

VAIL RESORTS INC
Form 10-K
September 22, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the fiscal year ended July 31, 2011

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

For the transition period from _____ to _____

Commission File Number: 001-09614

Vail Resorts, Inc.

(Exact name of registrant as specified in its charter)

Delaware

51-0291762

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

390 Interlocken Crescent

Broomfield, Colorado

80021

(Address of principal executive offices)

(Zip Code)

(303) 404-1800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.01 par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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 Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of \$47.89 per share as reported on the New York Stock Exchange Composite Tape on January 31, 2011 (the last business day of the registrant's most recently completed second fiscal quarter) was \$1,712,875,740.

As of September 15, 2011, 36,071,071 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of July 31, 2011 are incorporated by reference herein into Part III, Items 10 through 14, of this Annual Report.

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FORWARD-LOOKING STATEMENTS

Except for any historical information contained herein, the matters discussed in this Annual Report on Form 10-K (this Form 10-K) contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, will and similar terms and phrases, including references to assumptions. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from our forward-looking statements include, but are not limited to:

prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries; unfavorable weather conditions or natural disasters; adverse events that occur during our peak operating periods combined with the seasonality of our business; competition in our mountain and lodging businesses; our ability to grow our resort and real estate operations; our ability to successfully initiate, complete and sell new real estate development projects and achieve the anticipated financial benefits from such projects; further adverse changes in real estate markets; continued volatility in credit markets; our ability to obtain financing on terms acceptable to us to finance our future real estate development, capital expenditures and growth strategy; our reliance on government permits or approvals for our use of Federal land or to make operational improvements; adverse consequences of current or future legal claims; our ability to hire and retain a sufficient seasonal workforce; willingness of our guests to travel due to terrorism, the uncertainty of military conflicts or outbreaks of contagious diseases, and the cost and availability of travel options; negative publicity which diminishes the value of our brands; our ability to integrate and successfully realize anticipated benefits of acquisitions or future acquisitions; and implications arising from new Financial Accounting Standards Board (FASB)/governmental legislation, rulings or interpretations.

All forward-looking statements attributable to us or any persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this Form 10-K, including investors and prospective investors, are cautioned not to place undue reliance on such forward-looking statements. Actual results may differ materially from those suggested by the forward-looking statements that we make for a number of reasons including those described in Part I, Item 1A, Risk Factors of this Form 10-K. All forward-looking statements are made only as of the date hereof. Except as may be required by law, we do not intend to update these forward-looking statements, even if new information, future events or other circumstances have made them incorrect or misleading.

PART I

ITEM 1. BUSINESS.

General

Vail Resorts, Inc., together with its subsidiaries, is referred to throughout this document as we, us, our or the Company.

Vail Resorts, Inc., a Delaware corporation, was organized as a public holding company in 1997 and operates through various subsidiaries. Our operations are grouped into three business segments: Mountain, Lodging and Real Estate, which represented approximately 65%, 18% and 17%, respectively, of our net revenue for the year ended July 31, 2011 (Fiscal 2011). Our Mountain segment operates six world-class ski resort properties as well as ancillary services, primarily including ski school, dining and retail/rental operations, which provide a comprehensive resort experience to a diverse clientele with an attractive demographic profile. Our Lodging segment owns and/or manages a collection of luxury hotels under our RockResorts brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to our ski resorts, the Grand Teton Lodge Company (GTLC), which operates three destination resorts at Grand Teton National Park, Colorado Mountain Express (CME), a resort ground transportation company, and golf courses. Collectively, the Mountain and Lodging segments are considered the Resort segment. Our Real Estate segment owns and develops real estate in and around our resort communities. Financial information by segment is presented in Note 14, Segment Information, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Mountain Segment

Our portfolio of world-class ski resorts currently includes:

Vail Mountain (Vail Mountain) the most visited ski resort in the United States for the 2010/2011 ski season and the single largest ski mountain in the United States. Vail Mountain offers some of the most expansive and varied terrain in North America with approximately 5,300 skiable acres including seven world renowned back bowls and the resort's rustic Blue Sky Basin.

Breckenridge Ski Resort (Breckenridge) the second most visited ski resort in the United States for the 2010/2011 ski season and host of the highest chairlift in North America, the Imperial Express SuperChair, reaching 12,840 feet and offering above tree line expert terrain. Breckenridge is well known for its historic town, vibrant nightlife and progressive and award-winning pipes and parks.

Keystone Resort (Keystone) the fourth most visited ski resort in the United States for the 2010/2011 ski season and home to the highly renowned A51 Terrain Park as well as the largest area of night skiing in Colorado. Keystone also offers guests a unique skiing opportunity through guided snow cat ski tours accessing five bowls. Keystone is a premier destination for families with its Kidtopia program focused on providing activities for kids on and off the slopes.

Heavenly Mountain Resort (Heavenly) the seventh most visited ski resort in the United States for the 2010/2011 ski season and the second largest ski resort in the United States with over 4,800 skiable acres. Heavenly, located near the South Shore of Lake Tahoe, straddles the border of California and Nevada and offers unique and spectacular views of Lake Tahoe. Heavenly boasts the largest snowmaking capacity in the Lake Tahoe region and offers great nightlife including its proximity to several casinos.

Beaver Creek Resort (Beaver Creek) the eighth most visited ski resort in the United States for the 2010/2011 ski season. Beaver Creek is a European style resort with multiple villages and also includes a world renowned children's ski school program focused on providing a first-class experience with unique amenities such as a dedicated children's gondola. Beaver Creek also annually hosts the only North American men's World Cup downhill races.

Northstar-at-Tahoe Resort (Northstar-at-Tahoe) the eleventh most visited ski resort in the United States for the 2010/2011 ski season and offers over 3,000 skiable acres. We acquired the equity interest of the companies that operate Northstar-at-Tahoe in October

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2010. Northstar-at-Tahoe, located near the North Shore of Lake Tahoe, is host to a new base area village featuring unique shops and restaurants, a conference center, a 9,000 square-foot skating rink and on-site lodging.

Vail Mountain, Beaver Creek, Breckenridge and Keystone, all located in the Colorado Rocky Mountains, and Heavenly and Northstar-at-Tahoe, located in the Lake Tahoe region of California/Nevada, are year-round mountain resorts. Each offers a full complement of recreational activities, including skiing, snowboarding, snowshoeing, snowtubing, sightseeing, mountain biking, guided hiking, children's activities and other recreational activities.

Our Mountain segment derives revenue through the sale of lift tickets and season passes as well as a comprehensive offering of amenities available to guests, including ski and snowboard lessons, equipment rentals and retail merchandise sales, a variety of dining venues, private club operations and other recreational activities. In addition to providing extensive guest amenities, we also lease some of our owned and leased commercial space to third party operators to add unique restaurants and retail stores to the mix of amenities at the base of our resorts.

Ski Industry/Market

There are approximately 770 ski areas in North America and approximately 480 in the United States, ranging from small ski area operations that service day skiers to large resorts that attract both day skiers and destination resort guests looking for a comprehensive vacation experience. One of the primary ski industry statistics for measuring performance is skier visit, which represents a person utilizing a ticket or pass to access a mountain resort for any part of one day, and includes both paid and complimentary access. During the 2010/2011 ski season, combined skier visits for all the United States ski areas were approximately 61.0 million and all North American skier visits were approximately 80.0 million. Our ski resorts had 7.0 million skier visits during the 2010/2011 ski season, or approximately 11.5% of United States skier visits, and an approximate 9.0% share of the North American market's skier visits.

Our Colorado ski resorts appeal to both day skiers and destination guests due to the resorts' proximity to Colorado's Front Range (Denver/Colorado Springs/Boulder metropolitan areas), accessibility from several airports, including Denver International Airport and Eagle County Airport, and the wide range of amenities available at each resort. Colorado has 29 ski areas, six of which are considered Front Range Destination Resorts, including all of our Colorado resorts, catering to both the Colorado Front Range and destination-skier markets. All Colorado ski resorts combined recorded approximately 12.3 million skier visits for the 2010/2011 ski season with skier visits at our Colorado ski resorts totaling 5.3 million, or approximately 43.0% of all Colorado skier visits for the 2010/2011 ski season.

Lake Tahoe, which straddles the border of California and Nevada, is a major skiing destination less than 100 miles from Sacramento and Reno and approximately 200 miles from San Francisco, drawing skiers from the entire California market and making it a convenient destination for both day skiers and destination guests. Heavenly, located near the South Shore of Lake Tahoe, and Northstar-at-Tahoe, located near the North Shore of Lake Tahoe, are popular year-round vacation destinations, featuring extensive summer attractions in addition to their winter sports offerings. Heavenly and Northstar-at-Tahoe are proximate to both the Reno/Tahoe International Airport and the Sacramento International Airport. California and Nevada have 33 ski areas. Our Lake Tahoe resorts had 1.7 million skier visits for the 2010/2011 ski season, capturing approximately 22.0% of California's and Nevada's approximately 7.8 million total skier visits for the 2010/2011 ski season.

Competition

There are significant barriers to entry for new ski areas due to the limited private lands on which ski areas can be built, the difficulty in getting the appropriate governmental approvals to build on public lands and the significant capital needed to construct the necessary infrastructure. As such, there have been virtually no new major resorts in North America for nearly 30 years which has and should continue to allow the best positioned resorts, including all of our resorts, to capture a majority of future industry growth. Our resorts compete with other major destination ski resorts, including Aspen/Snowmass, Copper Mountain, Deer Valley, Mammoth Mountain, Park City Mountain Resort, Squaw Valley USA, Steamboat, Whistler Blackcomb and Winter Park, as well as other ski areas in Colorado, California, Nevada, the Pacific Northwest and Southwest, and other destination ski areas worldwide and non-ski related vacation options and destinations.

While the ski industry has performed well in recent years in terms of number of skier visits, with the nine best seasons occurring in the past 10 years for United States visitation, a particular ski area's growth is also largely dependent on either attracting skiers away from other resorts, generating more revenue per skier visit and/or generating more visits from each skier. Better capitalized ski resorts, including all six of our mountain resorts, are expanding their offerings as well as enhancing the quality and experience by adding new high speed chairlifts, gondolas, terrain parks, state of the art grooming machines, expanded terrain, on-mountain dining venues as well as amenities at the base areas of the resorts, all of which are aimed at increasing guest visitation and revenue per skier visit. We believe that we invest more in capital improvements than the vast majority of our competitors and that we can also create operating synergies by operating multiple resorts, thus enhancing our profitability. Additionally, through our sales of season passes, we provide our guests with a strong value option, in return for guests committing to ski at our resorts prior to, or very early into the ski season,

which we believe attracts more guests to our resorts. All six of our resorts typically rank in the fifteen most visited ski resorts in the United States. Additionally, all of our resorts consistently rank in the top 25 ranked ski resorts in North America according to industry surveys, which we attribute to our resorts' ability to provide a high-quality experience.

The ski industry statistics stated in this section have been derived from data published by Colorado Ski Country USA, Canadian Ski Council, Kottke National End of Season Survey 2010/2011 (the Kottke Survey) and other industry publications.

All of our ski resorts maintain the distinction of competing effectively as both market leaders and quality leaders. The following inherent and strategic factors contribute directly to each resort's success:

Exceptional mountain experience

World-Class Mountain Resorts and Integrated Base Resort Areas

All six of our mountain resorts offer a multitude of skiing and snowboarding experiences for the beginner, intermediate, advanced and expert levels. Each resort is also fully integrated into expansive resort areas offering a broad array of lodging, dining, retail, spas, nightlife and other amenities to the resort's guests, some of which we own or manage.

Snow Conditions

Our resorts are located in areas that generally receive significantly higher than average snowfall compared to most other ski resort locations in the United States. Our resorts in the Colorado Rocky Mountains and in the Sierra Nevada Mountains all receive average yearly snowfall between 20 and 30 feet. Even in these abundant snowfall areas, we have significant snowmaking systems that can help provide a more consistent experience, especially in the early season. Additionally, we provide several hundred acres of groomed terrain at each of our resorts with extensive fleets of snow grooming equipment.

Lift Service

We systematically upgrade our lifts to streamline skier traffic and maximize guest experience. In the past several years, we have installed several high-speed chairlifts and gondolas across our resorts, including an eight-passenger gondola at Keystone with a mid-station feature and a four-passenger high-speed chairlift servicing Vail Mountain's back bowls. Additionally, for the 2011/2012 ski season we expect to have installed new high speed chairlifts at both Beaver Creek and Northstar-at-Tahoe.

Terrain Parks

Our resorts are committed to leading the industry in terrain park design, education and events for the growing segment of freestyle skiers and snowboarders. Each resort has multiple terrain parks that include progressively-challenging features. This park structure, coupled with freestyle ski school programs, promotes systematic learning from basic to professional skills.

Extraordinary service and amenities

Commitment to the Guest Experience

Our mission is to provide quality service at every level of the guest experience. Prior to arrival, guests can receive personal assistance through our full-service, in-house travel center (or for certain items through our comprehensive websites) to book desired lodging accommodations, lift tickets, ski school lessons, equipment rentals and air and ground travel. On-mountain ambassadors engage guests and answer questions and all personnel, from lift operators to ski patrol, convey a guest-oriented culture. In addition, we introduced EpicMix for the 2010/2011 ski season which, through the use of radio frequency technology, captures a guest's activity on the slopes (e.g. days and vertical feet skied, chairlifts ridden) and allows a guest to share his or her experience and accomplishments with family and friends on social networks like Facebook and Twitter. We also solicit guest feedback through a variety of surveys and results which are utilized to ensure high levels of customer satisfaction, to understand trends, and to develop future resort programs and amenities.

Season Pass Products

We offer a variety of season pass products for all of our ski resorts, marketed towards both out-of-state and international (Destination) guests and in-state and local (In-State) guests. Our season pass products are available for purchase

predominately during the period prior to the start of the ski season. Our season pass products provide a value option to our guests, which in turn assists us in developing a loyal base of customers who commit to ski at our resorts generally in advance of the ski season and typically ski more days each season at our resorts than those guests who do not buy season passes. As such, our season pass program drives strong customer loyalty; mitigates exposure to many weather sensitive guests; and generates additional ancillary spending. In addition, our season pass products attract new guests to our resorts. Sales of season pass products are a key component of our overall Mountain revenue and also create strong synergies among our resorts. Our season pass product offerings range from providing access to a combination of our resorts to our Epic Season Pass that allows pass holders unlimited and unrestricted access to all six of our ski resorts. For the 2011/2012 ski season, in addition to the Epic Season Pass, we are providing value options to our guests by offering various pass products such as Epic Local Season Pass that allows pass holders access to all of our resorts with certain restrictions; the Summit Value Pass which provides access to Breckenridge and Keystone; and the Tahoe Value Pass which provides access to Heavenly and Northstar-at-Tahoe. Season pass products provided approximately 35% of our total lift ticket revenue for the 2010/2011 ski season.

