laws and regulations;
- our dependence on key personnel;
- the effect of declining revenues on margins;
- the future development and continued success of our Mount Snow and Hunter Mountain ski resorts;
- our reliance on information technology;
- our current dependence on our primary lender and the lender's option to purchase certain of our ski resorts;
- our dependence on a seasonal workforce;
- our ability to avoid or recover from cyber and other security breaches and other disruptions; and
- the securities market.

You should also refer to Part I, Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for a discussion of factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may prove to be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time-frame, or at all.

## **Company Overview**

We are a leading owner and operator of high-quality, individually branded ski resorts in the U.S. We currently operate 14 ski resorts primarily located in the Northeast and Midwest, 13 of which we own. The majority of our resorts are located within 100 miles of major metropolitan markets, including New York City, Boston, Philadelphia, Cleveland and St. Louis, enabling day and overnight drive accessibility. Our resorts are comprised of nearly 1,859 acres of skiable terrain that appeal to a wide range of ages and abilities. We offer a breadth of activities, services and amenities, including skiing, snowboarding, terrain parks, tubing, dining, lodging, equipment rentals and sales, ski and snowboard instruction and mountain biking and other summer activities. We believe that both the day and overnight drive segments of the ski industry are appealing given their stable revenue base, high margins and attractive risk-adjusted returns. We have successfully acquired and integrated 11 ski resorts since our incorporation in 1997, and we expect to continue executing this strategy. We and our subsidiaries operate in a single business segment—resort operations.

## **Business Overview**

### ***Capital Projects***

As part of our mission to build value by investing in our current properties through expansions, new products and amenities that will elevate our customers’ skiing and off-season experiences, during the first half of fiscal 2018 we continued to move forward with capital improvement projects at our Hunter Mountain, Hidden Valley and Mount Snow resorts.

- At Hunter Mountain, we plan to increase the resort’s skiable acreage by approximately 25-30% and add a new detachable high-speed chair lift and parking area. We expect to complete the project in time for the 2018/2019 ski season.
- At Hidden Valley, we plan to construct a zip tour which we anticipate will generate additional sales and diversify that resort’s revenue base. Pending completion of a slower than expected permitting process, we hope to complete the project for use beginning in the fall of 2018.
- At Mount Snow, we completed construction on the West Lake Water project during November 2017, and immediately began using this new snowmaking infrastructure as we opened the resort for the 2017/2018 ski season. The West Lake Water project included i) construction of a new water storage reservoir for snowmaking with capacity of up to 120 million gallons; ii) three new pump houses; iii) installation of snowmaking pipelines; and iv) other related improvements.
- At Mount Snow, we continued construction on the Carinthia Ski Lodge project. The Carinthia Ski Lodge project includes the construction of a new ski lodge at the ski areas Carinthia base - a three-story, 36,000-square foot skier service building which will include i) a restaurant, cafeteria and bars with seating for over 600 people; ii) retail facilities; and iii) a sales center for lift tickets and equipment rentals. We expect to complete the Carinthia Ski Lodge project prior to the 2018/2019 ski season.

### ***Seasonality of Business***



Our resort operations are seasonal in nature and revenue and profits from operations are substantially lower and have historically resulted in losses from late spring to late fall, which occur during our first and second fiscal quarters. Revenue and profits generated by our summer operations have historically not been sufficient to fully offset our operating expenses during the same timeframe. Therefore, our operating results for any interim period are not necessarily indicative of the results that may be achieved for any subsequent quarter or for a full year.

## **Recent Developments**

### ***Chief Financial Officer Succession Plan***

On August 16, 2017, the Company announced its succession plan for its former Chief Financial Officer, Stephen J. Mueller. Mr. Mueller stepped down from his position as the Company's Chief Financial Officer and Secretary on October 3, 2017 and assumed a new role as Executive Vice President. In connection with this transition, Christopher J. Bub became our Vice President, Chief Financial Officer and Secretary. Mr. Bub previously served as the Company's Vice President and Chief Accounting Officer.

