

VAIL RESORTS INC
Form 10-K
September 23, 2010

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, 2010

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

For the transition period from to

Commission File Number: 001-09614

Vail Resorts, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

51-0291762
(I.R.S. Employer Identification No.)

390 Interlocken Crescent
Broomfield, Colorado
(Address of Principal Executive Offices)

80021
(Zip Code)

(303) 404-1800
(Registrant's Telephone Number, Including Area Code)

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

Title of each class:
Common Stock, \$0.01 par value

Name of each exchange on which registered:
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

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

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required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
 Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
 Yes No

Indicate by check mark 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 amendments to this Form 10-K.

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 \$33.70 per share as reported on the New York Stock Exchange Composite Tape on January 29, 2010 (the last business day of the Registrant's most recently completed second quarter) was \$1,213,927,381.

As of September 15, 2010, 35,911,506 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the Annual Meeting of Shareholders is incorporated by reference herein into Part III, Items 10 through 14.

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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 complete 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 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 benefit of 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. 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 74%, 19% and 7%, respectively, of our net revenue for the year ended July 31, 2010 (“Fiscal 2010”). Our Mountain segment owns and operates five 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 13, 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:

- Breckenridge Ski Resort (“Breckenridge”) – the single most visited ski resort in the United States for the 2009/2010 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.
- Vail Mountain (“Vail Mountain”) – the second most visited ski resort in the United States for the 2009/2010 ski season and the single largest ski mountain in the United States. Vail Mountain offers some of the most expansive and varied terrain with approximately 5,300 skiable acres including seven world renowned back bowls and the resort’s rustic Blue Sky Basin.
- Keystone Resort (“Keystone”) – the fourth most visited ski resort in the United States for the 2009/2010 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.
- Beaver Creek Resort (“Beaver Creek”) – the sixth most visited ski resort in the United States for the 2009/2010 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.
-

Heavenly Mountain Resort (“Heavenly”) – the eighth most visited ski resort in the United States for the 2009/2010 ski season and the second largest ski resort in the United States with over 4,800 skiable acres. Heavenly 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.

Vail Mountain, Beaver Creek, Breckenridge and Keystone, all located in the Colorado Rocky Mountains, and Heavenly, located in the Lake Tahoe area of California/Nevada, are year-round mountain resorts. Each offers a full complement of recreational activities, including skiing, snowboarding, snowshoeing, 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 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 760 ski areas in North America and approximately 470 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 2009/2010 ski season, combined skier visits for all the United States ski areas were approximately 59.8 million and all North American skier visits were approximately 78.1 million. Our ski resorts had 6.0 million skier visits during the 2009/2010 ski season, or approximately 10.1% of United States skier visits, and an approximate 7.7% 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 11.9 million skier visits for the 2009/2010 ski season with skier visits at our Colorado ski resorts totaling 5.1 million, or approximately 43.0% of all Colorado skier visits for the 2009/2010 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. South Lake Tahoe, where Heavenly is located, is also a popular year-round vacation destination, featuring extensive summer attractions and casinos in addition to its winter sports offerings. Heavenly is proximate to both the Reno/Tahoe International Airport and the Sacramento International Airport. California and Nevada have 32 ski areas. Heavenly had 888,000 skier visits for the 2009/2010 ski season, capturing approximately 11.1% of California's and Nevada's approximately 8.0 million total skier visits for the 2009/2010 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 the past 25 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, Northstar-at-Tahoe, Park City Mountain Resort, Squaw Valley USA, Steamboat, Whistler Blackcomb and Winter Park, as well as other ski areas in Colorado, California, Nevada and other destination ski areas worldwide and non-ski related vacation 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 five 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 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 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 five of our resorts typically rank in the ten 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 2009/2010 (the "Kottke Survey") and other industry publications.

All of our ski resorts maintain the unique distinction of competing effectively as both market share 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 five 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 Heavenly 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 three fiscal 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, an eight-passenger gondola at Breckenridge with two mid-station

features; an eight-passenger gondola at Beaver Creek; two four-passenger high-speed chairlifts at Vail Mountain; and a four-passenger high-speed chairlift at Heavenly. Additionally, for the 2010/2011 ski season we expect to have installed a new high-speed chairlift servicing Vail Mountain's back bowls.