Premier Ski Schools

Our resorts are home to some of the finest and most recognized ski and snowboard schools in the industry. Through a combination of outstanding training and abundant work opportunities, the schools have become home to many of the most experienced and credentialed professionals in the business. We complement our instructor staff with state-of-the-art facilities and extensive learning terrain, all with a keen attention to guest needs, including offering a wide variety of adult and child group and private lesson options with a goal of creating lifelong skiers and riders and showcasing to our guests all the terrain our resorts have to offer.

On-Mountain Activities

We are a ski industry leader in providing comprehensive destination vacation experiences, including on-mountain activities designed to appeal to a broad range of interests. In addition to our exceptional ski experiences, guests can choose from a variety of non-ski related activities including snowtubing, snowshoeing, guided snowmobile and scenic cat tours, horse-drawn sleigh rides and high altitude dining. During the summer, on-mountain recreational activities provide guests with a wide array of options including scenic chairlift and gondola rides, mountain biking, horseback riding, hiking, an alpine slide and an alpine coaster.

Dining

Our resorts provide a variety of quality on-mountain and base village dining venues, ranging from top-rated fine dining restaurants to trailside express food service outlets. We operate approximately 100 of such dining options at our six mountain resorts. Furthermore, we are committed to serving healthy food options to our guests at these dining venues through our *Appetite for Life* program.

Retail/Rental

We have approximately 160 retail/rental locations, including an online retail presence, specializing in sporting goods including ski, snowboard, golf and cycling equipment. In addition to providing a major retail/rental presence at each of our ski resorts, we also have retail/rental locations throughout the Colorado Front Range and at other Colorado, California and Utah ski resorts, as well as the San Francisco Bay Area and Salt Lake City. Many of the locations in the Colorado Front Range and in the San Francisco Bay Area also offer a prime venue for selling our season pass products.

Lodging and Real Estate Development

Quality lodging options are an integral part of providing a complete resort experience. Our 15 owned and managed hotels and resorts proximate to our mountain resorts, including five RockResorts branded properties, and a significant inventory of managed condominium rooms provide numerous accommodation options for our mountain resort guests. Our real estate development efforts provide us with the potential to add profitability while expanding our destination bed base and upgrading our resorts through the development of amenities such as luxury hotels, private clubs, spas, parking and commercial space for restaurants and retail shops. Our Lodging and Real Estate segments have and continue to invest in resort related assets as part of their initiatives which enhance the overall resort experience. Examples include: Ritz-Carlton Residences, Vail which opened in August 2010; One Ski Hill Place at Breckenridge, a RockResort property which opened in June 2010; upgraded amenities at the Keystone Lodge for the 2010/2011 ski season; renovated guest rooms and renovated ballroom and meeting spaces at The Lodge at Vail for

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the 2008/2009 ski season; the Crystal Peak Lodge in Breckenridge which opened for the 2008/2009 ski season; and the Vail Mountain and Arrabelle Clubs, private mountain clubs which opened for the 2008/2009 ski season.

Environmental Stewardship and Social Responsibility

Our environmental stewardship efforts are diverse and touch nearly every area of our operations. In the area of forest health and watershed protection we are focused on the Hayman Restoration Partnership, Colorado's largest forest and watershed restoration project and one of the largest public-private partnerships of its kind in the country. We continue to reduce our energy consumption through our Target 10% initiative, which has a stated goal of a 10% companywide energy reduction. Furthermore, as part of a comprehensive environmental program we are also continuing a substantial recycling program, one of the largest, if not the largest, on-mountain program in the world; committing to green building development; operating a comprehensive composting program at selected resorts; promoting/offering green guest rooms, green weddings, events, and meetings to our guests including eliminating nearly all plastic water bottles in lodging properties through the Water on the Rocks program. Lastly, our charitable giving focuses on supporting educational and youth programs, encouraging innovation in and implementation of environmental stewardship practices and enhancing the quality of life in the communities in which we operate.

Accessibility from major metropolitan areas

Our ski resorts are well located and easily accessible by both Destination and In-State guests.

Colorado Resorts

The Colorado Front Range, with a population of approximately 4.3 million, and growing faster than the national average over the past 10 years, is within approximately 100 miles from each of our Colorado resorts, with access via a major interstate highway. Additionally, our Colorado resorts are proximate to both Denver International Airport and Eagle County Airport.

Lake Tahoe Resorts

Heavenly and Northstar-at-Tahoe are proximate to two large California population centers, the Sacramento/Central Valley and the San Francisco Bay Area and draw skiers from throughout California and Nevada. Heavenly and Northstar-at-Tahoe are approximately 100 miles from Sacramento/Central Valley and approximately 200 miles from the San Francisco Bay area via major interstate highways. Additionally, both our Lake Tahoe resorts are serviced by the Reno/Tahoe International Airport, Sacramento International Airport and the San Francisco International Airport.

Marketing and Sales

We promote our resorts through targeted marketing and sales programs, which include customer relationship marketing (CRM) to targeted audiences, promotional programs, digital marketing (including social, search and display), loyalty programs that reward frequent guests and traditional media advertising where appropriate (e.g. targeted print, TV, radio). Additionally, we promote our resorts and the snowsports industry through our OnTheSnow.com website, which is one of the world's most visited online snowsports portals. We also have marketing programs directed at attracting groups, corporate meetings and convention business. Most marketing efforts drive traffic to our websites, where we provide our guests with information regarding each of our resorts, including services and amenities, reservations information, virtual tours and the opportunity to book/purchase multiple products for their vacations or other visits. We also enter into strategic alliances with companies to enhance the guest in-resort experience and to create opportunities for cross-marketing.

Seasonality

Ski resort operations are highly seasonal in nature, with a typical ski season beginning in mid-November and running through mid-April. In an effort to partially counterbalance the concentration of revenue in the winter months, we offer non-ski season attractions such as sightseeing, mountain biking, guided hiking, alpine slides, children's activities and other recreational activities such as golf (included in the operations of the Lodging segment). These activities also help attract destination conference and group business to our resorts.

Lodging Segment

Our Lodging segment includes the following operations:

RockResorts a luxury hotel management company with a current portfolio of eleven properties, including four Company-owned hotels and seven managed third-party owned resort properties with locations in Colorado, Wyoming, New Mexico, Dominican Republic, Jamaica and St. Lucia, West Indies as well as three properties currently under development that we will manage;

Five additional independently flagged Company-owned hotels, management of the Vail Marriott Mountain Resort & Spa (Vail Marriott), Mountain Thunder Lodge, Crystal Peak Lodge, Ritz-Carlton Residences, Vail, Austria Haus Hotel and condominium management operations, which are in and around our ski resorts in both Colorado and the Lake Tahoe region, and Bimini Bay, Bahamas and Alma del Pacifico, Costa Rica;

GTLC a summer destination resort with three resort properties in the Grand Teton National Park and the Jackson Hole Golf & Tennis Club (JHG&TC) near Jackson, Wyoming;

CME a resort ground transportation company; and

Five Company-owned resort golf courses in Colorado, one in Wyoming and one operated in Lake Tahoe, California.

The Lodging segment currently includes approximately 5,100 owned and managed hotel and condominium rooms. Our resort hotels collectively offer a wide range of services to guests.

Our portfolio of owned or managed luxury resort hotels and other hotels and properties currently includes:

Name	Location	Own/Manage	Rooms
<i>RockResorts:</i>			
The Lodge at Vail	Vail, CO	Own	164*
The Arrabelle at Vail Square	Vail, CO	Own	87*
The Pines Lodge	Beaver Creek, CO	Own	68*
The Osprey at Beaver Creek	Beaver Creek, CO	Own	47*
Half Moon	Rose Hall, Jamaica	Manage	398
La Posada de Santa Fe	Santa Fe, NM	Manage	157
Snake River Lodge & Spa	Teton Village, WY	Manage	153
Hotel Jerome	Aspen, CO	Manage	94
The Landings St. Lucia	St. Lucia, West Indies	Manage	78
One Ski Hill Place	Breckenridge, CO	Manage	51
Balcones del Atlantico	Santo Domingo,	Manage	16
	Dominican Republic		
<i>Other Hotels and Properties:</i>			
The Great Divide Lodge	Breckenridge, CO	Own	208
The Keystone Lodge	Keystone, CO	Own	152
Inn at Keystone	Keystone, CO	Own	103
Village Hotel	Breckenridge, CO	Own	60
Ski Tip Lodge	Keystone, CO	Own	10
Jackson Lake Lodge	Grand Teton Nat l Pk.,	Concessionaire	385
	WY	Contract	

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Colter Bay Village	Grand Teton Nat 1 Pk.,	Concessionaire Contract	166
	WY		
Jenny Lake Lodge	Grand Teton Nat 1 Pk.,	Concessionaire Contract	37
	WY		
Bimini Bay	Bahamas	Manage	350
Vail Marriott Mountain Resort & Spa	Vail, CO	Manage	342
Mountain Thunder Lodge	Breckenridge, CO	Manage	96
Crystal Peak Lodge	Breckenridge, CO	Manage	29
The Ritz-Carlton Residences, Vail	Vail, CO	Manage	25
Austria Haus Hotel	Vail, CO	Manage	25
Alma del Pacifico	Costa Rica	Manage	20

*Includes individual owner units that are in a rental program managed by us.

The RockResorts brand was originally created by Laurance S. Rockefeller in 1956 and was purchased by us in December 2001. The RockResorts collection includes luxury hotels influenced by a strong connection to the natural surrounding environment and features award-winning dining, and state-of-the-art RockResorts spas and fitness centers. The properties incorporate the indigenous environment into the guest experience and feature access to a variety of year-round outdoor activities ranging from skiing to golf.

Our lodging strategy seeks to complement and enhance our mountain resort operations through our ownership or management of lodging properties and condominiums in proximity to our mountain resorts and our management of luxury resorts in premier destination locations. Additionally, we continue to pursue new management contracts, which may include, in addition to management fees, marketing license fees and technical service fees in conjunction with a project's design, development and sales.

Our lodging strategy, through RockResorts, is focused on the resort hotel niche within the luxury segment and competes for boutique full-service hotel management contracts with other hotel management companies, including Rosewood Hotels & Resorts, the KOR Group and Auberge Resorts.

During Fiscal 2011, we welcomed the addition of three luxury properties to our managed portfolio: Half Moon, Rose Hall, Jamaica; Alma del Pacifico, Playa Esterillos Este, Costa Rica; and Bimini Bay Resort and Marina, Bimini, The Bahamas. Additionally, current properties under development as RockResorts managed resorts include: Mansfield Inn at Stowe, Stowe, Vermont; Rum Cay Resort Marina, Bahamas; and the Third Turtle Club & Spa, Turks and Caicos.

CME represents the first point of contact with many of our guests when they arrive by air to Colorado. CME offers year-round ground transportation from Denver International Airport and Eagle County Airport to the Vail Valley (locations in and around Vail, Beaver Creek, Avon and Edwards), Aspen (locations in and around Aspen and Snowmass) and Summit County (includes Keystone, Breckenridge, Copper Mountain, Frisco and Silverthorne) for ski and snowboard and other mountain resort experiences. CME offers four primary types of services, including; door-to-door shuttle business, point-to-point shuttle business with centralized drop-off at transportation hubs, private chartered vans and premier luxury charter vehicles. The vehicle fleet consists of approximately 250 vans and luxury SUVs, and transported approximately 300,000 resort guests over the past year.

Lodging Industry/Market

Hotels are categorized by Smith Travel Research, a leading lodging industry research firm, as luxury, upper upscale, upscale, mid-price and economy. The service quality and level of accommodations of our RockResorts' hotels place them in the luxury category, which represents hotels achieving the highest average daily rates (ADR) in the industry, and includes such brands as the Four Seasons, Ritz-Carlton and Starwood's Luxury Collection hotels. Our other hotels are categorized in the upper upscale and upscale segments of the hotel market. The luxury and upper upscale segments consist of approximately 674,000 rooms at approximately 1,800 properties in the United States as of July 2011. For Fiscal 2011, our owned hotels, which include a combination of certain RockResort hotels, as well as other hotels in proximity to our ski resorts, had an overall ADR of \$194.35, a paid occupancy rate of 58.1% and revenue per available room (RevPAR) of \$112.95, as compared to the upper upscale segment's ADR of \$147.14, a paid occupancy rate of 70.4% and RevPAR of \$103.52. We believe that this comparison to the upper upscale category is appropriate as our mix of owned hotels include those in the luxury and upper upscale categories, as well as certain of our hotels that fall in the upscale category. The highly seasonal nature of our lodging properties generally results in lower average occupancy as compared to the upper upscale segment of the lodging industry.

Competition

Competition in the hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, price and other factors. Our properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels, as well as facilities owned or managed by national and international chains, including such brands as Four Seasons, Hilton, Hyatt, Marriott, Ritz-Carlton, Starwood's Luxury Collection and Westin. Our properties also compete for convention and conference business across the national market. We believe we are highly competitive in the resort hotel niche for the following reasons:

All of our hotels are located in unique highly desirable resort destinations.

Our hotel portfolio has achieved some of the most prestigious hotel designations in the world, including 9 properties and 4 hotel restaurants in our portfolio that are currently rated as AAA 4-Diamond.

Our RockResorts brand is a historic brand name with a rich tradition associated with high quality luxury resort hotels.

Many of our hotels (both owned and managed) are designed to provide a look that feels indigenous to their surroundings, enhancing the guest's vacation experience.

Each of our RockResorts hotels provides the same high level of quality and services, while still providing unique characteristics which distinguish the resorts from one another. This appeals to travelers looking for consistency in quality and service offerings together with an experience more unique than typically offered by larger luxury hotel chains.

Many of the hotels in our portfolio provide a wide array of amenities available to the guest such as access to world-class ski and golf resorts, spa and fitness facilities, water sports and a number of other outdoor activities as well as highly acclaimed dining options.

Conference space with the latest technology is available at most of our hotels. In addition, guests at Keystone can use our company-owned Keystone Conference Center, the largest conference facility in the Colorado Rocky Mountain region with more than 100,000 square feet of meeting, exhibit and function space.

We have a central reservations system that leverages off of our ski resort reservations system and has an online planning and booking platform, offering our guests a seamless and useful way to make reservations at our resorts.