### ***Royal Banks of Missouri Credit Facilities***

On October 27, 2017, we renewed and increased our existing credit facility with Royal Banks of Missouri (the "2017 Royal Banks Credit Facility"). The 2017 Royal Banks Credit Facility provides for a \$10 million working capital line of credit to be used for general business purposes and a \$15 million acquisition line of credit to be used i) to pay off \$12.4 million of principal and accrued interest outstanding under the previous credit agreement with Royal Banks of Missouri (the "Original Credit Facility") and ii) for the acquisition of additional ski resort properties. On October 27, 2017, we used \$12.4 million of the borrowing capacity available under the acquisition line of credit to pay off all outstanding amounts under the Original Credit Facility, including amounts outstanding under a term loan which bore interest at the prime rate plus 1.00% per annum with an original maturity date of January 26, 2020. As of October 31, 2017, approximately \$12.4 million was outstanding under the 2017 Royal Banks Credit Facility.

The term of the 2017 Royal Banks Credit Facility is 14 months with loans payable in monthly interest only installments charged at the bank's prime rate plus 1.00% per annum, with any outstanding principal amounts due at the end of the term. Beginning on January 31, 2018, we are required to fund a debt service account by depositing in three equal monthly installments an amount equal to the estimated annual interest due in connection with outstanding loans under the 2017 Royal Banks Credit Facility. We are required to maintain a minimum debt service coverage ratio (as defined in the credit agreement) of 1.25 to 1.00. In addition, were our fixed charge coverage ratio (as defined in the credit agreement) to fall below 1.50 to 1.00, we would be required to prefund certain other debt service payments, and should the ratio fall below 1.25 to 1.00, we would be prohibited from paying dividends. The 2017 Royal Banks Credit Facility is secured by the assets of our subsidiaries which operate our Hidden Valley, Paoli Peaks, Snow Creek, Crotched Mountain and Attitash resorts.

## **Results of Operations**

### ***Three Months Ended October 31, 2017, Compared with the Three Months ended October 31, 2016***

The following table presents our unaudited condensed consolidated statements of operations for the three months ended October 31, 2017 and 2016 (dollars in thousands):

	Three months ended October 31,			
	2017	2016 <sup>1</sup>	\$ change	% change
<b>Revenues:</b>				
Food and beverage	\$ 2,735	\$ 2,728	\$ 7	0.3%
Hotel/lodging	2,014	2,052	(38)	-1.9%
Retail	429	430	(1)	-0.2%
Summer activities	2,578	2,570	8	0.3%
Other	1,082	695	387	55.7%
	<u>8,838</u>	<u>8,475</u>	<u>363</u>	<u>4.3%</u>
<b>Costs and Expenses:</b>				
<b>Resort operating expenses:</b>				
Labor and labor related expenses	8,999	7,810	1,189	15.2%
Retail and food and beverage cost of sales	1,118	912	206	22.6%
Power and utilities	800	843	(43)	-5.1%
Other	4,204	3,450	754	21.9%
	<u>15,121</u>	<u>13,015</u>	<u>2,106</u>	<u>16.2%</u>
Depreciation and amortization	3,154	3,216	(62)	-1.9%
General and administrative expenses	1,529	1,517	12	0.8%
Real estate and other non-income taxes	471	537	(66)	-12.3%
Land and building rent	339	326	13	4.0%
	<u>20,614</u>	<u>18,611</u>	<u>2,003</u>	<u>10.8%</u>
Loss from operations	(11,776)	(10,136)	(1,640)	16.2%
<b>Other (expense) income:</b>				
Interest, net of interest capitalized of \$514 and \$398 in 2017 and 2016, respectively	(3,196)	(3,156)	(40)	1.3%
Gain on sale/leaseback	83	83	-	0.0%
Other income	34	1	33	> 100%
	<u>(3,079)</u>	<u>(3,072)</u>	<u>(7)</u>	<u>0.2%</u>
Loss before income taxes	(14,855)	(13,208)	(1,647)	12.5%
Income tax benefit	(5,941)	(5,226)	(715)	13.7%
Net loss	<u>\$ (8,914)</u>	<u>\$ (7,982)</u>	<u>\$ (932)</u>	<u>11.7%</u>
Reported EBITDA	<u>\$ (8,622)</u>	<u>\$ (6,920)</u>	<u>\$ (1,702)</u>	<u>-24.6%</u>

<sup>1</sup>Certain revenue balances in the comparative period contain reclassifications to conform to the presentation used in the current period.

**Net Revenue.** Net revenue increased \$0.4 million, or 4.3%, for the three months ended October 31, 2017, compared with the three months ended October 31, 2016. The increase is primarily attributable to increased other revenue.