- 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 Guest Service

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 newly updated 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. 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 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 guests ("Destination") and in-state and local guests ("In-State"). 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 customer base that commit to ski at our resorts, ski multiple days each season at our resorts and return to purchase season pass products year after year. In addition, our season pass products attract new guests to our resorts. Growth in sales of season pass products is a key strategic factor for us and also creates strong synergies among our resorts. Our season pass product offerings range from providing unlimited access to an individual resort to our Epic Season Pass that is primarily marketed to our Destination guests (and also available to In-State guests) and allows pass holders unlimited and unrestricted access to all five ski resorts. Season pass products provided approximately 35% of our total lift ticket revenue for the 2009/2010 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.

- 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 a new alpine coaster for fiscal year 2011.

- 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 over 90 of such dining options at our five 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 over 130 retail/rental locations 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 fifteen owned and managed hotels and resorts proximate to our mountain resorts, including five RockResorts branded hotels, 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 ability 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: 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 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

As part of our long-standing commitment to responsible stewardship of our natural mountain settings, we have several initiatives in environmental sustainability which transcend throughout all of our operations. We have demonstrated our leadership role in environmental stewardship by focusing on healthy forests and clean water through our partnership with the USDA Forest Service (the “Forest Service”) and the National Forest Foundation on the Hayman Restoration Partnership, Colorado’s largest forest restoration project and one of the largest public-private partnerships of its kind in the country. We are also reducing our energy consumption through our “energy layoff” initiative which has a stated goal of a 10% reduction by the end of calendar year 2010. In addition, we introduced a “paperless” initiative with plans to virtually eliminate all internally used paper by the end of calendar year 2011. 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; maintaining and growing a comprehensive composting program at selected resorts; and promoting/offering “green guest rooms”, green weddings, events, and meetings to our guests among other programs.

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 market, 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.

- Heavenly

Heavenly is proximate to two large California population centers, the Sacramento/Central Valley and the San Francisco Bay Area and draws skiers from throughout California and Nevada. Heavenly is within 100 miles of Sacramento/Central Valley and approximately 200 miles from the San Francisco Bay area via major interstate highways. Heavenly is 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 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 and seven managed third-party owned resort hotels with locations in Colorado, Wyoming, New Mexico, Florida, Dominican Republic and St. Lucia, West Indies as well as three properties currently under development that we will manage;
- Six additional independently flagged Company-owned hotels, management of the Vail Marriott Mountain Resort & Spa ("Vail Marriott"), Mountain Thunder Lodge, Crystal Peak Lodge and Austria Haus Hotel and condominium management operations, all of which are in and around our Colorado ski resorts;
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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 and one in Wyoming.

The Lodging segment currently includes approximately 4,000 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 resorts currently includes:

| Name | Location | Own/Manage | Rooms |
|-------------------------------------|-----------------------------------|-------------------------|-------|
| RockResorts: | | | |
| 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 | 46* |
| 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 | 64 |
| Tempo | Miami, FL | Manage | 56 |
| One Ski Hill Place | Breckenridge, CO | Manage | 21 |
| Balcones del Atlantico | Santo Domingo, Dominican Republic | Manage | 16 |
| Other Hotels and Resorts: | | | |
| The Great Divide Lodge | Breckenridge, CO | Own | 208 |
| The Keystone Lodge | Keystone, CO | Own | 152 |
| Inn at Keystone | Keystone, CO | Own | 103 |
| Breckenridge Mountain Lodge | Breckenridge, CO | Own | 71 |
| Village Hotel | Breckenridge, CO | Own | 60 |
| Ski Tip Lodge | Keystone, CO | Own | 10 |
| Jackson Lake Lodge | Grand Teton Nat'l Pk., WY | Concessionaire Contract | 385 |
| Colter Bay Village | Grand Teton Nat'l Pk., WY | Concessionaire Contract | 166 |
| Jenny Lake Lodge | Grand Teton Nat'l Pk., WY | Concessionaire Contract | 37 |
| Vail Marriott Mountain Resort & Spa | Vail, CO | Manage | 342 |
| Mountain Thunder Lodge | Breckenridge, CO | Manage | 99 |
| Crystal Peak Lodge | Breckenridge, CO | Manage | 30 |
| Austria Haus Hotel | Vail, CO | Manage | 25 |

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

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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 2010, RockResorts welcomed the addition of three luxury properties to its managed portfolio: One Ski Hill Place at Breckenridge, a resort that features 88 ski-in/ski-out residences, slopeside skiers' plaza, skier restaurant, and après-ski bar; Balcones Del Atlantico, a beachfront resort in the village of Las Terrenas on the Samana Peninsula of the Dominican Republic; and Tempo Miami, Florida, a 67-story luxury residential development and hotel located in the heart of Miami's cultural district. 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.