We actively upgrade the quality of the accommodations and amenities available at our hotels through capital improvements. Capital funding for third-party owned properties is provided by the owners of those properties to maintain standards required by our management contracts. Projects completed over the past three years include a full renovation of The Osprey at Beaver Creek (formerly known as the Inn at Beaver Creek), extensive upgrades to The Lodge at Vail, including a fully renovated ballroom, renovated meeting spaces, room upgrades and the addition of a 7,500 square foot spa, extensive room upgrades at GTLC's historic Jackson Lake Lodge and guest room renovations at the Keystone Lodge.

National Park Concession

We own GTLC, which is based in the Jackson Hole area in Wyoming and operates within the Grand Teton National Park under a 15-year concessionaire agreement (that expires December 31, 2021) with the National Park Service (NPS). GTLC also owns JHG&TC, which is located outside of the Grand Teton National Park near Jackson, Wyoming. GTLC's operations within the Grand Teton National Park and JHG&TC have operating seasons that generally run from mid-May to mid-October.

There are 394 areas within the National Park System covering approximately 84 million acres across the United States and its territories. Of the 394 areas, 58 are classified as National Parks. While there are more than 600 NPS concessionaires, ranging from small, privately-held businesses to large corporate conglomerates, we primarily compete with such companies as Aramark Parks & Resorts, Delaware North Companies Parks & Resorts, Forever Resorts and Xanterra Parks & Resorts in retaining and obtaining National Park Concessionaire agreements. The NPS uses recreation visits to measure visitation within the National Park System. In calendar 2010, areas designated as National Parks received approximately 65 million recreation visits. The Grand Teton National Park, which spans approximately 310,000 acres, had approximately 2.7 million recreation visits during calendar 2010, or approximately 4.1% of total National Park recreation visits. Four concessionaires provide accommodations within the Grand Teton National Park, including GTLC. GTLC offers three lodging options within the Grand Teton National Park: Jackson Lake Lodge, a full-service, 385-room resort with 17,000 square feet of conference facilities which can accommodate up to 600 people; the Jenny Lake Lodge, a small, rustically elegant retreat with 37 cabins; and Colter Bay Village, a facility with 166 log cabins, 66 tent cabins, 361 campsites and a 112-space RV park. GTLC offers dining options as extensive as its lodging options, with cafeterias, casual eateries and fine dining establishments. GTLC's resorts provide a wide range of activities for guests to enjoy, including cruises on Jackson Lake, boat rentals, horseback riding, guided fishing, float trips, golf and guided Grand Teton National Park tours. As a result of the extensive amenities offered as well as the tremendous popularity of the National Park System, GTLC's accommodations within the Grand Teton National Park operate near full capacity during their operating season.

Marketing and Sales

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We promote our luxury hotels and lodging properties through marketing and sales programs, which include marketing directly to many of our guests through our digital channels (search, social, and display), promotional programs and print media advertising. We also promote comprehensive vacation experiences through various package offerings and promotions (combining lodging, lift tickets, ski school lessons, ski rental equipment, transportation and dining), all of which are designed to drive traffic to our websites and central reservations call center. Where appropriate, we market our resort properties in conjunction with our mountain resort marketing efforts. Additionally, our individual hotels have active sales forces to generate conference and group business.

Seasonality

Our lodging business is highly seasonal in nature, with peak seasons primarily in the winter months (with the exception of GTLC, certain managed properties and golf operations). In recent years, we have enhanced our business by promoting our extensive conference facilities and offering more off-season activities to help offset the seasonality of our lodging business. We operate seven golf courses: The Beaver Creek Golf Club, The Keystone Ranch Golf Course, The River Course at Keystone, JHG&TC, The Northstar-at-Tahoe Resort Golf Course and the Tom Fazio and Greg Norman courses at Red Sky Ranch near the Beaver Creek Resort. JHG&TC was ranked the fourth best course in Wyoming for 2011 by *Golf Digest*, the Tom Fazio course at Red Sky Ranch was ranked the fifth best resort course in Colorado by *Golf Week*, and the Greg Norman course at Red Sky Ranch was ranked seventh best course in Colorado for 2011 by *Golf Digest*.

Real Estate Segment

We have extensive holdings of real property at our resorts throughout Summit and Eagle Counties in Colorado. Our real estate operations, through Vail Resorts Development Company (VRDC), a wholly-owned subsidiary, include the planning, oversight, infrastructure improvement, development, marketing and sale of our real property holdings. In addition to the cash flow generated from real estate development sales, these development activities benefit our Mountain and Lodging segments through (i) the creation of additional resort lodging and other resort related facilities and venues (primarily restaurants, spas, commercial space, private mountain clubs, skier services facilities and parking structures) that provide us with the opportunity to create new sources of recurring revenue, enhance the guest experience at our resorts and expand our destination bed base; (ii) the ability to control the architectural themes of our resorts; and (iii) the expansion of our property management and commercial leasing operations.

In recent years we have primarily focused on projects in our Real Estate segment that involve significant vertical development. Over the past several years our completed projects include Ritz-Carlton Residence, Vail, One Ski Hill Place in Breckenridge, the Arrabelle at Vail Square, Vail s Front Door, Crystal Peak Lodge at Breckenridge, and Gore Creek Place in Vail s Lionshead Village. We attempt to mitigate the risk of vertical development by often utilizing guaranteed maximum price construction contracts (although certain construction costs may not be covered by contractual limitations), pre-selling a portion of the project, requiring significant non-refundable deposits from buyers, and potentially obtaining non-recourse financing for certain projects (although our last two major vertical development projects have not incurred any direct third party financing). In some instances as warranted by our business model, VRDC attempts to minimize our exposure to development risks and maximize the long-term value of our real property holdings by selling improved and entitled land to third-party developers while often retaining the right to approve the development plans, as well as an interest in the developer s profit.

Currently VRDC s principal activities include the marketing and selling of remaining condominium units that are available for sale, which primarily relate to The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge; planning for future real estate development projects, including zoning and acquisition of applicable permits; and the purchase of selected strategic land parcels for future development. Although we continue to undertake preliminary planning and design work on future projects, we currently do not plan to undertake significant development activities on new projects until the current economic environment for real estate improves. We believe that, due to our low carrying cost of real estate land investments combined with the absence of third party debt associated with our real estate investments, we are well situated to time the launch of future projects with a more favorable economic environment.

Employees

Through certain operating subsidiaries, we currently employ approximately 4,300 year-round employees and during the height of our operating season we employ approximately 14,500 seasonal employees. In addition, we employ approximately 800 year-round employees and 200 seasonal employees on behalf of the owners of our managed hotel properties. None of our employees are unionized. We consider employee relations to be good.

Regulation and Legislation

Federal Regulation

The 1986 Ski Area Permit Act (the 1986 Act) allows the USDA Forest Service (the Forest Service) to grant Term Special Use Permits (each, a SUP) for the operation of ski areas and construction of related facilities on National Forest lands. In addition, the 1986 Act requires a Master Development Plan for each ski area that is granted a SUP.

Each distinct area of National Forest lands is required by the National Forest Management Plan to develop and maintain a Land and Resource Management Plan (a Forest Plan), which establishes standards and guidelines for the Forest Service to follow and consider in reviewing and approving our proposed actions.

Under the 1986 Act, the Forest Service has the right to review and approve the location, design and construction of improvements in the permit area and many operational matters. Virtually all of the skiable terrain at Vail Mountain, Breckenridge, Heavenly and Keystone is located on Forest Service land. While Beaver Creek also operates on Forest Service land, a significant portion of the skiable terrain, primarily in the lower main mountain, Western Hillside, Bachelor Gulch and Arrowhead Mountain areas, is located on land that we own. Each of these five ski resorts operates under a SUP.

The operations of Northstar-at-Tahoe are conducted on land and with operating assets owned by CNL Lifestyle Properties, Inc. under operating lease agreements which were assumed by the Company. Since Northstar-at-Tahoe is located entirely on private land, it does not require a SUP.

Special Use Permits

Vail Mountain operates under a SUP for the use of 12,353 acres that expires December 1, 2031. Breckenridge operates under a SUP for the use of 5,702 acres that expires December 31, 2029. Keystone operates under a SUP for the use of 8,376 acres that expires December 31, 2032. Beaver Creek operates under a SUP for the use of 3,849 acres that expires November 8, 2039. Heavenly operates under a SUP for the use of 7,050 acres that expires May 1, 2042. We anticipate requesting a new SUP for each resort prior to the expiration date identified above as provided by the Forest Service regulations and the terms of each existing SUP. We are not aware of the Forest Service refusing to issue a new SUP to replace an expiring SUP for a ski resort in operation at the time of expiration.

Each SUP contains a number of requirements, including that we indemnify the Forest Service from third-party claims arising out of our operation under the SUP and that we comply with applicable laws, such as those relating to water quality and endangered or threatened species.

For use of the SUPs, we pay a fee to the Forest Service ranging from 1.5% to 4.0% of sales for services occurring on Forest Service land. Included in the calculation are sales from, among other things, lift tickets, season passes, ski school lessons, food and beverages, equipment rentals and retail merchandise.

The SUPs may be amended by us or by the Forest Service to change the permit area or permitted uses. The Forest Service may amend a SUP, if it determines that such amendment is in the public interest. While the Forest Service is required to seek the permit-holders consent to any amendment, an amendment can be finalized over a permit-holder s objection. Permit amendments must be consistent with the Forest Plan and are subject to the provisions of the National Environmental Policy Act (NEPA), both of which are discussed below.

The Forest Service can also terminate a SUP if it determines that termination is required in the public interest. However, to our knowledge, no SUP has ever been terminated by the Forest Service over the opposition of the permittee.

Master Development Plans

All improvements that we propose to make on National Forest System lands under any of our SUPs must be included in a Master Development Plan. Master Development Plans describe the existing and proposed facilities, developments and area of activity within the permit area. We prepare Master Development Plans, which set forth a conceptual overview of all potential projects at each resort. The Master Development Plans are reviewed by the Forest Service for compliance with the Forest Plan and other applicable law and, if found to be compliant, are accepted by the Forest Service. Notwithstanding acceptance by the Forest Service of the conceptual Master Development Plans, individual projects still require separate applications to be submitted evidencing compliance with NEPA and other applicable laws before the Forest Service will approve such projects. We update or amend our Master Development Plans for Vail Mountain, Beaver Creek, Keystone, Breckenridge and Heavenly from time to time.

Forest Plans

Operational and development activities on National Forest System lands at our four Colorado ski resorts are subject to the additional regulatory and planning requirements set forth in the April 2002 Record of Decision (the 2002 ROD) for the White River National Forest Land and Resources Management Plan (the White River Forest Plan). At Heavenly, operational and development activities

on National Forest System lands are subject to the Lake Tahoe Basin Management Unit Land and Resources Management Plan (the Lake Tahoe Forest Plan), which was adopted in 1988. The Forest Service is currently in the process of amending the Lake Tahoe Forest Plan.

When approving our application for development, area expansion and other activities on National Forest System lands, the Forest Service must adhere to the applicable Forest Plan. Any such decision may be subject to judicial review in Federal court if a party, with standing, challenges a Forest Service decision that applies the requirements of a Forest Plan at one of our five National Forest System lands ski resorts.

National Environmental Policy Act; California Environmental Quality Act

NEPA requires an assessment of the environmental impacts of major proposed actions on National Forest land, such as expansion of a ski area, installation of new lifts or snowmaking facilities, or construction of new trails or buildings. We must comply with NEPA when seeking Forest Service approval of such improvements. The Forest Service is responsible for preparing and compiling the required environmental studies, usually through third-party consultants. NEPA allows for different types of environmental studies, depending on, among other factors, the scope and size of the expected impact of the proposed project. An Environmental Assessment (EA) is typically used for projects where the environmental impacts are expected to be limited. For projects with more significant expected impacts, an Environmental Impact Statement (EIS) is more commonly required. An EIS is more detailed and broader in scope than an EA. The Forest Service usually takes more time to prepare, review and issue an EIS. Consequently, projects that require an EIS typically take longer to approve.

During the requisite environmental study, the Forest Service is required to analyze alternatives to the proposed action (including not taking the proposed action) as well as impacts that may be unavoidable. Following completion of the requisite environmental study, the Forest Service may decide not to approve the proposed action or may decide to approve an alternative. In either case we may be forced to abandon or alter our development or expansion plans.

In limited cases, projects can be subject to a Categorical Exclusion, which allows approval by the Forest Service without preparation of an environmental study required by NEPA. The Forest Service has a list of available Categorical Exclusions, which typically are only available for projects that are not expected to have environmental impacts, such as certain utilities installed in an existing, previously disturbed corridor.

Proposed actions at Heavenly and Northstar-at-Tahoe may also be subject to the California Environmental Quality Act (CEQA), which is similar to NEPA in that it requires the California governmental entity approving any proposed action at Northstar-at-Tahoe or on the California portion of Heavenly to study potential environmental impacts. Projects with significant expected impacts require an Environmental Impact Report (EIR) while more limited projects may be approved based on a Mitigated Negative Declaration.

Breckenridge Regulatory Matters

We submitted an updated Master Development Plan for Breckenridge, which was accepted by the Forest Service in January 2008. The Master Development Plan was updated to include, among other things, additional skiable area, snowmaking and lift improvements.

In January 2008, the Forest Service commenced public scoping of our proposal to develop a portion of Peak 6, which adjoins the Breckenridge Ski Area to the north. In June 2011, the Forest Service issued a Draft EIS analyzing the potential Peak 6 development and alternatives, in compliance with NEPA. The public comment period for the Draft EIS closed August 26, 2011. We anticipate that within the next twelve months the Forest Service will make a final decision regarding approval of the Peak 6 development and prepare a Final EIS and Record of Decision. It is not possible at this time to determine whether the expansion will be approved as proposed.

Keystone Regulatory Matters

In September 2009, the Forest Service accepted the updated Keystone Master Development Plan which contemplates, among other things, ski area expansion, construction of new lifts, trails and snowmaking systems, and construction or redevelopment of skier buildings and other facilities.

We submitted to the Forest Service an amended Project Proposal under the updated Keystone Master Development Plan in June 2011. The Project Proposal focuses primarily on the front side of the mountain and includes trail widening, new trails, lift and snowmaking improvements and replacement or upgrade of on-mountain dining and skier service facilities. We are currently waiting for Forest Service acceptance of the Project Proposal so that we can begin the NEPA review process.

Vail Mountain Regulatory Matters

In September 2007, the updated Vail Mountain Master Development Plan was accepted by the Forest Service. The Vail Mountain Master Development Plan includes, among other things, additional snowmaking on Vail Mountain, additional lifts, and a race facility expansion at Vail's Golden Peak. In December 2009, the Forest Service issued a Record of Decision (the 2009 ROD) approving our first proposal under the updated Master Development Plan. The 2009 ROD approved the installation of a new chairlift in Vail's Sundown Bowl, the upgrade of the existing Chair 5 to a high-speed, detachable quad chair lift, and construction of a new dining facility at Mid-Vail. The installation and upgrade of Chair 5 was completed in the fall of 2010 and the upgraded chairlift was in service for the 2010/2011 ski season. Construction continues on the Mid-Vail fine dining facility, which we expect to be completed and in operation for most of the 2011/2012 ski season.