**Resort Operating Costs.** Resort operating costs increased \$2.1 million, or 16.2%, for the three months ended October 31, 2017, compared with the same period in the prior year. During the first quarter of fiscal 2017, we experienced low liquidity levels and, as a result, implemented employee furloughs and strict spending controls on discretionary costs. By the beginning of fiscal 2018, our liquidity levels had normalized, and, as a result, we did not have similar employee furloughs and our resorts incurred costs relating to the preparation for the upcoming ski season. This additional activity during the second quarter of fiscal 2018 resulted in higher labor and other costs, including repairs and maintenance and supplies expense. This level of spending is more consistent with our second fiscal quarter spending in years prior to fiscal 2017.

**General and Administrative Costs.** General and administrative expenses were flat for the three months ended October 31, 2017 compared with the three months ended October 31, 2016.

**Income Taxes.** Income tax benefit increased \$0.7 million, or 13.7%, as compared with the three months ended October 31, 2016, as result of an increase in the loss before income taxes for the three months ended October 31, 2017 compared with the same period in the prior year.

**Reported EBITDA.** We have specifically chosen to include “Reported EBITDA” (which we define as net income before interest, income taxes, depreciation, amortization, gain on sale/leaseback, other income and expense and other non-recurring items) as a measurement of our results of operations because we consider this measurement to be a significant indication of our financial performance and available capital resources. Because of large depreciation and other charges relating to our ski resorts operations, it is difficult for management to fully and accurately evaluate our financial results and available capital resources using net income alone. In addition, the use of this non-U.S. GAAP measure provides an indication of our ability to service debt, and we consider it an appropriate measure to use because of our highly leveraged position.

We believe that by providing investors with Reported EBITDA, they will have a clearer understanding of our financial performance and cash flows because Reported EBITDA i) is widely used in the ski industry to measure a company’s operating performance without regard to items excluded from the calculation of such measure; ii) helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure and asset base from our operating results; and iii) is used by our board of directors, management and our lenders for various purposes, including as a measure of our operating performance and as a basis for planning.

The items we exclude from net income to arrive at Reported EBITDA are significant components for understanding and assessing our financial performance and liquidity. 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 our condensed consolidated financial statements as indicators of financial performance or liquidity. Because Reported EBITDA is not a measurement determined in accordance with U. S. GAAP and is susceptible to varying calculations, Reported EBITDA, as presented, may not be comparable to other similarly titled measures of other companies, limiting its usefulness as a comparative measure.

Reconciliations of net loss to Reported EBITDA for the three months ended October 31, 2017 and 2016, were as follows (dollars in thousands):

	Three months ended October 31,	
	2017	2016
Net loss	\$ (8,914)	\$ (7,982)
Income tax benefit	(5,941)	(5,226)
Interest expense, net	3,196	3,156
Depreciation and amortization	3,154	3,216
Other income	(34)	(1)
Gain on sale/leaseback	(83)	(83)
Reported EBITDA	<u>\$ (8,622)</u>	<u>\$ (6,920)</u>

Reported EBITDA decreased by \$1.7 million, or 24.6%, for the three months ended October 31, 2017, as compared with the same period in the prior year, primarily as a result of increased resort operating costs, partially offset by higher net revenues.

*Six Months Ended October 31, 2017, Compared with the Six Months ended October 31, 2016*

The following table presents our unaudited condensed consolidated statements of operations for the six months ended October 31, 2017 and 2016 (dollars in thousands):

	Six months ended October 31,		\$ change	% change
	2017	2016 <sup>1</sup>		
<b>Revenues:</b>				
Food and beverage	\$ 5,565	\$ 5,215	\$ 350	6.7%
Hotel/lodging	3,855	3,860	(5)	-0.1%
Retail	670	621	49	7.9%
Summer activities	4,459	4,549	(90)	-2.0%
Other	1,809	1,356	453	33.4%
	16,358	15,601	757	4.9%
<b>Costs and Expenses:</b>				
Resort operating expenses:				
Labor and labor related expenses	17,610	15,517	2,093	13.5%
Retail and food and beverage cost of sales	1,870	1,673	197	11.8%
Power and utilities	1,589	1,431	158	11.0%
Other	7,591	6,158	1,433	23.3%
	28,660	24,779	3,881	15.7%
Depreciation and amortization	6,299	6,433	(134)	-2.1%
General and administrative expenses	2,777	2,889	(112)	-3.9%
Real estate and other non-income taxes	1,155	1,100	55	5.0%
Land and building rent	692	653	39	6.0%
	39,583	35,854	3,729	10.4%
Loss from operations	(23,225)	(20,253)	(2,972)	14.7%
<b>Other (expense) income:</b>				
Interest, net of interest capitalized of \$945 and \$782 in 2017 and 2016, respectively	(6,207)	(6,204)	(3)	0.0%
Gain on sale/leaseback	166	166	-	0.0%
Other income	89	3	86	> 100%
	(5,952)	(6,035)	83	-1.4%
Loss before income taxes	(29,177)	(26,288)	(2,889)	11.0%
Income tax benefit	(11,668)	(10,402)	(1,266)	12.2%
Net loss	<u>\$ (17,509)</u>	<u>\$ (15,886)</u>	<u>\$ 1,623</u>	<u>10.2%</u>
Reported EBITDA	<u>\$ (16,926)</u>	<u>\$ (13,820)</u>	<u>\$ (3,106)</u>	<u>-22.5%</u>