In November 2008, we acquired CME, which 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 SUV's, 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 704,000 rooms at approximately 2,000 properties in the United States as of July 2010. For Fiscal 2010, our owned hotels, which includes a combination of certain RockResorts, as well as other hotels in proximity to our ski resorts, had an overall ADR of \$190.93, a paid occupancy rate of 54.9% and revenue per available room ("RevPAR") of \$104.90, as compared to the upper upscale segment's ADR of \$140.21, a paid occupancy rate of 66.4% and RevPAR of \$93.04. 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 its 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 7 properties and 5 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, renovation of the Village Hotel in Breckenridge, extensive room upgrades at GTLC's historic Jackson Lake Lodge and guest room renovation 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 391 areas within the National Park System covering approximately 85 million acres across the United States and its territories. Of the 391 areas, 58 are classified as National Parks. While there are more than 500 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 2009, areas designated as National Parks received approximately 63.0 million recreation visits. The Grand Teton National Park, which spans approximately 310,000 acres, had approximately 2.6 million recreation visits during calendar 2009, 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

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, 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 own and operate six golf courses: The Beaver Creek Golf Club, The Keystone Ranch Golf Course, The River Course at Keystone, JHG&TC 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 2010 by Golf Digest, the Tom Fazio course at Red Sky Ranch was ranked the second best resort course in Colorado by Golf Week, the Greg Norman course at Red Sky Ranch was ranked the fourth best resort course in Colorado by Golf Week and Red Sky Ranch was ranked one of America's Top 100 Golf Communities in 2010 by Travel & Leisure Golf.

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. Recently completed projects include One Ski Hill Place in Breckenridge, the Arrabelle at Vail Square, Vail's Front Door and Crystal Peak Lodge at Breckenridge, Gore Creek Place in Vail's Lionshead Village and Mountain Thunder in Breckenridge. 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 occasionally 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.

VRDC's principal activities include (i) the vertical development of certain residential mixed-use projects that consist of both the sales of real estate units to third parties and the construction of resort depreciable assets such as hotels, restaurants, spas, private mountain clubs, commercial space, skier service facilities, parking structures and other amenities that we will own and operate and that will benefit our Mountain and Lodging segments; (ii) the sale of single-family homesites to individual purchasers; (iii) the sale of certain land parcels to third-party developers for condominium, townhome, cluster home, single family home, lodge and mixed use developments; (iv) the zoning, planning and marketing of resort communities; (v) arranging for the construction of the necessary roads, utilities and resort infrastructure for new resort communities; and (vi) the purchase of selected strategic land parcels for future development.

In addition to our recently completed projects discussed above, we have substantially completed the Ritz-Carlton Residences, Vail with expected completion in the fall of 2010. This development is located in the western part of Vail and consists of 71 whole ownership luxury residences and 45 Ritz-Carlton Club fractional ownership units. This development will offer exclusive amenities, including a large pool area and pool deck, great room with bar, fitness facility and a heated parking garage with valet service.

Additionally, VRDC continues to plan for numerous projects at all five of its mountain resorts, including the Ever Vail project in Vail.

Employees

Through certain operating subsidiaries, we currently employ approximately 3,600 year-round employees and during the height of our operating season we employ approximately 12,400 seasonal employees. In addition, we manage approximately 1,100 year-round employees and 400 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 Forest Service to grant Term Special Use Permits (each, an "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 an SUP. Each of our five ski resorts operates under an 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 on 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.

Special Use Permits

Vail Mountain operates under an SUP for the use of 12,226 acres that expires October 31, 2031. Breckenridge operates under an SUP for the use of 5,702 acres that expires December 31, 2029. Keystone operates under an SUP for the use of 8,376 acres that expires December 31, 2032. Beaver Creek operates under an SUP for the use of 3,849 acres that expires December 31, 2038. Heavenly operates under an 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 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.

White River National Forest Plan

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”).

When approving our application for development, area expansion and other activities on National Forest lands in Colorado, the Forest Service must adhere to the White River Forest Plan and the 2002 ROD. 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 2002 ROD at one of our four Colorado 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 the scope and size of the expected impact of the proposed project. An Environmental Assessment (“EA”) is typically used for projects where the environmental impact is 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 compile, 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 an environmental impact, such as certain utilities installed in an existing, previously disturbed corridor.