In March 2006, the Forest Service approved a proposal to construct a chairlift to service existing and potential future residential and commercial development in the proposed Ever Vail area. However, since receiving approval, we have modified the plans for the chairlift and have requested approval from the Forest Service of the modified plans. We do not know when, or if, we will receive such approval.

Beaver Creek Regulatory Matters

The Beaver Creek Master Development Plan was accepted by the Forest Service in October 2010. Included in the submitted Beaver Creek Master Development Plan, among other things, was certain chairlift and snowmaking upgrades and adjustments to visitor capacity parameters in light of prior lift and trail upgrades contemplated in the Master Development Plan.

Also in October 2010, we submitted a project proposal for ski area upgrades required in connection with the 2015 World Alpine Ski Championships, to be held in Beaver Creek and Vail. Upgrades include trail widening and grading, new finish arena facilities, snowmaking and related infrastructure. The proposal was accepted by the Forest Service, which is currently preparing an EIS, in compliance with NEPA. We expect a Draft EIS to be issued October 2011. It is not possible at this time to determine whether the projects will be approved as proposed.

Northstar-at-Tahoe Regulatory Matters

Northstar-at-Tahoe is located entirely on private land leased by us and is not subject to Forest Service authorization or oversight. However, site specific projects at Northstar-at-Tahoe are approved by Placer County pursuant to a series of minor use and conditional use permits.

In February 2009, Northstar-at-Tahoe adopted a Habitat Management Plan (the HMP), in part to comply with its obligations under a Settlement Agreement with regional conservation groups entered into in 2005. The HMP provides a framework for habitat management for future development of the Northstar-at-Tahoe ski area and base area. In addition, Northstar-at-Tahoe has requested Placer County approval of an Overall Mountain Master Plan (the OMMP) and is pursuing CEQA approval through an Environmental Impact Review process, which provides site specific and programmatic review of potential future projects.

During spring 2011, Northstar-at-Tahoe received Placer County approval for an approximately 750 person on-mountain restaurant and additional ski terrain (the S-Pod). The S-Pod approval allows us to create approximately 70 acres of cleared ski trails, add additional snowmaking and install a new high-speed, four person chairlift to serve the new terrain, located on the Backside of Northstar-at-Tahoe. Construction has begun on both the restaurant and S-Pod and we expect both to be completed during the first half of the 2011/2012 ski season.

Heavenly Regulatory Matters

During the summer of 2007, an amendment to the Heavenly Master Plan (the Master Plan Amendment) including new and upgraded trails, lifts, snowmaking, lodges and other facilities was accepted by the Forest Service and approved by the Tahoe Regional Planning Agency (TRPA) and the underlying units of local government with jurisdiction. Portions of the Master Plan Amendment applying to the California side of the resort were subject to the approval of TRPA and El Dorado County, which required compliance with CEQA. The Master Plan Amendment was approved by TRPA and El Dorado County after completion of a joint TRPA/Forest Service EIS/EIR to comply with both CEQA and NEPA. Approval of the Master Plan Amendment included approval by TRPA of the Phase I projects contemplated in the Master Plan Amendment.

On August 26, 2009, we submitted a Project Proposal for the construction of a new day lodge and dining facility at the top of the gondola, snowmaking and lift upgrades and trail widening and other improvements. The Forest Service completed an EA on the proposal and issued a Decision Notice and Finding of No Significant Impact on May 10, 2010. We have completed a number of the approved projects including: construction of the day lodge and dining facility at the top of the gondola, completed in December 2010; and construction of new trails in the Galaxy lift pod along with trail widening in the Sky Express lift pod, completed during summer 2011. Also during summer 2011, we commenced construction of a children's ski school facility, which was approved by the Forest Service by Decision Memo in May 2011 pursuant to a Categorical Exclusion under NEPA.

In July 2011 we submitted a Project Proposal for, among other things, ski trail improvements, an additional surface lift to serve a terrain park, water wells and other circulation and guest service enhancements. We are awaiting acceptance by the Forest Service.

GTLC Concession Contract

GTLC operates three lodging properties, food and beverage services, retail, camping and other services within the Grand Teton National Park under a concession contract with the NPS. Our concession contract with the NPS for GTLC expires on December 31, 2021. Upon expiration of the concession contract, we will have to bid against other prospective concessionaires for award of a new contract.

The NPS may suspend operation under the concession contract at any time if the NPS determines it is necessary to protect visitors or resources within the National Park. NPS also has the right to terminate the contract for breach, following notice and a 15 day cure period or if it believes termination is necessary to protect visitors or resources within the National Park.

We pay a fee to the NPS of 8.01% on the majority of sales occurring in the Grand Teton National Park.

Water

We rely on a supply of water for operation of our ski areas for domestic and snowmaking purposes and for real estate development. Availability of water depends on existence of adequate water rights as well as physical delivery of the water when and where it is needed.

Snowmaking

To provide a level of predictability in dates of operation of our ski areas, we rely on snowmaking. Snowmaking requires a significant volume of water, which is viewed as a non-consumptive use—approximately 80% of the water is returned to the watershed at spring runoff.

In Colorado, we own or have ownership interests in water rights in reservoir companies, reservoirs, groundwater wells, and other sources. The primary source of water for Keystone and Breckenridge is the Clinton Reservoir, in which we own a non-controlling interest. For Vail Mountain and Beaver Creek, the primary water source is Eagle Park Reservoir, in which we own a controlling interest. We believe we have rights to sufficient quantities of water for the operation of our four Colorado resorts for the foreseeable future.

Delivery of the water to each resort is typically by stream, from which the water is diverted by us to on-site storage facilities or directly into the snowmaking system. The streams that deliver the water are subject to minimum stream flows, freezing and other limitations that may prevent or reduce the amount of water physically available to the resort.

Unlike our other Colorado resorts, Keystone does not have on-site storage for snowmaking water and may be more vulnerable to interruptions in delivery of constant physical supply of water during high demand snowmaking periods. However, we have not experienced significant issues to date.

Heavenly's primary sources of water are the South Tahoe Public Utility District (STPUD) and Kingsbury General Improvement District (KGID), which are California and Nevada utilities, respectively. We have negotiated a long term contract with STPUD, which includes favorable rates upon our completion of certain water delivery system improvements. Despite the added security provided by this agreement, the delivery of water by STPUD is interruptible. If STPUD exercises its rights to interrupt Heavenly's water service, Heavenly's ability to make snow may be impaired. We have begun negotiations with KGID to reach a similar agreement but cannot determine whether our negotiations will result in an agreement or when an agreement may be reached. While

we believe that KGID water will be available long term, we have no contractual guaranty of service, delivery or future pricing for that water. Further, the delivery systems of each utility are limited and may not be able to provide the immediate physical supply of water needed for optimal snowmaking.

Northstar-at-Tahoe obtains water through a cooperative arrangement with the Northstar Community Services District (NCS D). Together with NCS D we, through our operating lease, control surface water rights that we use for snowmaking. In addition, we have contractual rights to ground water from NCS D and from the adjacent Martis Camp residential development. We receive domestic water from NCS D and, for on-mountain facilities, from on-mountain wells and springs.

Available Information

We file with or furnish to the Securities and Exchange Commission (SEC) reports, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are available free of charge on our corporate website (www.vailresorts.com) as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Copies of any materials we file with the SEC can be obtained at www.sec.gov or at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference room is available by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS.

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our financial position, results of operations and cash flows. The risks described below should carefully be considered together with the other information contained in this report.

Risks Related to Our Business

We are subject to the risk of prolonged weakness in general economic conditions including continued adverse affects on the overall travel and leisure related industries. Conditions currently present or recently present in the economic environment including high unemployment, erosion of consumer confidence and financial instability in the global markets, including any impact from the downgrade of credit ratings assigned to obligations of the United States, may potentially have negative effects on the travel and leisure industry and on our results of operations. As a result of these and other economic uncertainties, we have experienced and may continue to experience, among other items a change in booking trends such that guest reservations are made much closer to the actual date of stay, a decrease in the length of stay and a decrease in group bookings. We cannot predict at what level these trends will continue, worsen or improve and the ultimate impact it will have on our future results of operations. Additionally, the third party owners of RockResorts properties we manage may not be as well capitalized as us and therefore may be more exposed to the impacts of adverse economic conditions on the travel industry, which could jeopardize components of our management agreements. If the owners of the hotels we manage do not meet debt service obligations and default on a mortgage or other obligations, the property may be at risk of foreclosure by a lender and our management agreements may be at risk. The actual or perceived fear of weakness in the economy could also lead to decreased spending by our guests. Skiing, travel and tourism are discretionary recreational activities that can entail a relatively high cost of participation and are adversely affected by economic slowdown or recession. This could further be exacerbated by the fact that we charge some of the highest prices for our lift tickets and ancillary services in the ski industry. In the event of a decrease in visitation and overall guest spending we may be required to offer a higher amount of discounts and incentives than we have historically.

Leisure and business travel are particularly susceptible to various factors outside of our control, including terrorism, the uncertainty of military conflicts, outbreaks of contagious diseases and the cost and availability of travel options. Our business is sensitive to the willingness of our guests to travel. Acts of terrorism, the spread of contagious diseases, regional political events and developments in military conflicts in areas of the world from which we draw our guests could depress the public s propensity to travel and cause severe disruptions in both domestic and international air travel and consumer discretionary spending, which could reduce the number of visitors to our resorts and have an adverse affect on our results of operations. Many of our guests travel by air and the impact of higher prices for commercial airline services and availability of air services could cause a decrease in visitation by Destination guests to our resorts. Also, many of our guests travel by vehicle and higher gasoline prices could adversely impact our guests willingness to travel to our resorts. Higher cost of travel may also affect the amount that guests are willing to spend at our resorts and could negatively impact our revenue particularly for lodging, ski school, dining and retail/rental.

Our business is highly seasonal. Our mountain and lodging operations are highly seasonal in nature. In particular, revenue and profits from our mountain and most of our lodging operations are substantially lower and historically result in losses from late spring to late fall. Conversely, peak operating seasons for GTLC, certain managed hotel properties and our golf courses occur during the

summer months while the winter season generally results in operating losses. Revenue and profits generated by GTLC's summer operations, management fees from certain managed properties, certain other lodging properties and golf operations are not nearly sufficient to fully offset our off-season losses from our mountain and other lodging operations. For Fiscal 2011, 81.5% of total combined Mountain and Lodging segment net revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) was earned during our second and third fiscal quarters. In addition, the timing of major holidays can impact vacation patterns and therefore visitation at our ski resorts. If we were to experience an adverse event or realize a significant deterioration in our operating results during our peak periods (our fiscal second and third quarters) we would be unable to fully recover any significant declines due to the seasonality of our business. Operating results for any three-month period are not necessarily indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year (see Note 15, Selected Quarterly Financial Data, of the Notes to Consolidated Financial Statements).

We are vulnerable to the risk of unfavorable weather conditions and the impact of natural disasters. The ability to attract visitors to our resorts is influenced by weather conditions and by the amount and timing of snowfall during the ski season. Unfavorable weather conditions can adversely affect skier visits and our revenue and profits. Unseasonably warm weather may result in inadequate natural snowfall and reduce skiable terrain which increases the cost of snowmaking and could render snowmaking wholly or partially ineffective in maintaining quality skiing conditions, including in areas which are not accessible by snowmaking equipment. In addition, a severe and prolonged drought could affect our otherwise adequate snowmaking water supplies or increase the cost of snowmaking. Excessive natural snowfall may materially increase the costs incurred for grooming trails and may also make it difficult for visitors to obtain access to our mountain resorts. In the past 20 years, our ski resorts have averaged between 20 and 30 feet of annual snowfall which is significantly in excess of the average for United States ski resorts. However, there can be no certainty that our resorts will receive seasonal snowfalls near their historical average in the future. The early season snow conditions and skier perceptions of early season snow conditions influence the momentum and success of the overall season. Unfavorable weather conditions can adversely affect our resorts and lodging properties as vacationers tend to delay or postpone vacations if conditions differ from those that typically prevail at such resorts for a given season. There is no way for us to predict future weather patterns or the impact that weather patterns may have on our results of operations or visitation.

A severe natural disaster, such as a forest fire, may interrupt our operations, damage our properties and reduce the number of guests who visit our resorts in affected areas. Damage to our properties could take a long time to repair and there is no guarantee that we would have adequate insurance to cover the costs of repair and recoup lost profits. Furthermore, such a disaster may interrupt or impede access to our affected properties or require evacuations and may cause visits to our affected properties to decrease for an indefinite period. The ability to attract visitors to our resorts is also influenced by the aesthetics and natural beauty of the outdoor environment where our resorts are located. A severe forest fire or other severe impacts from naturally occurring events could negatively impact the natural beauty of our resorts and have a long-term negative impact on our overall guest visitation as it would take several years for the environment to recover.

We face significant competition. The ski resort and lodging industries are highly competitive. The number of people who ski in the United States (as measured in skier visits) has generally ranged between 54 million and 61 million annually over the last decade, with approximately 61 million visits for the 2010/2011 ski season. The factors that we believe are important to customers include:

proximity to population centers;

availability and cost of transportation to ski areas;

ease of travel to ski areas (including direct flights by major airlines);

pricing of lift tickets and/or season passes and the number, quality and price of related ancillary services (ski school, dining and retail/rental), amenities and lodging;

snowmaking facilities;

type and quality of skiing and snowboarding offered;

duration of the ski season;

weather conditions; and

reputation.

We have many competitors for our ski vacationers, including other major resorts in Colorado, California, Nevada, the Pacific Northwest and Southwest and other major destination ski areas worldwide. Our guests can choose from any of these alternatives, as well as non-skiing vacation options and destinations around the world. In addition, other forms of leisure such as sporting events and participation in other competing indoor and outdoor recreational activities are available to potential guests.

RockResorts hotels and our other hotels compete with numerous other hotel companies that may have greater financial resources than we do and they may be able to adapt more quickly to changes in customer requirements or devote greater resources to promotion of their offerings than us. We believe that developing and maintaining a competitive advantage will require us to make continued capital investments in our resorts. We cannot assure that we will have sufficient resources to make the necessary capital investments to do so, and we cannot assure that we will be able to compete successfully in this market or against such competitors.