<sup>1</sup>Certain revenue balances in the comparative period contain reclassifications to conform to the presentation used in the current period.

**Net Revenue.** Net revenue increased \$0.8 million, or 4.9%, for the six months ended October 31, 2017, compared with the six months ended October 31, 2016. The increase is primarily attributable to i) increased food and beverage sales at summer concerts and conferences and ii) increased other revenue.

**Resort Operating Costs.** Resort operating costs increased \$3.9 million, or 15.7%, for the six months ended October 31, 2017, compared with the same period in the prior year. During the first half of fiscal 2017, we experienced low liquidity levels and, as a result, implemented employee furloughs and strict spending controls on discretionary costs. By the beginning of fiscal 2018, our liquidity levels had normalized, and, as a result, we did not have similar employee furloughs and our resorts incurred costs relating to the preparation for the upcoming ski season. This additional activity during the first half of fiscal 2018 resulted in higher labor and other costs, including repairs and maintenance and supplies expense. This level of spending is more consistent with our spending in years prior to fiscal 2017.

**General and Administrative Costs.** General and administrative expenses decreased \$0.1 million, or 3.9%, for the six months ended October 31, 2017 compared with the six months ended October 31, 2016, primarily due to a decrease in professional fees.

**Income Taxes.** Income tax benefit increased \$1.3 million, or 12.2%, as compared with the six months ended October 31, 2016, as result of an increase in the loss before income taxes for the six months ended October 31, 2017 compared with the same period in the prior year.

**Reported EBITDA.** Reconciliations of net loss to Reported EBITDA for the six months ended October 31, 2017 and 2016, were as follows (dollars in thousands):

	Six months ended October 31,	
	2017	2016
Net loss	\$ (17,509)	\$ (15,886)
Income tax benefit	(11,668)	(10,402)
Interest expense, net	6,207	6,204
Depreciation and amortization	6,299	6,433
Other income	(89)	(3)
Gain on sale/leaseback	(166)	(166)
Reported EBITDA	<u>\$ (16,926)</u>	<u>\$ (13,820)</u>

Reported EBITDA decreased by \$3.1 million, or 22.5%, for the six months ended October 31, 2017, as compared with the same period in the prior year, primarily as a result of increased resort operating costs, partially offset by higher net revenues.

## Liquidity and Capital Resources

### *Significant Sources of Cash*

Our available cash is consistently highest in our fourth quarter primarily due to the seasonality of our resort business. We had \$13.0 million of cash and cash equivalents as of October 31, 2017, compared with \$33.7 million at April 30, 2017. We generate the majority of our cash from operations during the ski season, which occurs during our third and fourth fiscal quarters. We currently anticipate cash flow from operations will continue to provide a significant source of our future cash flows. We expect our liquidity needs for the near term and the next fiscal year will be met by operating cash flows (primarily those generated in our third and fourth fiscal quarters) and additional borrowings under our various credit agreements, as needed.