Proposed actions at Heavenly may also be subject to the California Environmental Quality Act (“CEQA”), which is similar to NEPA in that it requires that the California governmental entity approving any proposed action on the California portion of Heavenly 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. Approval of the Peak 6 development requires the preparation of an EIS, in compliance with NEPA. The initial round of public scoping has been completed and the Forest Service is preparing the EIS. 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 our first Project Proposal under the updated Keystone Master Development Plan in April 2010. 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 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. We are installing the upgraded Chair 5 during the summer and fall of 2010 and expect the upgraded chairlift to be in service for the 2010/2011 ski season. We have also begun construction of the Mid-Vail fine dining facility but do not expect it to be completed and in operation before 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 we will receive such approval.

Beaver Creek Regulatory Matters

We submitted the Beaver Creek Master Development Plan to the Forest Service in mid September 2010 and we expect the Forest Service's response in the fall of 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.

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. During the summer of 2010, we began construction of the day lodge and dining facility at the top of the gondola and expect the facility to be completed during the 2010/2011 ski season. We expect to begin implementing other approved projects during the summer of 2011.

We have been conducting ongoing monitoring of groundwater contamination levels using three existing monitoring wells and a seasonal, downstream seep as required by the State of California Regional Water Quality Control Board, Lahontan Region (“Lahontan”), and the El Dorado County Department of Environmental Management. This requirement was imposed in response to an accidental release of waste oil at a vehicle maintenance shop in 1998 by the prior owner/operator of Heavenly. All cleanup work has been completed in accordance with the approved work plan. On September 17, 2009, we received a closure letter in writing from Lahontan stating that no further action is required.

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 public utilities, respectively. We have negotiated a

long term contract with STPUD at favorable rates. 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.

Available Information

We report to the Securities and Exchange Commission ("SEC") information, 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 (the "Act") that are available free of charge on our corporate website (www.vailresorts.com) as soon as reasonably practicable after the information is electronically filed with or furnished to the SEC. In addition, our Code of Ethics and Business Conduct is available on our website. None of the content of our corporate website is incorporated by reference herein. 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.

The risks described below should carefully be considered together with the other information contained in this report. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially affect our business, financial condition and results of operations.

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 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 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. 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 2010, 80% of total combined Mountain and Lodging segment net revenue was earned during our fiscal second and third 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 14, 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. For example, for each of the last three ski seasons we have experienced early season snow fall well below average. Also, 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. 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 59.8 million visits for the 2009/2010 ski season. The factors that we believe are important to customers include:

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- 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 and other major destination ski areas worldwide. Our guests can choose from any of these alternatives, as well as non-skiing vacation 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 investment 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 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, 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 or substantially completed significant real estate development projects and have plans for significant future development projects. We could experience significant difficulties in realizing the anticipated financial benefits or in initiating or completing these projects, due to among other things:

- sustained deterioration in real estate markets;
- escalation in construction costs due to price increases in commodities, unforeseen conditions, inadequate design or drawings, or other causes;

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

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 current real estate project under development, which could adversely affect our financial condition, results of operations or anticipated cash flows from these projects. For example, in the event that the carrying value of our real estate held for sale and investment exceeds anticipated future proceeds from the sale of our real estate development, we would be required to record a write-down of our real estate held for sale and investment. We currently have one real estate project substantially completed, The Ritz-Carlton Residences, Vail and during the three months ended July 31, 2010 we completed One Ski Hill Place at the base of our Breckenridge ski resort. We have increased risk associated with selling and closing units in these projects as a result of the instability in the capital and credit markets and a slowdown in the overall real estate market and, as a result we may not be able to sell units in such properties for a profit or at the prices or selling pace we anticipate. Furthermore, given the current economic climate, certain buyers have been or may be unable to close on their units due to a reduction in funds available to buyers and/or decreases in mortgage availability, or certain buyers who have entered into purchase and sales contracts with us have attempted and others may attempt to challenge the legality of the contracts in an effort to invalidate their purchase commitment and obtain a refund of their deposit. Additionally, we have self funded the development of One Ski Hill Place and the Ritz-Carlton Residences, Vail, having spent an aggregate of approximately \$350 million in capital expenditures as of July 31, 2010 on these projects and we estimate to incur between \$20 million and \$30 million in cash expenditures subsequent to July 31, 2010 to complete the Ritz-Carlton Residences, Vail project which has caused and will cause a decline in cash being generated from operating activities, requiring us to borrow under the revolver component of our senior credit facility (the "Credit Facility") from time to time, which has or may cause an increase in our leverage until we close and receive proceeds from the sale of the significant majority of units from these projects. As such, due to the overall macro-economic environment, the resulting deterioration in real estate markets and the tightening of credit markets, among other factors, there is no assurance that units will be sold and/or closed upon completion of these projects.