The high fixed cost structure of ski resort operations can result in significantly lower margins if revenues decline. The cost structure of our ski resort operations has a significant fixed component with variable expenses including, but not limited to, Forest Service fees, other resort related fees, credit card fees, retail/rental cost of sales and labor, ski school labor and dining operations. Any material declines in the economy, elevated geopolitical uncertainties and/or significant changes in historical snowfall patterns, as well as other risk factors discussed herein could adversely affect revenue. As such, our margins, profits and cash flows may be materially reduced due to declines in revenue given our relatively high fixed cost structure. In addition, increases in wages and other labor costs, energy, healthcare, insurance, transportation and fuel, property taxes, minimum lease payments and other expenses included in our fixed cost structure may also reduce our margin, profits and cash flows.

Our current or future real estate development projects might not be successful. We have completed significant real estate development projects and have preliminary plans for significant future development projects. We could experience significant difficulties in realizing the anticipated financial benefits on completed projects or in initiating or completing future projects, due to among other things:

sustained deterioration in real estate markets;

difficulty in selling units or the ability of buyers to obtain necessary funds to close on units;

escalation in construction costs due to price increases in commodities, unforeseen conditions, inadequate design or drawings, or other causes;

work stoppages;

weather interferences;

shortages in obtaining materials;

difficulty in financing real estate development projects;

difficulty in receiving the necessary regulatory approvals;

difficulty in obtaining qualified contractors or subcontractors; and

unanticipated incremental remediation costs related to design and construction issues.

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Our real estate development projects are designed to make our resorts attractive to our guests and to maintain competitiveness. If these projects are not successful, in addition to not realizing intended profits from the real estate developments, our guests may choose to go to other resorts that they perceive have better amenities which could materially and adversely affect our results of operations.

There are significant risks associated with our recently completed real estate projects, which could adversely affect our financial condition, results of operations or anticipated cash inflows from these projects as we have units remaining that have not been sold. For example, in the event that the carrying cost of the remaining units available for sale exceeds anticipated future proceeds from the sale of these units, we would be required to record an impairment charge. During Fiscal 2011, we completed The Ritz-Carlton Residences, Vail and in fiscal 2010 we completed One Ski Hill Place at the base of our Breckenridge ski resort for which 93 units with a carrying cost of \$163.0 million remain to be sold as of July 31, 2011. We have risk associated with selling and closing units in these projects as a result of the continued instability in the capital / credit markets and in the overall real estate market and, as a result we may not be able to sell units for a profit or at the prices or selling pace we anticipate. Furthermore, given the current economic climate, certain potential buyers may be unable to purchase units in part due to a reduction in funds available and/or decreases in mortgage availability.

We may not be able to fund resort capital expenditures and investment in future real estate projects. In addition to the self funding of future real estate projects (currently no significant development efforts are in progress), we anticipate that resort capital expenditures (primarily related to the Mountain and Lodging segments) will be approximately \$116 million to \$130 million for calendar year 2011. Our ability to fund expenditures will depend on our ability to generate sufficient cash flow from operations (including obtaining pre-sale deposits on future real estate projects) and/or to borrow from third parties. We cannot provide assurances that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. In addition, there can be no assurances that future real estate development projects (currently no significant development efforts are in progress) can be self funded with cash available on hand, through advance pre-sale deposits or through third party real estate financing. Our ability to generate cash flow and to obtain third-party financing will depend upon many factors, including:

our future operating performance;

general economic conditions and economic conditions affecting the resort industry, the ski industry and the general capital markets;

competition;

legislative and regulatory matters affecting our operations and business; and

our ability to meet our pre-sell targets on our future vertical real estate development projects;

We could finance future expenditures from any combination of the following sources:

cash flow from operations;

construction financing, including non-recourse or other financing;

bank borrowings;

public offerings of debt or equity; and

private placements of debt or equity.

Any inability to generate sufficient cash flows from operations or to obtain adequate third-party financing could cause us to delay or abandon certain projects and/or plans.

We rely on government permits and landlord approvals. Our resort operations require permits and approvals from certain Federal, state, and local authorities, including the Forest Service and U.S. Army Corps of Engineers. Virtually all of our ski trails and related activities at Vail Mountain, Breckenridge, Keystone and Heavenly and a majority of Beaver Creek are located on National Forest land. The Forest Service has granted us permits to use these lands, but maintains the right to review and approve many operational matters, as well as the location, design and construction of improvements in these areas. Currently, our permits expire December 31, 2029 for Breckenridge, December 1, 2031 for Vail Mountain, December 31, 2032 for Keystone, November 8, 2039 for Beaver Creek and May 1, 2042 for Heavenly. The Forest Service can terminate or amend these permits if, in its opinion, such termination is required in the public interest. A termination or amendment of any of our permits could have a materially adverse affect on our business and operations. In order to undertake improvements and new development, we must apply for permits and other approvals. These efforts, if unsuccessful, could impact our expansion efforts. Furthermore, Congress may materially increase the fees we pay to the Forest Service for use of these National Forest lands. Additionally, we lease the land and the vast majority of the operating assets of Northstar-at-Tahoe from CNL Lifestyles Properties, Inc., a Real Estate Investment Trust, which requires us to

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operate the resort in accordance with the terms under the leases, as well as requires us to seek certain approvals for improvements made to the resort. The initial term of the leases for Northstar-at-Tahoe expire in January 2027, and allows for three 10-year extensions at our option. There is no guarantee that at the end of the initial lease term we will extend the option periods or will be able to negotiate new terms that are more favorable to us.

We are subject to extensive environmental laws and regulations in the ordinary course of business. Our operations are subject to a variety of Federal, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. For example, future expansions of certain of our ski facilities must comply with applicable forest plans approved under the National Forest Management Act, state and federal wildlife protection laws or local zoning requirements. In addition, most projects to improve, upgrade or expand our ski areas are subject to environmental review under the NEPA and, for California projects at Heavenly and Northstar-at-Tahoe, the CEQA. Both acts require that the Forest Service study any proposal for potential environmental impacts and include in its analysis various alternatives. Our ski area improvement proposals may not be approved or may be approved with modifications that substantially increase the cost or decrease the desirability of implementing the project. Our facilities are subject to risks associated with mold and other indoor building contaminants. From time to time our operations are subject to inspections by environmental regulators or other regulatory agencies. We are also subject to worker health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. However, our efforts to comply do not eliminate the risk that we may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties we now or formerly owned or operated, newly discovered environmental impacts or contamination at or from any of our properties, or changes in environmental laws and regulations or their enforcement.

We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to adapt to technological developments or industry trends could harm our business. We depend on the use of sophisticated information technology and systems, including technology and systems used for central reservations, point of sale, procurement and administration. We must continuously improve and upgrade our systems and infrastructure to offer enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our infrastructure to meet rapidly evolving consumer trends and demands and to respond to competitive service and product offerings.

In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Delays or difficulties in implementing new or enhanced systems may keep us from achieving the desired results in a timely manner, to the extent anticipated, or at all. Any interruptions, outages or delays in our systems, or deterioration in their performance, could impair our ability to process transactions and could decrease our quality of service that we offer to our guests. Also, we may be unable to devote financial resources to new technologies and systems in the future. If any of these events occur, our business and financial performance could suffer.

Failure to maintain the integrity of guest data could result in damages of reputation and/or subject us to costs, fines or lawsuits. We collect personally identifiable information relating to our guests for various business purposes, including marketing and promotional purposes. The integrity and privacy of our guest's information is important to us and our guests have a high expectation that we will adequately protect their personal information. The regulatory environment governing privacy laws is increasingly demanding and privacy laws continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Maintaining compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our guests. Furthermore, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us), breach of security on systems storing our guest data, a loss of guest data or fraudulent use of guest data could adversely impact our reputation or result in fines or other damages and litigation.

We are subject to litigation in the ordinary course of business. We are, from time to time, subject to various asserted or unasserted legal proceedings and claims. Any such claims, regardless of merit, could be time consuming and expensive to defend and could divert management's attention and resources. While we believe we have adequate insurance coverage and/or accrue for loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations. For a more detailed discussion of our legal proceedings see Legal Proceedings under Item 3 and Note 13, Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

Any failure to protect our trademarks could have a negative impact on the value of our brand names and adversely affect our business. Our trademarks are an important component of our business and the continued success of our business depends in part upon our continued ability to use our trademarks to increase brand awareness and further develop our brand in both domestic and international markets. The unauthorized use of our trademarks could diminish the value of our brand and its market acceptance,

competitive advantages or goodwill, which could adversely affect our business. Litigation has been and may continue to be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Additionally, negative public image or other adverse events which become associated with one of our brands could adversely affect our revenue and profitability.

We depend on a seasonal workforce. Our mountain and lodging operations are highly dependent on a large seasonal workforce. We recruit year-round to fill thousands of seasonal staffing needs each season and work to manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. We cannot guarantee that material increases in the cost of securing our seasonal workforce will not be necessary in the future. Furthermore, we cannot guarantee that we will be able to recruit and hire adequate seasonal personnel as the business requires. Increased seasonal wages or an inadequate workforce could have an adverse impact on our results of operations.

If we do not retain our key personnel, our business may suffer. The success of our business is heavily dependent on the leadership of key management personnel, including our Chief Executive Officer, Co-President and Chief Financial Officer, Co-Presidents, General Counsel and each of our Executive and Senior Vice Presidents. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed. We do not maintain key-man life insurance on any of our employees.

Our acquisitions or future acquisitions might not be successful. We have acquired certain ski resorts, other destination resorts, hotel properties and businesses complementary to our own, as well as developable land in proximity to our resorts. We cannot make assurances that we will be able to successfully integrate and manage acquired ski resorts, properties and businesses and increase our profits from these operations. We continually evaluate potential acquisitions and intend to actively pursue acquisition opportunities, some of which could be significant. We could face various risks from additional acquisitions, including:

inability to integrate acquired businesses into our operations;

diversion of our management's attention;

potential increased debt leverage;

litigation arising from acquisition activity; and

unanticipated problems or liabilities.

In addition, we run the risk that any new acquisitions may fail to perform in accordance with expectations, and that estimates of the costs of improvements for such properties may prove inaccurate.

We may be required to write-off a portion of our goodwill, indefinite lived intangible asset and/or long-lived asset balances as a result of prolonged weakness in economic conditions. Under accounting principles generally accepted in the United States of America (GAAP), we test goodwill and indefinite lived intangible assets for impairment annually as well as on an interim basis to the extent factors or indicators become apparent that could reduce the fair value of our goodwill or indefinite lived intangible assets below book value and we evaluate long-lived assets for potential impairment whenever events or change in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the recoverability of goodwill by estimating the future discounted cash flows of our reporting units and terminal values of the businesses using projected future levels of income as well as business trends, prospects and market and economic conditions. We evaluate the recoverability of indefinite lived intangible assets using the income approach based upon estimated future revenue streams (see Critical Accounting Policies in Item 7 of this Form 10-K). We evaluate the recoverability of long-lived assets by estimating the future undiscounted cash flows using projected future levels of income. If a more severe prolonged weakness in general economic conditions were to occur it could cause less than expected growth and/or reduction in terminal values of our reporting units and cash flows and could result in an impairment charge attributable to certain goodwill, indefinite lived intangible assets and/or long-lived assets, negatively impacting our results of operations and stockholders' equity.

We are subject to accounting regulations and use certain accounting estimates and judgments that may differ significantly from actual results. Implementation of existing and future legislation, rulings, standards and interpretations from the FASB or other regulatory bodies could affect the presentation of our financial statements and related disclosures. Future regulatory requirements could significantly change our current accounting practices and disclosures. Such changes in the presentation of our financial statements and related disclosures could change an

investor's interpretation or perception of our financial position and results of operations.

We use many methods, estimates and judgments in applying our accounting policies (see Critical Accounting Policies in Item 7 of this Form 10-K). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations.

Risks Relating to Our Capital Structure

Our stock price is highly volatile. The market price of our stock is highly volatile and subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

quarterly variations in our operating results;

operating results that vary from the expectations of securities analysts and investors;

change in valuations, including our future real estate developments;

changes in the overall travel, gaming, hospitality and leisure industries;

changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors or such guidance provided by us;

announcements by us or companies in the travel, gaming, hospitality and leisure industries of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments, plans, prospects, service offerings or operating results;

additions or departures of key personnel;

future sales of our securities;

trading and volume fluctuations;

other risk factors as discussed above; and

other unforeseen events.

Stock markets in the United States have often experienced extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions such as acts of terrorism, prolonged economic uncertainty, a recession or interest rate or currency rate fluctuations, could adversely affect the market price of our stock.

We cannot provide assurance that we will continue to pay dividends.

On June 7, 2011, our Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate estimated to be \$0.60 per share, subject to quarterly declaration. This dividend is anticipated to be funded through cash flow from operations and available cash on hand. Subject to the discretion of our Board of Directors and subject to applicable law, we anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend

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upon our then available cash, anticipated cash needs, overall financial condition, Credit Agreement restrictions, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors. In addition, our Board of Directors may also suspend the payment of dividends if it deems such action to be in the best interests of the Company and its stockholders. If we do not pay dividends, the price of our common stock must appreciate for investors to realize a gain on their investment in Vail Resorts, Inc. This appreciation may not occur and our stock may in fact depreciate in value.

Anti-takeover provisions affecting us could prevent or delay a change of control that is beneficial to our shareholders. Provisions of our certificate of incorporation and bylaws, provisions of our debt instruments and other agreements and provisions of applicable Delaware law and applicable Federal and state regulations may discourage, delay or prevent a merger or other change of control that holders of our securities may consider favorable. These provisions could:

delay, defer or prevent a change in control of our company;

discourage bids for our securities at a premium over the market price;

adversely affect the market price of, and the voting and other rights of the holders of our securities; or

impede the ability of the holders of our securities to change our management.

Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations. Our level of indebtedness could have important consequences. For example, it could:

make it more difficult for us to satisfy our obligations;

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, real estate developments, marketing efforts and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds.

We may be able to incur substantial additional indebtedness in the future. The terms of our Indenture (as defined below) do not fully prohibit us from doing so. Our senior credit facility (Credit Agreement) permits additional borrowings of up to \$332.9 million as of July 31, 2011. If new debt is added to our current debt levels, the related risks that we face could intensify.