Long-term debt at October 31, 2017 and April 30, 2017, consisted primarily of borrowings pursuant to the loans and other credit facilities with EPR Properties, our primary lender, Royal Banks of Missouri, our primary banking partner, and our EB-5 partnerships. We have presented in the table below the composition of our long-term debt as of October 31, 2017 and April 30, 2017 (dollars in thousands):

	October 31, 2017	April 30, 2017
Attitash/Mount Snow Debt; payable in monthly interest only payments at an increasing interest rate (11.26% at October 31, 2017 and April 30, 2017); remaining principal and interest due on December 1, 2034	\$ 51,050	\$ 51,050
EPR Credit Facility Debt; payable in monthly interest only payments at an increasing interest rate (10.43% and 10.28% at October 31, 2017 and April 30, 2017, respectively); remaining principal and interest due on December 1, 2034	37,562	37,562
West Lake Water Project EB-5 Debt; payable in quarterly interest only payments of 1.0%; remaining principal and interest due on December 27, 2021	30,000	30,000
Carinthia Ski Lodge EB-5 Debt; payable in quarterly interest only payments of 1.0%; remaining principal and interest due on December 27, 2021	22,000	21,500
Hunter Mountain Debt; payable in monthly interest only payments at an increasing interest rate (8.14% at October 31, 2017 and April 30, 2017); remaining principal and interest due on January 5, 2036	21,000	21,000
Royal Banks of Missouri Debt; payable in monthly principal payments of \$42 and interest payments at prime plus 1.0% (5.0% at April 30, 2017) with an original maturity in January 2020; paid in full on October 27, 2017	-	9,875
Sycamore Lake (Alpine Valley) Debt; payable in monthly interest only payments at an increasing interest rate (10.72% at October 31, 2017 and April 30, 2017); remaining principal and interest due on December 1, 2034	4,550	4,550
Wildcat Mountain Debt; payable in monthly installments of \$27, including interest at a rate of 4.00%; remaining principal and interest due on December 22, 2020	3,329	3,425
Other debt	1,352	2,870
Unamortized debt issuance costs	(4,857)	(5,240)
	<u>165,986</u>	<u>176,592</u>
Less: current maturities	<u>1,105</u>	<u>1,807</u>
	<u>\$ 164,881</u>	<u>\$ 174,785</u>

In addition to the credit facilities listed above, we maintain a \$10.0 million working capital line of credit with Royal Banks of Missouri which, as of October 31, 2017, was undrawn and available; and we maintain a \$15.0 million acquisition line of credit with Royal Banks of Missouri of which, as of October 31, 2017, approximately \$2.6 million was undrawn and available.

As of October 31, 2017, we were in compliance with all debt covenants under our various credit facilities and debt agreements.

### **Cash Flow**

#### *Six Months Ended October 31, 2017, Compared with the Six Months Ended October 31, 2016*

Cash of \$19.7 million was used in operating activities in the first six months of fiscal 2018, an increase of \$4.3 million when compared with the \$15.4 million used in the first six months of fiscal 2017. The increased use of cash was primarily a result of changes in working capital and a higher net loss.

Cash of \$5.3 million was provided by investing activities in the first six months of fiscal 2018, an increase of \$0.5 million when compared with the \$4.8 million provided in the first six months of fiscal 2017. Capital expenditures of \$18.6 million during the first half of fiscal 2018 were offset by the release of \$23.9 million of restricted cash. Compared to the same period in fiscal 2017, capital expenditures increased by \$16.8 million, primarily related to increased construction activity in connection with the West Lake Water and Carinthia Ski Lodge projects at our Mount Snow resort.

Cash of \$6.3 million was used in financing activities in the first six months of fiscal 2018, which compares with \$8.9 million provided by financing activities in the first six months of fiscal 2017. During first half of fiscal 2018, the use of cash primarily related to i) the net repayment of approximately \$4.2 million outstanding under various credit facilities; ii) dividend payments of approximately \$2.0 million to common stockholders; and iii) payment of \$0.1 million in debt issuance costs.

### *Significant Uses of Cash*

Our cash uses are currently expected to include i) operating expenditures; ii) capital expenditures; iii) debt service; and iv) the payment of dividends on our common and preferred stock. In addition, the potential for acquisitions of other businesses in the future may require additional debt or equity financing.

### *Capital Expenditures*

We have historically invested significant cash in capital expenditures for our resort operations and expect to continue to invest in the future. Total capital expenditures through the first six months of fiscal 2018 were \$18.1 million, and included i) \$12.3 million for the West Lake Water and Carinthia Ski Lodge projects, ii) \$5.0 million for maintenance capital expenditures and iii) \$0.8 million for the Hunter Mountain expansion and Hidden Valley zipline projects. We currently anticipate we will spend an additional \$13.0 million to \$17.0 million on capital expenditures during the balance of fiscal year 2018. These expenditures include approximately i) \$1.0 million to \$2.0 million for resort maintenance; ii) \$4.0 million to \$5.0 million on the Hunter Mountain expansion and Hidden Valley Zipline projects; and iii) \$8.0 million to \$10.0 million on the West Lake Water and Carinthia Ski Lodge projects. The West Lake Water and Carinthia Ski Lodge projects are being funded with proceeds raised through our EB-5 investment program, and as of October 31, 2017, our condensed consolidated balance sheet reflected \$19.5 million of restricted cash to fund the completion of these projects. In addition to these restricted cash balances, we expect to use cash on hand and cash generated from future operations to provide the cash necessary to execute our capital plans, and believe these sources of cash will be adequate to meet our needs.