We may not be able to fund resort capital expenditures and investment in real estate. In addition to the self funding of real estate under development, we currently anticipate that resort capital expenditures (primarily related to the Mountain and Lodging segments) will be approximately \$75 million to \$85 million for calendar year 2010. Our ability to fund these investments in real estate and resort capital expenditures will depend on our ability to generate sufficient cash flow from operations, obtain pre-sale deposits 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 development costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. 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;
 - our ability to meet our pre-sell targets on our vertical real estate development projects;
 - competition; and
 - legislative and regulatory matters affecting our operations and business.

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 development projects and/or plans.

We rely on government permits. 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, October 31, 2031 for Vail Mountain, December 31, 2032 for Keystone, December 31, 2038 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.

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 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, 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 12, 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, Chief Financial Officer, Co-Presidents of our Mountain Division, General Counsel and each of our 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 future acquisitions might not be successful. Historically, 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 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 and/or indefinite lived intangible asset balances as a result of prolonged weakness in economic conditions. Under accounting principles generally accepted in the United States of America (“GAAP”), we are required to test goodwill 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. 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). If a prolonged weakness in economic conditions were to occur it could cause less than expected growth and/or reduction in terminal values of our reporting units and could result in a goodwill and/or indefinite lived intangible asset impairment charge attributable to certain goodwill and/or indefinite lived intangible 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 and often experience extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions such as acts of terrorism, a recession or interest rate or currency rate fluctuations, could adversely affect the market price of our stock.

We have not historically paid cash dividends to our common stockholders. We have not declared or paid any cash dividends on our common shares since becoming publicly traded in 1997. Payment of any future dividends on our common stock will depend upon our earnings and capital requirements, the terms of our debt instruments and other factors the Board of Directors considers appropriate.

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 Credit Facility permits additional borrowings of up to \$283.9 million as of July 31, 2010. 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 Credit Facility and the Indenture, dated as of January 29, 2004 among us, the guarantors therein and the Bank of New York Mellon Trust Company, N.A., as Trustee (“Indenture”), governing our 6.75% Senior Subordinated Notes due 2014 (“6.75% 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 Facility 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;
- pay dividends, repurchase our stock and make other restricted payments;
- create liens;

- make investments;
- engage in sales of assets and subsidiary stock;
 - enter into sale-leaseback transactions;
 - enter into transactions with affiliates;
- 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 Facility. If we breach any of these restrictions or covenants, or suffer a material adverse change which restricts our borrowing ability under our Credit Facility, 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 6.75% Notes.

Our Credit Facility is scheduled to mature in 2012 and our 6.75% Notes are due in 2014. We currently have outstanding \$35 million under our Credit Facility, which is scheduled to mature in 2012; however, a sustained economic downturn and its potential impact on our cash flows from operating activities, combined with the self funding of any real estate under development or other strategic initiatives could require us to borrow significant funds under the revolver component of our Credit Facility. In addition to our Credit Facility, we have outstanding \$390 million of 6.75% Notes due in 2014. The credit markets are volatile and may pose challenges and have an adverse effect on our ability to re-finance or obtain new financing on terms that are acceptable to us. There is no assurance that we will be able to obtain new financing or financing on acceptable terms.

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 |

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| | | |
|--|----------------------------|---|
| Beaver Creek Mountain, CO (3,849 acres) | Special Use Permit | sale or development 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) | Special Use Permit | Ski trails, ski lifts, buildings and other improvements |
| Breckenridge Mountain Lodge | Owned | Lodging |
| 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) | Special Use Permit | Ski trails, ski lifts, buildings and other improvements |
| Inn at Keystone, CO | Owned | Lodging, dining and conference facilities |
| Jackson Hole Golf & Tennis Club, WY | Owned | Golf course, clubhouse, tennis facilities, dining and real estate held for sale or development |
| 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) | Special Use Permit | Ski trails, ski lifts, buildings and other improvements |
| Keystone Ranch, CO | Owned | Golf course, clubhouse and dining facilities |
| 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 |
| | Owned | |
| 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 |
| 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 (12,226 acres) | Special Use Permit | Ski trails, ski lifts, buildings and other improvements |
| Village at Breckenridge, CO | Owned | Lodging, dining, conference facilities and commercial space |
| SSI Venture, LLC (“SSV”) Properties | Owned | Over 130 retail stores (of which 87 stores are currently held under lease) for recreational products including rental |

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.