There are restrictions imposed by the terms of our indebtedness. The operating and financial restrictions and covenants in our amended and restated Credit Agreement and the Indenture, dated April 25, 2011 among us, the guarantors therein and Bank of New York Mellon Trust Company, N.A., as Trustee (Indenture), governing our 6.50% Senior Subordinated Notes due 2019 (6.50% Notes) may adversely affect our ability to finance future operations or capital needs or to engage in other business activities that may be in our long-term best interests. For example, the Indenture and the Credit Agreement contain a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

incur additional debt or sell preferred stock;

pay dividends, repurchase our stock and make other restricted payments;

create liens;

make certain types of investments;

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engage in sales of assets and subsidiary stock;

enter into sales-leaseback transactions;

enter into transactions with affiliates;

issue guarantees of debt

transfer all or substantially all of our assets or enter into merger or consolidation transactions; and

make capital expenditures.

In addition, there can be no assurance that we will meet the financial covenants contained in our Credit Agreement. If we breach any of these restrictions or covenants, or suffer a material adverse change which restricts our borrowing ability under our Credit

Agreement, we would not be able to borrow funds thereunder without a waiver, which inability to borrow could have an adverse effect on our business, financial condition and results of operations. In addition, a breach, if uncured, could cause a default under the Indenture and our other debt. Our indebtedness may then become immediately due and payable. We may not have or be able to obtain sufficient funds to make these accelerated payments, including payments on the 6.50% Notes.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table sets forth the principal properties that we own or lease for use in our operations:

Location	Ownership	Use
Arrowhead Mountain, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements and commercial space
BC Housing Riveredge, CO	26% Owned	Employee housing facilities
Bachelor Gulch Village, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements and commercial space
Beaver Creek Resort, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, commercial space and real estate held for sale or development
Beaver Creek Mountain, CO (3,849 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Beaver Creek Mountain Resort, CO	Owned	Golf course, clubhouse, commercial space and residential units
Breckenridge Ski Resort, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, commercial space and real estate held for sale or development
Breckenridge Mountain, CO (5,702 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Breckenridge Terrace, CO	50% Owned	Employee housing facilities
Broomfield, CO	Leased	Corporate offices
Colter Bay Village, WY	Concessionaire contract	Lodging and dining facilities
Eagle-Vail, CO	Owned	Warehouse facility
Edwards, CO	Leased	Administrative offices
Great Divide Lodge, CO	Owned	Lodging, dining and conference facilities
Heavenly Mountain Resort, CA & NV	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements and commercial space
Heavenly Mountain Resort, CA & NV (7,050 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Inn at Keystone, CO	Owned	Lodging, dining and conference facilities
Jackson Hole Golf & Tennis Club,	Owned	Golf course, clubhouse, tennis facilities, dining and real estate held for sale or development

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WY

Jackson Lake Lodge, WY

Concessionaire
contract

Lodging, dining and conference facilities

Jenny Lake Lodge, WY

Concessionaire
contract

Lodging and dining facilities

Keystone Conference Center, CO

Owned

Conference facility

Keystone Lodge, CO	Owned	Lodging, spa, dining and conference facilities
Keystone Resort, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, commercial space, dining and real estate held for sale or development
Keystone Mountain, CO (8,376 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Keystone Ranch, CO	Owned	Golf course, clubhouse and dining facilities
Northstar-at Tahoe Resort, CA* (7,200 acres)	Leased	Ski trails, ski lifts, golf course, commercial space, dining facilities, buildings and other improvements
Northstar Village, CA*	Leased	Commercial space, ski resort operations, dining facilities, buildings and other improvements
Red Sky Ranch, CO	Owned	Golf courses, clubhouses, dining facilities and real estate held for sale or development
River Course at Keystone, CO	Owned	Golf course and clubhouse
Seasons at Avon, CO	Leased/50%	Administrative offices, commercial space
SSI Venture, LLC (SSV) Properties	Owned	Over 160 retail stores (of which 89 stores are currently held under lease) for recreational products, including rental
Ski Tip Lodge, CO	Owned	Lodging and dining facilities
The Arrabelle at Vail Square, CO	Owned	Lodging, spa, dining and conference facilities
The Lodge at Vail, CO	Owned	Lodging, spa, dining and conference facilities
The Osprey at Beaver Creek, CO	Owned	Lodging, dining and conference facilities
The Tarnes at Beaver Creek, CO	31% Owned	Employee housing facilities
Tenderfoot Housing, CO	50% Owned	Employee housing facilities
The Pines Lodge at Beaver Creek, CO	Owned	Lodging, dining and conference facilities
The Village Hotel, Breckenridge, CO	Owned	Lodging, dining, conference facilities and commercial space
Vail Mountain, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, commercial space and real estate held for sale or development
Vail Mountain, CO (12,353 acres)	SUP	Ski trails, ski lifts, buildings and other improvements

The Forest Service SUPs are encumbered under certain of our debt instruments. Many of our properties are used across all segments in complementary and interdependent ways.

* The operations of Northstar-at-Tahoe are conducted on land and with operating assets owned by CNL Lifestyle Properties, Inc. under operating leases which were assumed by us. The leases provide for the payment of a minimum annual base rent with periodic increases in base rent over the lease term. In addition, the leases provide for the payment of percentage rent based on a percentage of gross revenues generated at the property over certain thresholds. The initial term of the leases expires in fiscal 2027.

ITEM 3. LEGAL PROCEEDINGS.

We are a party to various lawsuits arising in the ordinary course of business. We believe that we have adequate insurance coverage and/or have accrued for loss contingencies for all known matters and that, although the ultimate outcome of such claims cannot be ascertained, current pending and threatened claims are not expected to have a material, individually and in the aggregate, adverse impact on our financial position, results of operations and cash flows.

Internal Revenue Service Litigation

On August 24, 2009, we filed a complaint in the United States District Court for the District of Colorado against the United States of America seeking a refund of approximately \$6.2 million in Federal income taxes paid for the tax years ended December 31, 2000 and December 31, 2001. Our amended tax returns for those years included calculations of NOLs carried forward from prior years to reduce our tax years 2000 and 2001 tax liabilities. The IRS disallowed refunds associated with those NOL carry forwards and we disagreed with the IRS action disallowing the utilization of the NOLs. On July 1, 2011, the District Court granted us summary judgment, concluding that the IRS's decision disallowing the utilization of the NOLs was inappropriate. The sole issue now before the District Court is the amount of the tax refund to which we are entitled. The IRS is entitled to appeal the decision of the District Court to grant the motion for summary judgment and we do not know whether the IRS will do so or, if it does appeal, whether the appeal would be successful.

We are also a party to two related tax proceedings in the United States Tax Court regarding calculation of NOL carryover deductions for tax years 2006, 2007, and 2008. The two proceedings involve substantially the same issues as the litigation in the District Court for tax years 2000 and 2001 wherein we disagreed with the IRS as to the utilization of NOLs. With respect to the case involving the 2006 tax year, a trial date has been set for November 2011, but we expect that the case will be stayed pending final resolution of the District Court case, which as described above, now only involves the determination of the tax refund to which we are entitled. Similarly, while no trial date has been set, we expect that we will stipulate with the IRS that the case involving tax years 2007 and 2008 be stayed until the District Court proceeding is resolved.

ITEM 4. REMOVED AND RESERVED.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.***Market Information and Dividend Policy*

Our common stock is traded on the New York Stock Exchange under the symbol MTN. As of September 15, 2011, 36,071,071 shares of common stock were outstanding, held by approximately 363 holders of record.

The following table sets forth information on the high and low sales prices of our common stock on the New York Stock Exchange and the quarterly cash dividends declared per share of common stock for each quarterly period for the two most recently completed fiscal years.

Quarter Ended	Market Price Per Share		Cash
	High	Low	Dividends Declared Per Share
Fiscal Year 2011			
October 31,	\$ 41.66	\$ 32.37	\$
January 31,	54.03	39.86	
April 30,	50.93	45.50	
July 31,	50.24	42.78	0.15
Fiscal Year 2010			
October 31,	\$ 38.96	\$ 28.48	\$
January 31,	42.43	32.85	
April 30,	48.40	32.89	
July 31,	49.00	33.50	

On June 7, 2011 the Company's Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate estimated to be \$0.60 per share, subject to quarterly declaration. The first quarterly dividend of \$0.15 per share (\$5.4 million in the aggregate) was paid on July 18, 2011 to stockholders of record as of July 1, 2011. This dividend was funded with available cash on hand. Subject to the discretion of the Board of Directors and subject to applicable law, we anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, Credit Agreement restrictions, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

Repurchase of Equity Securities

The following table sets forth our purchases of shares of our common stock during the fourth quarter of Fiscal 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
May 1, 2011 - May 31, 2011		\$		1,735,196
June 1, 2011 - June 30, 2011				1,735,196
July 1, 2011 - July 31, 2011				1,735,196

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Total	\$	1,735,196
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- (1) On March 9, 2006, our Board of Directors approved the repurchase of up to 3,000,000 shares of common stock and on July 16, 2008 approved an increase of our common stock repurchase authorization by an additional 3,000,000 shares.

Acquisitions under the share repurchase program may be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The stock repurchase program may be discontinued at any time.

Performance Graph

The total return graph above is presented for the period from the end of our 2006 fiscal year through the end of Fiscal 2011. The comparison assumes that \$100 was invested at the beginning of the period in our common stock (MTN), The Russell 2000, The Standard & Poor's 500 Stock Index and the Dow Jones U.S. Travel and Leisure Stock Index. We included the Dow Jones U.S. Travel and Leisure Index as we believe we compete in the travel and leisure industry.

The performance graph is not deemed filed with the SEC and is not to be incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless such filings specifically incorporate the performance graph by reference therein.

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected historical consolidated financial data derived from our Consolidated Financial Statements for the periods indicated. The financial data for Fiscal 2011, the year ended July 31, 2010 (Fiscal 2010) and the year ended July 31, 2009 (Fiscal 2009) and as of July 31, 2011 and 2010 should be read in conjunction with the Consolidated Financial Statements, related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Form 10-K. The table presented below is unaudited. The data presented below are in thousands, except for diluted net income per share attributable to Vail Resorts, Inc., cash dividends declared per share, effective ticket price (ETP), ADR and RevPAR amounts.

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	Year Ended July 31,				
	2011 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽¹⁾	2007 ⁽¹⁾
Statement of Operations Data:					
Net revenue:					
Mountain	\$ 752,191	\$ 638,495	\$ 614,597	\$ 685,533	\$ 665,377
Lodging	214,658	195,301	203,606	201,725	193,995
Real estate	200,197	61,007	186,150	296,566	112,708
Total net revenue	1,167,046	894,803	1,004,353	1,183,824	972,080
Segment operating expense:					
Mountain	540,366	456,017	451,025	470,362	462,708
Lodging	205,903	192,909	196,847	191,500	175,796
Real estate	205,232	71,402	142,070	251,338	115,190
Total segment operating expense	951,501	720,328	789,942	913,200	753,694
Depreciation and amortization	(117,957)	(110,638)	(107,213)	(93,794)	(87,664)
Gain on sale of real property		6,087		709	
Mountain equity investment income, net	1,342	1,558	817	5,390	5,059
Investment income, net	719	445	1,793	8,285	12,403
Interest expense, net	(33,641)	(17,515)	(27,548)	(30,667)	(32,625)
Contract dispute credit (charges), net				11,920	(4,642)
Loss on extinguishment of debt	(7,372)				
Income before provision for income taxes	55,520	53,797	81,196	170,933	108,452
Net income	34,422	35,775	50,552	107,847	69,198
Net loss (income) attributable to noncontrolling interests	67	(5,390)	(1,602)	(4,920)	(7,801)
Net income attributable to Vail Resorts, Inc.	\$ 34,489	\$ 30,385	\$ 48,950	\$ 102,927	\$ 61,397
Diluted net income per share attributable to Vail Resorts, Inc.	\$ 0.94	\$ 0.83	\$ 1.33	\$ 2.64	\$ 1.56
Cash dividends declared per share	\$ 0.15				
Other Data:					
Mountain					
Skier visits ⁽²⁾	6,991	6,010	5,864	6,195	6,219
ETP ⁽³⁾	\$ 48.99	\$ 48.13	\$ 47.16	\$ 48.74	\$ 46.15
Lodging					
ADR ⁽⁴⁾	\$ 243.85	\$ 235.02	\$ 225.12	\$ 230.17	\$ 216.83
RevPAR ⁽⁵⁾	\$ 93.82	\$ 88.14	\$ 93.10	\$ 106.43	\$ 99.58
Real Estate					
Real estate held for sale and investment ⁽⁶⁾	\$ 273,663	\$ 422,164	\$ 311,485	\$ 249,305	\$ 357,586
Other Balance Sheet Data					
Cash and cash equivalents ⁽⁷⁾	\$ 70,143	\$ 14,745	\$ 69,298	\$ 162,345	\$ 230,819
Total assets	\$ 1,946,236	\$ 1,922,809	\$ 1,884,480	\$ 1,925,954	\$ 1,909,123
Long-term debt (including long-term debt due within one year)	\$ 491,743	\$ 526,711	\$ 491,960	\$ 556,705	\$ 594,110
Net debt ⁽⁸⁾	\$ 421,600	\$ 511,966	\$ 422,662	\$ 394,360	\$ 363,291
Total stockholders equity	\$ 843,719	\$ 802,387	\$ 780,706	\$ 725,484	\$ 704,801

(footnotes to selected financial data appear on following page)

Footnotes to Selected Financial Data:

- (1) *We have made several acquisitions and dispositions which impact comparability between years during the past five years. The more significant of those include the acquisitions of: Northstar-at-Tahoe (acquired in October 2010); the remaining noncontrolling interest in SSV (acquired in April 2010); Mountain News Corporation (Mountain News) (acquired May 2010); CME (acquired in November 2008); and 18 retail/rental locations (acquired by SSV in June 2007). Additionally, we sold our majority interest in RTP, LLC (RTP) in April 2007. See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements, in Item 8 of this Form 10-K for disclosure on the revision of managed property payroll cost reimbursement. Lodging net revenue and Lodging operating expense increased \$26.2 million, \$27.4 million, \$31.7 million, and \$31.5 million for the years ended July 31, 2010, 2009, 2008 and 2007, respectively.*
- (2) *A skier visit represents a person utilizing a ticket or pass to access a mountain resort for any part of one day, and includes both paid and complimentary access.*
- (3) *ETP is calculated by dividing lift ticket revenue by total skier visits during the respective periods.*
- (4) *ADR is calculated by dividing total room revenue (includes both owned and managed condominium room revenue) by the number of occupied rooms during the respective periods.*
- (5) *RevPAR is calculated by dividing total room revenue (includes both owned and managed condominium room revenue) by the number of rooms that are available to guests during the respective periods.*
- (6) *Real estate held for sale and investment includes all land, development costs and other improvements associated with real estate held for sale and investment, as well as investments in real estate joint ventures.*
- (7) *Cash and cash equivalents excludes restricted cash.*
- (8) *Net debt is defined as long-term debt plus long-term debt due within one year less cash and cash equivalents.*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements and notes related thereto included in this Form 10-K. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements which involve risks and uncertainties. These risks include, but are not limited to, those discussed in Item 1A, Risk Factors in this Form 10-K. The following discussion and analysis should be read in conjunction with the Forward-Looking Statements section and Item 1A, Risk Factors each included in this Form 10-K.