### *Debt Service Reserves*

In accordance with the terms of our agreements with EPR Properties, we are required to maintain a debt service reserve (the "Debt Service Reserve") related to borrowings from EPR Properties. In September 2017, we paid EPR Properties \$4.4 million to satisfy the Debt Service Reserve requirement, and as of October 31, 2017, \$2.2 million was recorded in prepaid expenses and deposits on the condensed consolidated balance sheets related to this payment. Previously, the Company had satisfied the requirements of the Debt Service Reserve by maintaining restricted cash deposits with a third party financial institution.

The provisions of certain of our other debt instruments require that we make and maintain deposits, to be held in escrow for the benefit of the lender, in an amount equal to the estimated minimum interest payment for the upcoming fiscal year. When funded, these amounts are included in restricted cash on the condensed consolidated balance sheets.

### *Dividend Payments*

Currently, 20,000 shares of our Series A Cumulative Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), are outstanding. The terms of the Series A Preferred Stock provide that cumulative dividends accrue on a daily basis in arrears at the rate of 8.0% per annum on the liquidation value of \$1,000 per



share, beginning in August 2017. All accrued and accumulated dividends on the Series A Preferred Stock must be paid prior and in preference to any cash dividend on our common stock. In addition, until the earlier of i) such date as no Series A Preferred Stock remains outstanding or ii) January 1, 2027, we are prohibited from paying any dividend on capital stock when there are accrued or unpaid dividends with respect to the Series A Preferred Stock. We intend to pay the Series A Preferred Stock dividends of approximately \$0.4 million per quarter, and made the first such quarterly payment on November 10, 2017.

During the first half of fiscal 2018, we paid common stock dividends of \$2.0 million (\$0.07 per share of common stock on each of May 12, 2017 and August 11, 2017), and declared a cash dividend of \$1.0 million (\$0.07 per share of common stock to common stockholders of record as of October 26, 2017), which we paid on November 10, 2017. The declaration and payment of future dividends will be at the sole discretion of our board of directors, and will depend on many factors, including our actual results of operations, financial condition, capital requirements, contractual restrictions, restrictions in our debt agreements, preference of our Series A Preferred Stock, economic conditions and other factors that could differ materially from our current expectations.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### ***Interest Rate Risk***

The interest rates on our Attitash/Mount Snow Debt, EPR Credit Facility Debt, Sycamore Lake (Alpine Valley) Debt and Hunter Mountain Debt are subject to increase, though the interest rates can only be increased by a maximum factor ranging from 1.0150 to 1.0175 annually. Based on current debt balances and interest rates, the maximum additional interest expense related to these borrowings would be approximately \$0.2 million over the next 12 months.

The interest rate on amounts outstanding under the 2017 Royal Banks of Missouri Credit Facility is the bank's prime rate plus 1.0%. If the prime rate increased 1.0%, we would incur additional interest costs of approximately \$0.1 million over the next 12 months.

We do not perform any interest rate hedging activities related to our outstanding debt.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q, are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

#### **Change in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## **PART II: OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS.**

We are not aware of any pending or threatened legal proceedings against us that could have a material adverse effect on our business, operating results or financial conditions. The ski industry is characterized by periodic litigation and as a result, we may be involved in various additional legal proceedings from time to time.

### **Item 1A. RISK FACTORS.**

We have included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended April 30, 2017, a description of certain risks and uncertainties (the "Risk Factors") that could have a material adverse effect on our business, financial condition, results of operations or cash flows. There have been no material changes to the Risk Factors during the period covered by this Report.

### **Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

### **Item 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **Item 4. MINE SAFETY DISCLOSURES.**

None.

### **Item 5. OTHER INFORMATION.**

(a) None.

(b) There have been no material changes to the procedures by which stockholders may recommend nominees to the Company's board of directors implemented in the quarter ended October 31, 2017.