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.

The Canyons Ski Resort Litigation

During the fourth quarter of the year ended July 31, 2007, we entered into an agreement with Peninsula Advisors, LLC (“Peninsula”) for the negotiation and mutual acquisition of The Canyons and the land underlying The Canyons. On July 15, 2007, American Skiing Company (“ASC”) entered into an agreement to sell The Canyons to Talisker Corporation and Talisker Canyons Finance Company, LLC (together “Talisker”). On July 27, 2007, we filed a complaint in the District Court in Colorado against Peninsula and Talisker claiming, among other things, breach of contract by Peninsula and intentional interference with contractual relations and prospective business relations. Our

request for a preliminary injunction to prevent the closing of the acquisition by Talisker of The Canyons from ASC was denied. Talisker filed an answer to our complaint along with three counterclaims. Peninsula filed a motion to dismiss, which was denied. On October 21, 2009, we filed a Stipulated Motion to Dismiss ASC and agreed that we would not seek any relief that would have the effect of invalidating the sale by ASC to Talisker Canyons Finance Co, LLC. On January 12, 2010, Peninsula filed an answer to our complaint and brought cross claims against Talisker and a third party complaint against Mark Robbins (Peninsula's former managing member), Jacob Bistricher (Talisker Corporation's CEO), and Talisker Canyons Acquisition Co. LLC. Talisker moved to strike Peninsula's answer, cross claims and third party complaint. After the District Court denied Talisker's motion to strike Peninsula's answer, cross claims and third party complaint, Talisker and Talisker Canyons Acquisition Co. LLC filed a motion to dismiss Peninsula's cross claims and third party complaint on April 6, 2010. Jacob Bistricher subsequently filed a motion to dismiss Peninsula's claims against him for a lack of jurisdiction. Peninsula has since responded to these motions to dismiss. Additionally, on May 13, 2010, Peninsula informed the District Court that Peninsula had effected personal service over Mark Robbins. On June 1, 2010, Talisker moved to stay the action, and Robbins moved for an extension of time to file an answer, pending resolution of a Delaware State Court action concerning internal control issues regarding Peninsula. The District Court has yet to take action regarding the pending motions. We continue to pursue this action, but are unable to predict the ultimate outcome of the above described actions.

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 net operating losses ("NOL") carried forward from prior years to reduce our tax years 2000 and 2001 tax liabilities. The Internal Revenue Service ("IRS") has disallowed refunds associated with those NOL carry forwards and we disagree with the IRS action disallowing the utilization of the NOLs. The IRS filed its answer on November 6, 2009 denying liability for our claimed refunds. We are unable to predict the ultimate outcome of this matter.

Ritz-Carlton Residences, Vail Litigation

The holders of contracts to purchase 11 Ritz-Carlton Residences, Vail units have commenced actions seeking rescission of their contracts based on a disputed delivery date included in their respective purchase and sale agreements.

We are a defendant in the following cases filed in District Court in Eagle County, Colorado by holders of contracts to purchase ten Ritz-Carlton Residences, Vail units: AR Homes, LP and Castletop Capital Properties, LP v. RCR Vail, LLC, et al., 09cv527, filed on August 18, 2009; Masri and Assis v. RCR Vail, LLC 09cv543 filed on August 26, 2009; Vail Ritz-Carlton, LLC v. RCR Vail, LLC 10cv122, filed on February 18, 2010; Ritz Terrace, LLC v. RCR Vail, LLC, 10cv155, filed on March 3, 2010; Five Star Vail Property v. RCR, Vail, LLC, 10cv156, filed on March 3, 2010; Vail Ritz 200, LLC and Vail Ritz 207, LLC v. RCR Vail, LLC, 10cv259, filed on April 12, 2010; and Stadium Limited v. RCR Vail, LLC, 10cv618, filed on August 1, 2010, and served August 10, 2010. We are also a defendant in a case filed in United States District Court, District of Colorado, by a holder of a contract to purchase one Ritz-Carlton Residences, Vail unit: Aldarondo v. RCR Vail, LLC, 10cv767, filed on April 9, 2010. The plaintiffs' complaints allege similar causes of action, primarily breach of contract, based on the failure of us to deliver the units under the purchase and sale agreements by a certain specific disputed date. Three plaintiffs also allege violations of the Federal Interstate Land Sales Full Disclosure Act (ILSFDA), which we have moved to dismiss for failure to state a claim. Similar ILSFDA claims by two additional plaintiffs have already been dismissed. All plaintiffs seek rescission of their contracts and return of their deposits under the purchase and sale agreements. We dispute that we have breached our obligations under the purchase and sale agreements and deny that the contract holders are entitled to the relief that they are seeking.