Management's Discussion and Analysis includes discussion of financial performance within each of our segments. We have chosen to specifically include Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment income or loss and for the Real Estate segment, plus gain on sale of real property) and Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents), in the following discussion because we consider these measurements to be significant indications of our financial performance and available capital resources. Reported EBITDA and Net Debt are not measures of financial performance or liquidity under GAAP. We utilize Reported EBITDA in evaluating our performance and in allocating resources to our segments. Refer to the end of the Results of Operations section for a reconciliation of Reported EBITDA to net income attributable to Vail Resorts, Inc. We also believe that Net Debt is an important measurement as it is an indicator of our ability to obtain additional capital resources for our future cash needs. Refer to the end of the Results of Operations section for a reconciliation of Net Debt.

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

Overview

Our operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. Resort is the combination of the Mountain and Lodging segments. Revenue from the Mountain, Lodging and Real Estate segments represented 65%, 18% and 17%, respectively, of our net revenue for Fiscal 2011.

Mountain Segment

The Mountain segment is comprised of the operations of six ski resort properties as well as ancillary services, primarily including ski school, dining and retail/rental operations. Our six ski resorts were open for business for the 2010/2011 ski season from mid-November through mid-April, which is the peak operating season for the Mountain segment. Our single largest source of Mountain segment revenue is the sale of lift tickets (including season passes), which represented approximately 46%, 45% and 45% of Mountain segment net revenue for Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively.

Lift ticket revenue is driven by volume and pricing. Pricing is impacted by both absolute pricing as well as the demographic mix of guests, which impacts the price points at which various products are purchased. The demographic mix of guests is divided into two primary categories: (i) Destination guests and (ii) In-State guests. For the 2010/2011 ski season, Destination guests comprised approximately 57% of our skier visits, while In-State guests comprised approximately 43% of our skier visits, which compares to approximately 58% and 42%, respectively, for the 2009/2010 ski season and 57% and 43%, respectively, for the 2008/2009 ski season (excluding Northstar-at-Tahoe for each of the current and prior ski seasons).

Destination guests generally purchase our higher-priced lift ticket products and utilize more ancillary services such as ski school, dining and retail/rental, as well as lodging at or around our resorts. Destination guest visitation is less likely to be impacted by changes in the weather, but can be more impacted by adverse economic conditions or the global geopolitical climate. In-State guests tend to be more value-oriented and weather sensitive. We offer a variety of season pass products for all of our ski resorts, marketed towards both Destination and In-State guests. Our season pass product offerings range from providing access to a combination of our resorts to our Epic Season Pass that allows pass holders unlimited and unrestricted access to all six of our ski resorts. Our season pass products provide a value option to our guests, which in turn assists us in developing a loyal base of customers who commit to ski at our resorts generally in advance of the ski season and typically ski more days each season at our resorts than those guests who do not buy season passes. As such, our season pass program drives strong customer loyalty; mitigates exposure to many weather sensitive guests; and generates additional ancillary spending. In addition, our season pass products attract new guests to our resorts. All of our

season pass products, including the Epic Season Pass, are sold predominately prior to the start of the ski season. Season pass revenue, although primarily collected prior to the ski season, is recognized in the Consolidated Statement of Operations ratably over the ski season. For the 2010/2011, 2009/2010 and 2008/2009 ski seasons approximately 35%, 35% and 34%, respectively, of total lift revenue recognized was comprised of season pass revenue.

The cost structure of our ski resort operations has a significant fixed component with variable expenses including, but not limited to, Forest Service fees, credit card fees, retail/rental cost of sales and labor, ski school labor and dining operations; as such, profit margins can fluctuate greatly based on the level of revenues.

Lodging Segment

Operations within the Lodging segment include (i) ownership/management of a group of luxury hotels through the RockResorts brand, including several proximate to our ski resorts; (ii) ownership/management of non-RockResorts branded hotels and condominiums proximate to our ski resorts; (iii) GTLC; (iv) CME, a resort ground transportation company; and (v) golf courses.

The performance of lodging properties (including managed condominium rooms) at or around our ski resorts, and CME, is closely aligned with the performance of the Mountain segment and generally experiences similar seasonal trends, particularly with respect to visitation by Destination guests, and represented approximately 69%, 67% and 68% of Lodging segment revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) for Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursement and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense have no effect on our Lodging Reported EBITDA which we use to evaluate Lodging segment performance. Revenue of the Lodging segment during our first and fourth fiscal quarters is generated primarily by the operations of GTLC (as GTLC's operating season generally occurs from mid-May to mid-October), golf operations and seasonally low operations from our other owned and managed properties and businesses.

Real Estate Segment

The Real Estate segment owns and develops real estate in and around our resort communities and primarily engages in vertical development of projects. Currently, the principal activities of our Real Estate segment include the marketing and selling of remaining condominium units that are available for sale, planning for future real estate development projects, including zoning and acquisition of applicable permits, and the purchase of selected strategic land parcels for future development. Revenue from vertical development projects is not recognized until closing of individual units within a project, which occurs after substantial completion of the project. We attempt to mitigate the risk of vertical development by often utilizing guaranteed maximum price construction contracts (although certain construction costs may not be covered by contractual limitations), pre-selling a portion of the project, requiring significant non-refundable deposits, and potentially obtaining non-recourse financing for certain projects (although our last two major vertical development projects have not incurred any such direct third party financing). Additionally, our real estate development projects most often result in the creation of certain resort assets that provide additional benefit to the Mountain and Lodging segments. Our revenue from the Real Estate segment, and associated expense, can fluctuate significantly based upon the timing of closings and the type of real estate being sold, causing volatility in the Real Estate segment's operating results from period to period.

Recent Trends, Risks and Uncertainties

The data provided in this section should be read in conjunction with the risk factors identified in Item 1A and elsewhere in this Form 10-K. We have identified the following important factors (as well as uncertainties associated with such factors) that could impact our future financial performance:

Although we experienced improved operating results for Fiscal 2011 compared to Fiscal 2010 and 2009 in our Mountain and Lodging segments in part due to increased pricing and increased visitation for the 2010/2011 ski season, as well as an increase in overall guest spend on ancillary services, uncertainties still exist around the current general economic environment. Conditions currently present or recently present in the economic environment including high unemployment, relatively low consumer confidence, financial instability in the global markets, including any impact from the downgrade of credit ratings assigned to obligations of the United States, and weakness in the overall real estate market could potentially have negative effects on the travel and leisure industry. Given the current uncertainties around global economic trends, we cannot predict what impact this will have on overall travel and leisure or more specifically, on our guest visitation, guest spending or other related trends for the upcoming 2011/2012 ski season. During the most recent recession, our 2008/2009 ski season was impacted by lower visitation, reduced guest spend on ancillary services and closer in booking trends for guest reservations.

The timing and amount of snowfall can have an impact on Mountain and Lodging revenue particularly in regards to skier visits and the duration and frequency of guest visitation. To help mitigate this impact, we sell a variety of season pass products prior to the beginning of the season to In-State guests and Destination guests. Additionally, we have invested in snowmaking upgrades in an effort to address the inconsistency of early season snowfall where possible. For the 2010/2011 ski season we experienced significantly above average early season snowfall compared to significantly below average early season snowfall for the previous two ski seasons, which we believe had a positive impact on early season visitation.

Our season pass products provide a value option to our guests which in turn creates a guest commitment predominantly prior to the start of the ski season, resulting in a more stabilized stream of lift revenue for us. In March 2011, we began our pre-season pass sales program for the 2011/2012 ski season. Through September 20, 2011 our season pass sales for the 2011/2012 ski season were up approximately 9% in sales dollars and 1% in units as compared to season pass sales through the similar period of the 2010/2011 ski season, including Northstar-at-Tahoe season pass sales for both periods. We cannot predict if this trend will continue through the fall 2011 season pass sales campaign or the impact that season pass sales may have on total lift revenue or ETP for the 2011/2012 ski season.

In Fiscal 2011, our lift ticket revenue was favorably impacted by price increases that were implemented during the 2010/2011 ski season. Prices for the 2011/2012 ski season have not yet been finalized; and as such, there can be no assurances as to the level of price increases, if any, which will occur and the impact that pricing may have on visitation or revenue.

Real estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate held for sale, which determines when revenue and associated cost of sales is recognized. Changes to the anticipated timing or mix of closing on one or more real estate projects, or unit closings within a real estate project, could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. During the first quarter of Fiscal 2011, we received a certificate of occupancy for The Ritz-Carlton Residences, Vail and we have closed on 71 units in Fiscal 2011 (with two additional units having closed subsequent to July 31, 2011). Additionally, we have closed on four units at One Ski Hill Place (which was completed in the fourth quarter of fiscal 2010) in Fiscal 2011 (40 units closed in total including 36 units that closed in fiscal 2010). We currently have on a combined basis 92 units available for sale at The Ritz-Carlton Residences, Vail, One Ski Hill Place in Breckenridge and Crystal Peak Lodge at Breckenridge. We have increased risk associated with selling and closing units in these projects as a result of the continued instability in the credit markets and a slowdown in the overall real estate market. Buyers have been or may be unable to close on units in part due to a reduction in funds available to buyers and/or decreases in mortgage availability. We cannot predict the ultimate number of units that we will sell, the ultimate price we will receive, or when the units will sell, although we currently believe the selling process will take multiple years. Additionally, if a prolonged weakness in the real estate market or general economic conditions were to occur we may have to adjust our anticipated selling prices in an effort to sell and close on units available for sale. However, our risk associated with adjusting selling prices to levels that may not be acceptable to us is partially mitigated by the fact that do generate cash flow from placing unsold units into our rental program until such time selling prices are at acceptable levels to us. Furthermore, if the current weakness in the real estate market were to persist for multiple years thus requiring us to sell remaining units below recent pricing levels (including any sales concessions and discounts) for the remaining inventory of units at The Ritz-Carlton Residences, Vail or One Ski Hill Place in Breckenridge, it may result in an impairment charge on one or both projects (see Critical Accounting Policies in this section of this Form 10-K).

We had \$70.1 million in cash and cash equivalents as of July 31, 2011 as well as \$332.9 million available under the revolver component of our Credit Agreement (which represents the total commitment of \$400.0 million less certain letters of credit outstanding of \$67.1 million), which was amended and restated on January 25, 2011. Key modifications to the Credit Agreement included, among other things, the extension of the maturity on the revolving Credit Agreement from February 2012 to January 2016; the expansion of baskets for improved flexibility in our ability to incur debt and make acquisitions, investments and distributions; and the elimination of certain financial covenants. In addition, on April 25, 2011, we completed an offering for \$390 million of 6.50% Senior Subordinated Notes due 2019 (the 6.50% Notes), the proceeds of which, along with available cash resources, were used to purchase the outstanding \$390 million principal amount of 6.75% Senior Subordinated Notes due 2014 (the 6.75% Notes) and pay related premiums, fees and expenses. The 6.50% Notes have a fixed annual interest rate of 6.50% and will mature May 1, 2019 with no principal payments due until maturity. Additionally, we believe the 6.50% Notes will allow for substantially increased flexibility in our ability to make acquisitions, investments and distributions and incur debt. The above, combined with the completion of our real estate projects where the proceeds from future real estate closings on The Ritz-Carlton Residences, Vail, One Ski Hill Place in Breckenridge and Crystal Peak Lodge at Breckenridge are expected to significantly exceed future carrying costs, has and is anticipated to provide us with significant liquidity which will allow us to consider strategic investments, including future acquisitions and other forms of providing return to our shareholders. We cannot predict that any

strategic initiatives undertaken will achieve the anticipated results.

On June 7, 2011, the Company's Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate estimated to be \$0.60 per share (or \$21.6 million annually based upon shares outstanding as of July 31, 2011), subject to quarterly declaration, with the first quarterly dividend of \$0.15 per share paid on July 18, 2011. This dividend was funded through available cash on hand. Subject to the discretion of the Board of Directors and subject to applicable law, we anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, Credit Agreement restrictions, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

Under GAAP we test goodwill and indefinite lived intangible assets for impairment annually as well as on an interim basis to the extent factors or indicators become apparent that could reduce the fair value of our goodwill or indefinite lived intangible assets below book value and we evaluate long-lived assets for potential impairment whenever events or change in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the recoverability of our goodwill by estimating the future discounted cash flows of our reporting units and terminal values of the businesses using projected future levels of income as well as business trends, prospects and market and economic conditions. We evaluate the recoverability of indefinite-lived intangible assets using the income approach based upon estimated future revenue streams, and we evaluate long-lived assets based upon estimated undiscounted future cash flows. Our Fiscal 2011 annual impairment test did not result in a goodwill or indefinite-lived intangible asset impairment (see Critical Accounting Policies in this section of this Form 10-K). However, if a more severe prolonged weakness in general economic conditions were to occur it could cause less than expected growth and/or reduction in terminal values and cash flows and could result in an impairment charge attributable to certain goodwill, indefinite lived intangible assets and/or long-lived assets (particularly related to our Lodging operations), negatively impacting our results of operations and stockholders' equity.

Results of Operations

Summary

Shown below is a summary of operating results for Fiscal 2011, Fiscal 2010 and Fiscal 2009 (in thousands):

	Year Ended July 31,		
	2011	2010	2009
Mountain Reported EBITDA	\$ 213,167	\$ 184,036	\$ 164,389
Lodging Reported EBITDA	8,755	2,392	6,759
Resort Reported EBITDA	221,922	186,428	171,148
Real Estate Reported EBITDA	(5,035)	(4,308)	44,080
Income before provision for income taxes	55,520	53,797	81,196
Net income attributable to Vail Resorts, Inc.	\$ 34,489	\$ 30,385	\$ 48,950

Mountain Segment

Mountain segment operating results for Fiscal 2011, Fiscal 2010 and Fiscal 2009 are presented by category as follows (in thousands, except ETP):

	Year Ended July 31,			Percentage Increase/(Decrease)	
	2011	2010	2009	2011/2010	2010/2009
Net Mountain revenue:					
Lift tickets	\$ 342,514	\$ 289,289	\$ 276,542	18.4 %	4.6 %
Ski school	83,818	70,694	65,336	18.6 %	8.2 %
Dining	68,052	53,322	52,259	27.6 %	2.0 %
Retail/rental	174,339	154,846	147,415	12.6 %	5.0 %
Other	83,468	70,344	73,045	18.7 %	(3.7)%
Total Mountain net revenue	\$ 752,191	\$ 638,495	\$ 614,597	17.8 %	3.9 %

Mountain operating expense:					
Labor and labor-related benefits	\$ 198,659	\$ 166,378	\$ 165,550	19.4 %	0.5 %
Retail cost of sales	71,961	65,545	66,022	9.8 %	(0.7)%
Resort related fees	39,476	35,431	33,102	11.4 %	7.0 %
General and administrative	104,848	88,705	83,117	18.2 %	6.7 %
Other	125,422	99,958	103,234	25.5 %	(3.2)%
Total Mountain operating expense	\$ 540,366	\$ 456,017	\$ 451,025	18.5 %	1.1 %
Mountain equity investment income, net	1,342	1,558	817	(13.9)%	90.7 %
Mountain Reported EBITDA	\$ 213,167	\$ 184,036	\$ 164,389	15.8 %	12.0 %
Total skier visits	6,991	6,010	5,864	16.3 %	2.5 %
ETP	\$ 48.99	\$ 48.13	\$ 47.16	1.8 %	2.1 %

Mountain Reported EBITDA includes \$7.1 million, \$5.3 million and \$4.8 million of stock-based compensation expense for Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively.