### **Item 6. EXHIBITS.**

The exhibits filed or furnished are set forth in the Exhibit Index at the end of this Quarterly Report on Form 10-Q.



## EXHIBIT INDEX

These exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K.

<b>Exhibit Number</b>	<b>Description</b>
10.1	<u>Loan Renewal Agreement made by Peak Resorts, Inc., Hidden Valley Golf and Ski, Inc., Paoli Peaks, Inc., Snow Creek, Inc., LBO Holding, Inc., and SNH Development, Inc., as borrowers, in favor of Royal Banks of Missouri, dated as of August 5, 2017 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 8, 2017 and incorporated herein by reference).</u>
10.2	<u>Executive Employment Agreement by and between Peak Resorts, Inc. and Stephen J. Mueller, dated as of August 15, 2017 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 16, 2017 and incorporated herein by reference).</u>
10.3	<u>Conditional Commitment Letter by Royal Banks of Missouri to Peak Resorts, Inc., Hidden Valley Golf and Ski, Inc., Paoli Peaks, Inc., Snow Creek, Inc., LBO Holding, Inc. and SNH Development, Inc., effective as of August 25, 2017 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 30, 2017 and incorporated herein by reference).</u>
10.4	<u>Executive Employment Agreement dated as of October 3, 2017 by and between Peak Resorts, Inc. and Christopher J. Bub (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on October 4, 2017 and incorporated herein by reference).</u>
10.5	<u>Form of Peak Resorts, Inc. Indemnification Agreement, modified for officers (filed as Exhibit 10.2 to the Current Report on Form 8-K filed on October 4, 2017 and incorporated herein by reference).</u>
10.6	<u>Restated Credit Facility, Loan and Security Agreement by and between Peak Resorts, Inc., Hidden Valley Golf and Ski, Inc., Paoli Peaks, Inc., Snow Creek, Inc., L.B.O. Holding, Inc., and SNH Development, Inc., dated as of October 27, 2017 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on November 2, 2017 and incorporated herein by reference).</u>
10.7	<u>Working Line Promissory Note from Peak Resorts, Inc., Hidden Valley Golf and Ski, Inc., Paoli Peaks, Inc., Snow Creek, Inc., LBO Holding, Inc., and SNH Development, Inc. in favor of Royal Banks of Missouri, dated as of October 27, 2017 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed on November 2, 2017 and incorporated herein by reference).</u>

10.8 [Acquisition Line Promissory Note from Peak Resorts, Inc., Hidden Valley Golf and Ski, Inc., Paoli Peaks, Inc., Snow Creek, Inc., LBO Holding, Inc., and SNH Development, Inc. in favor of Royal Banks of Missouri, dated as of October 27, 2017 \(filed as Exhibit 10.3 to the Current Report on Form 8-K filed on November 2, 2017 and incorporated herein by reference\).](#)

31.1 [Certification of Principal Executive Officer, pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.](#)

31.2 [Certification of Principal Financial Officer, pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.](#)

32.1 [Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes Oxley Act of 2002 \(18 USC. Section 1350\).](#)

101.INS XBRL Instance

101.SCH XBRL Extension Schema

101.CAL XBRL Extension Calculation

101.DEF XBRL Extension Definition

101.LAB XBRL Extension Label

101.PRE XBRL Extension Presentation

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## Section 2: EX-31.1 (EX-31.1)

EXHIBIT  
31.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Timothy D. Boyd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peak Resorts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2017

/s/ Timothy D. Boyd  
Timothy D. Boyd  
Chief Executive Officer and Director  
(Principal Executive Officer)

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## Section 3: EX-31.2 (EX-31.2)

EXHIBIT  
31.2

### CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Bub, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peak Resorts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2017

/s/ Christopher J. Bub

Christopher J. Bub

Vice President and Chief Financial Officer

*(Principal Financial Officer)*

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## Section 4: EX-32.1 (EX-32.1)

**EXHIBIT  
32.1**

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy D. Boyd, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Peak Resorts, Inc. (the "Company") for the fiscal quarter ended October 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2017

By: /s/ Timothy D. Boyd  
Name: Timothy D. Boyd  
Title: Chief Executive Officer

I, Christopher J. Bub, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Peak Resorts, Inc. (the "Company") for the fiscal quarter ended October 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2017

By: /s/ Christopher J. Bub  
Name: Christopher J. Bub  
Title: Vice President and Chief Financial Officer



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