We do not anticipate further breach of contract allegations based on the disputed delivery date as all other Ritz-Carlton Residences, Vail contract holders have signed contracts or amendments to contracts specifically acknowledging the delivery date.

ITEM 4. REMOVED AND RESERVED.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange under the symbol "MTN." As of September 15, 2010, 35,911,506 shares of common stock were outstanding, held by approximately 375 holders of record.

The declaration of cash dividends in the future will depend on our earnings, financial condition, capital needs, restrictions under debt instruments and on other factors deemed relevant by the Board of Directors at that time. It is the current policy of our Board of Directors to retain earnings to finance the operations and expansion of our business.

The following table sets forth, for Fiscal 2010 and the year ended July 31, 2009 ("Fiscal 2009"), and quarters indicating the range of high and low per share sales prices of our common stock as reported on the New York Stock Exchange Composite Tape.

| Quarter Ended | October 31 | January 31 | April 30 | July 31 | Fiscal Year |
|------------------|------------|------------|----------|----------|-------------|
| Fiscal Year 2010 | | | | | |
| High | \$ 38.96 | \$ 42.43 | \$ 48.40 | \$ 49.00 | \$ 49.00 |
| Low | \$ 28.48 | \$ 32.85 | \$ 32.89 | \$ 33.50 | \$ 28.48 |
| Fiscal Year 2009 | | | | | |
| High | \$ 52.00 | \$ 33.43 | \$ 30.42 | \$ 31.10 | \$ 52.00 |
| Low | \$ 21.67 | \$ 14.79 | \$ 14.76 | \$ 23.71 | \$ 14.76 |

Repurchase of Equity Securities

The following table summarizes the purchase of our equity securities during the fourth quarter of Fiscal 2010:

| 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, 2010 – May 31, 2010 | -- | \$ -- | -- | 2,121,465 |
| June 1, 2010 – June 30, 2010 | 386,269 | 38.83 | 386,269 | 1,735,196 |
| July 1, 2010 – July 31, 2010 | -- | -- | -- | 1,735,196 |
| Total | 386,269 | \$ 38.83 | 386,269 | |

- (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 is presented for the period from the end of our 2005 fiscal year through the end of Fiscal 2010. 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 Exchange Act of 1934, unless it specifically incorporates 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 2010, Fiscal 2009 and the year ended July 31, 2008 (“Fiscal 2008”) and as of July 31, 2010 and 2009 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., effective ticket price (“ETP”), ADR and RevPAR amounts.

| | 2010(1) | 2009(1) | Year Ended July 31, | | 2006 (1) |
|---|------------|------------|---------------------|------------|------------|
| | | | 2008(1) | 2007(1) | |
| Statement of Operations Data: | | | | | |
| Net revenue: | | | | | |
| Mountain | \$ 638,495 | \$ 614,597 | \$ 685,533 | \$ 665,377 | \$ 620,441 |
| Lodging | 169,130 | 176,241 | 170,057 | 162,451 | 155,807 |
| Real estate | 61,007 | 186,150 | 296,566 | 112,708 | 62,604 |
| Total net revenue | 868,632 | 976,988 | 1,152,156 | 940,536 | 838,852 |
| Segment operating expense: | | | | | |
| Mountain | 456,017 | 451,025 | 470,362 | 462,708 | 443,116 |
| Lodging | 166,738 | 169,482 | 159,832 | 144,252 | 142,693 |
| Real estate | 71,402 | 142,070 | 251,338 | 115,190 | 56,676 |
| Total segment operating expense | 694,157 | 762,577 | 881,532 | 722,150 | 642,485 |
| Depreciation and amortization | (110,638) | (107,213) | (93,794) | (87,664) | (86,098) |
| Gain on sale of real property | 6,087 | -- | 709 | -- | -- |
| Mountain equity investment income, net | 1,558 | 817 | 5,390 | 5,059 | 3,876 |
| Real estate equity investment income, net | -- | -- | -- | -- | 791 |
| Investment income, net | 445 | 1,793 | 8,285 | 12,403 | 7,995 |
| Interest expense, net | (17,515) | (27,548) | (30,667) | (32,625) | (36,478) |
| Contract dispute credit (charges), net | -- | -- | 11,920 | (4,642) | (3,282) |
| Income before provision for income taxes | 53,797 | 81,196 | 170,933 | 108,452 | 81,704 |
| Net income | 35,775 | 50,552 | 107,847 | 69,198 | 52,450 |
| Net (income) attributable to noncontrolling interests | (5,390) | (1,602) | (4,920) | (7,801) | (6,694) |
| | \$ 30,385 | \$ 48,950 | \$ 102,927 | \$ 61,397 | \$ 45,756 |

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Net income attributable to Vail Resorts, Inc.