Fiscal 2011 compared to Fiscal 2010

Total Mountain net revenue increased \$113.7 million, or 17.8%, in Fiscal 2011 compared to Fiscal 2010, with Fiscal 2011 including \$64.4 million of revenue from Northstar-at-Tahoe, which was acquired in October 2010. Excluding the impact of the acquisition of Northstar-at-Tahoe, total Mountain net revenue would have increased \$49.3 million or 7.7%. Lift revenue increased \$53.2 million, or 18.4%, for Fiscal 2011 compared to Fiscal 2010, due to a \$34.2 million, or 18.1%, increase in lift revenue excluding season pass revenue and a \$19.0 million, or 18.9%, increase in season pass revenue. A large portion of this increase is attributable to the acquisition of Northstar-at-Tahoe. Excluding Northstar-at-Tahoe, lift revenue increased \$22.4 million, or 7.7%, compared to the same period in the prior year, due to a \$13.2 million, or 7.0%, increase in lift revenue excluding season passes and a \$9.2 million, or 9.2%, increase in season pass revenue. Total skier visitation was up 16.3% and excluding Northstar-at-Tahoe, skier visitation was up 4.1%, which significantly exceeded skier visitation growth for the U.S. ski industry as a whole, which was up 0.6%, and visitation for all resorts in the Rocky Mountain and Pacific Southwest regions, which were up 1.7% and down 7.1%, respectively, despite all regions in the U.S. generally having strong snowfall in the current year, including at our resorts. Vail Mountain and Keystone in particular showed large increases in visitation in Fiscal 2011, Vail Mountain benefiting from recent capital investments made both on Vail Mountain and in base areas, including an improved lodging bed base, and Keystone benefiting from a broadened family focused marketing initiative. All resorts were unfavorably impacted by the timing of the Easter holiday which was in late April in the current fiscal year, versus early April in the prior fiscal year. In addition, our Heavenly resort was impacted by higher than average resort closures due to severe weather in the current fiscal year. ETP, excluding season pass holders and Northstar-at-Tahoe, increased \$5.31, or 8.3%, due primarily to price increases implemented during the current fiscal year. Total ETP, excluding Northstar-at-Tahoe, increased \$1.70, or 3.5%, also due primarily to price increases implemented during the current fiscal year, partially offset by higher average visitation by our season pass holders in the current fiscal year.

Ski school revenue increased \$13.1 million, or 18.6%, in Fiscal 2011 compared to Fiscal 2010 with the current year benefiting from the acquisition of Northstar-at-Tahoe. Excluding Northstar-at-Tahoe, ski school revenue increased \$5.5 million, or 7.8%, which benefited from a 4.1% increase in skier visitation and a 3.6% increase in yield per skier visit due to higher guest spend. Dining revenue increased \$14.7 million, or 27.6%, which also benefited from the acquisition of Northstar-at-Tahoe in Fiscal 2011. Excluding Northstar-at-Tahoe, dining revenues increased \$6.1 million, or 11.5%, which is primarily attributable to the increased skier visitation and a 5.8% increase in yield per skier visit for on-mountain dining, as well as the addition of two new on-mountain dining venues. The increases in both ski school and dining revenue were achieved despite the negative impact of the late Easter holiday in the current fiscal year.

Retail/rental operations increased \$19.5 million, or 12.6%, in Fiscal 2011 compared to Fiscal 2010, which includes \$9.0 million of incremental revenue from Northstar-at-Tahoe in the current fiscal year. Excluding Northstar-at-Tahoe, retail/rental increased \$10.5 million, or 6.8%, which was driven primarily by higher revenues at our Colorado front range stores and Any Mountain stores (in the San Francisco bay area) which combined increased by approximately 8.1% as compared to the prior year. Additionally, our mountain resort stores, especially at Vail and Beaver Creek, experienced an increase in revenue primarily driven by retail sales due to higher skier visitation although these increases were tapered by the late Easter holiday in Fiscal 2011.

Other revenue mainly consists of private club revenue (which includes both club dues and amortization of initiation fees), summer visitation and other mountain activities revenue, marketing and internet advertising revenue, commercial leasing revenue, employee housing revenue, municipal services revenue and other recreation activity revenue. For Fiscal 2011, other revenue increased \$13.1

million, or 18.7%, compared to Fiscal 2010, which includes \$8.3 million of incremental revenue from Northstar-at-Tahoe. Excluding Northstar-at-Tahoe, other revenue increased \$4.8 million, or 6.8%, primarily due to an increase in internet advertising due to the acquisition of Mountain News Corporation in May 2010, higher strategic alliance marketing revenue as well as increased summer activities revenue primarily at Breckenridge, which is partially due to the addition of an alpine coaster, partially offset by a decrease in municipal services revenue (primarily transportation services provided on behalf of certain municipalities).

Operating expense increased \$84.3 million, or 18.5%, for Fiscal 2011 compared to Fiscal 2010, which includes \$53.9 million of expenses (including \$4.1 million of acquisition related costs included in general and administrative expense) in the current fiscal year associated with Northstar-at-Tahoe. Excluding these expenses, operating expense increased \$30.5 million, or 6.7%, for Fiscal 2011 compared to Fiscal 2010, due in part to higher labor and labor-related benefits which increased \$15.9 million, or 9.5%, in Fiscal 2011 compared to Fiscal 2010. Overall, operating expenses including labor were impacted by a 3.6% increase in the number of operating days during the 2010/2011 ski season primarily due to the late Easter holiday as discussed above, combined with opening ski terrain earlier due to above average early season snowfall. Labor and labor-related benefits in the current year were also higher due to the full year impact of the prior year's partial wage reinstatement and our matching component of the 401(k) plan, and a more normal level of wage increases, partially offset by a decrease in workers compensation costs of \$1.5 million due to fewer claims and average cost per claim. Additionally, labor costs were impacted by an increase in staffing levels due to an increase in demand for ancillary services primarily in ski school, dining and retail/rental operations. Retail cost of sales was relatively flat, excluding Northstar-at-Tahoe, primarily due to improved gross margins. Additionally, resort related fees (including Forest Service fees, other resort-related fees, credit card fees and commissions) increased \$3.0 million, or 8.3%, excluding Northstar-at-Tahoe, compared to Fiscal 2010, due to overall increases in revenue upon which those fees are based and general and administrative expenses increased \$6.0 million, or 6.8%, excluding Northstar-at-Tahoe, primarily due to expenses associated with the operations of Mountain News Corporation acquired in May 2010 and increased marketing expenditures. Other expense increased \$5.1 million, or 5.1%, excluding Northstar-at-Tahoe, in Fiscal 2011 primarily due to increased food and beverage cost of sales due to an increase in dining revenue and higher fuel and supplies expenses.

Mountain equity investment income primarily includes our share of income from the operations of a real estate brokerage joint venture. The decrease in equity investment income for Fiscal 2011 compared to Fiscal 2010 is primarily due to decreased commissions earned by the brokerage compared to Fiscal 2010.

Fiscal 2010 compared to Fiscal 2009

Lift revenue increased \$12.7 million, or 4.6%, for Fiscal 2010 compared to Fiscal 2009, due to a \$6.6 million, or 3.6%, increase in lift revenue excluding season passes and a \$6.1 million, or 6.5%, increase in season pass revenue. The increase in lift revenue excluding season passes was driven by a 3.3% increase in visitation excluding season pass holders coupled with a 0.4% increase in ETP excluding pass products. The increase in season pass revenue was due to an increase in season pass units sold, as well as year-over-year price increases in season pass products. Total skier visitation increased 2.5% led by our Heavenly resort which experienced a 10.7% increase in visitation while overall visitation for our four Colorado resorts (excluding Heavenly) increased 1.2%. Our four Colorado resorts were negatively impacted by significantly below average snowfall, particularly in the early season up to mid-January 2010, but experienced increased visitation during the second half of the 2009/2010 ski season particularly during the spring break and Easter holiday periods which primarily contributed to the overall increase in skier visits in Colorado for the 2009/2010 ski season compared to the 2008/2009 ski season. Visitation by season pass holders increased by approximately 1.7% with average visits per season pass holders declining approximately 4.8%, or approximately one half a day less skied per season pass holder, over the 2008/2009 ski season resulting in an increase in ETP.

Ski school revenue increased \$5.4 million, or 8.2%, in Fiscal 2010 compared to Fiscal 2009, primarily due to a 5.6% increase in yield per skier visit as both group and private lessons benefited from higher guest spend and were also favorably impacted by new programs offered in ski school during the 2009/2010 ski season. Dining revenue increased \$1.1 million, or 2.0%, in Fiscal 2010 compared to Fiscal 2009, primarily due to improved dining revenue for the 2009/2010 ski season compared to the 2008/2009 ski season as on-mountain dining realized an increase in the average revenue per transaction of approximately 3.6%, although dining operations were negatively impacted in the first half of the 2009/2010 ski season by the significantly lower than average early season snowfall in Colorado which resulted in delays in the opening of certain on-mountain dining venues.

Revenue from retail/rental operations increased \$7.4 million, or 5.0%, primarily due to higher retail sales and rental volumes at our Vail, Beaver Creek and Breckenridge mountain resort stores and San Francisco Bay area stores as retail/rental revenue increased 8.1% for the 2009/2010 ski season compared to the 2008/2009 ski season. This increase was partially offset by declines in retail sales for both the first and fourth quarters of Fiscal 2010 of 4.0% and 2.1%, respectively, compared to the same periods in the prior year due primarily to a decline in sales volumes at mountain resort stores not proximate to our ski resorts. Retail/rental revenue was particularly strong in the second half of the 2009/2010 ski season which was bolstered by increased visitation to our resorts and higher guest spend.

Other revenue mainly consisted of private club revenue (which includes both club dues and amortization of initiation fees), summer visitation and other mountain activities revenue, strategic alliance and other marketing revenue, commercial leasing revenue, employee housing revenue, municipal services revenue and other recreation activity revenue. For Fiscal 2010 other revenues decreased \$2.7 million, or 3.7%, compared to Fiscal 2009, primarily due to a decrease in employee housing revenue, strategic alliance marketing revenue and municipal services revenue (primarily transportation services provided on behalf of certain municipalities), partially offset by an increase in private club revenues primarily resulting from the opening of the Vail Mountain Club in November 2008, increased commercial leasing revenue and higher on-mountain summer activities related revenue at our Colorado resorts, particularly at Breckenridge as Fiscal 2009's on-mountain summer activities were negatively impacted by construction activities.

Operating expense increased \$5.0 million, or 1.1%, for Fiscal 2010 compared to Fiscal 2009. This increase was primarily driven by an increase in labor and labor-related benefits expense of \$0.8 million, or 0.5%, due to increased employee incentive compensation expense mostly offset by a company-wide wage reduction plan implemented in April 2009 (which was partially reinstated in April 2010) and the suspension of the matching contribution to our 401(k) program in January 2009 (of which the 401(k) matching program was partially reinstated in April 2010); a \$2.3 million, or 7.0%, increase in resort related fees associated with higher Mountain net revenue, including Forest Service fees which are calculated on a graduated scale based on revenue levels achieved by resort, and a \$5.6 million, or 6.7%, increase in general and administrative expenses primarily due to higher allocated corporate costs including increased employee incentive compensation expense, employee medical costs and legal expenses when compared to Fiscal 2009. The above increases were offset by a \$0.5 million, or 0.7%, decrease in retail cost of sales due to improved inventory management and lower average inventory costs resulting in improved gross margins and a \$3.3 million, or 3.2%, decrease in other expenses due primarily to lower operating supply costs resulting from improved procurement practices in addition to lower fuel costs, repairs and maintenance and property tax expense.

Mountain equity investment income primarily includes our share of income from the operations of a real estate brokerage joint venture. The increase in equity investment income for Fiscal 2010 compared to Fiscal 2009 is primarily due to a decline in operating and legal costs, partially offset by decreased commissions earned by the brokerage due to a lower level of real estate closures primarily on multi-unit projects compared to Fiscal 2009.

Lodging Segment

Lodging segment operating results for Fiscal 2011, Fiscal 2010 and Fiscal 2009 are presented by category as follows (in thousands, except ADR and RevPAR):

	Year Ended July 31,			Percentage Increase/(Decrease)	
	2011	2010	2009	2011/2010	2010/2009
Lodging net revenue:					
Owned hotel rooms	\$ 43,327	\$ 41,479	\$ 43,153	4.5 %	(3.9)%
Managed condominium rooms	39,239	32,074	34,571	22.3 %	(7.2)%
Dining	29,885	27,235	30,195	9.7 %	(9.8)%
Transportation	19,810	19,026	17,975	4.1 %	5.8 %
Golf	14,461	13,769	15,000	5.0 %	(8.2)%
Other	39,301	35,547	35,347	10.6 %	0.6 %
	186,023	169,130	176,241	10.0 %	(4.0)%
Payroll cost reimbursement	28,635	26,171	27,365	9.4 %	(4.4)%
Total Lodging net revenue	\$ 214,658	\$ 195,301	\$ 203,606	9.9 %	(4.1)%
Lodging operating expense:					
Labor and labor-related benefits	\$ 86,584	\$ 78,698	\$ 81,290	10.0 %	(3.2)%
General and administrative	31,265	29,361	27,823	6.5 %	5.5 %
Other	59,419	58,679	60,369	1.3 %	(2.8)%
	177,268	166,738	169,482	6.3 %	(1.6)%
Reimbursed payroll costs	28,635				