Diluted net income per share attributable to Vail Resorts, Inc.

| | | | | | |
|--|---------|---------|---------|---------|---------|
| | \$ 0.83 | \$ 1.33 | \$ 2.64 | \$ 1.56 | \$ 1.19 |
|--|---------|---------|---------|---------|---------|

Other Data:

Mountain

Skier visits(2)

| | | | | | |
|--|-------|-------|-------|-------|-------|
| | 6,010 | 5,864 | 6,195 | 6,219 | 6,288 |
|--|-------|-------|-------|-------|-------|

ETP (3)

| | | | | | |
|----|-------|----------|----------|----------|----------|
| \$ | 48.13 | \$ 47.16 | \$ 48.74 | \$ 46.15 | \$ 41.83 |
|----|-------|----------|----------|----------|----------|

Lodging

ADR(4)

| | | | | | |
|----|--------|-----------|-----------|-----------|-----------|
| \$ | 235.02 | \$ 225.12 | \$ 230.17 | \$ 216.83 | \$ 202.27 |
|----|--------|-----------|-----------|-----------|-----------|

RevPAR(5)

| | | | | | |
|----|-------|----------|-----------|----------|----------|
| \$ | 88.14 | \$ 93.10 | \$ 106.43 | \$ 99.58 | \$ 92.41 |
|----|-------|----------|-----------|----------|----------|

Real Estate

Real estate held for sale and investment(6)

| | | | | | |
|----|---------|------------|------------|------------|------------|
| \$ | 422,164 | \$ 311,485 | \$ 249,305 | \$ 357,586 | \$ 259,384 |
|----|---------|------------|------------|------------|------------|

Other Balance Sheet Data

Cash and cash equivalents(7)

| | | | | | |
|----|--------|-----------|------------|------------|------------|
| \$ | 14,745 | \$ 69,298 | \$ 162,345 | \$ 230,819 | \$ 191,794 |
|----|--------|-----------|------------|------------|------------|

Total assets

| | | | | | |
|----|-----------|--------------|--------------|--------------|--------------|
| \$ | 1,922,809 | \$ 1,884,480 | \$ 1,925,954 | \$ 1,909,123 | \$ 1,687,643 |
|----|-----------|--------------|--------------|--------------|--------------|

Long-term debt (including long-term debt due within one year)

| | | | | | |
|----|---------|------------|------------|------------|------------|
| \$ | 526,711 | \$ 491,960 | \$ 556,705 | \$ 594,110 | \$ 531,228 |
|----|---------|------------|------------|------------|------------|

Net debt(8)

| | | | | | |
|----|---------|------------|------------|------------|------------|
| \$ | 511,966 | \$ 422,662 | \$ 394,360 | \$ 363,291 | \$ 339,434 |
|----|---------|------------|------------|------------|------------|

Total Stockholders' equity

| | | | | | |
|----|---------|------------|------------|------------|------------|
| \$ | 802,387 | \$ 780,706 | \$ 725,484 | \$ 704,801 | \$ 633,405 |
|----|---------|------------|------------|------------|------------|

(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: The remaining noncontrolling interest in SSI Venture LLC known as SSV (acquired in April 2010), Mountain News Corporation (“Mountain News”) (acquired May 2010), CME (acquired in November 2008), 18 retail/rental locations (acquired by SSV in June 2007), two licensed Starbucks stores (acquired in June 2007) and six retail locations (acquired by SSV in August 2006). Additionally, we sold our majority interest in RTP, LLC (“RTP”) (sold in April 2007) and Snake River Lodge & Spa (sold in January 2006). See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements, in Item 8 of this Form 10-K for the impact to the Consolidated Statements of Operations and Consolidated Balance Sheets as a result of the adoption of ASC Topic 810, “Consolidation” (SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51”).
- (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 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 74%, 19% and 7%, respectively, of our net revenue for Fiscal 2010.

Mountain Segment

The Mountain segment is comprised of the operations of five ski resort properties as well as ancillary services, primarily including ski school, dining and retail/rental operations. Our five ski resorts were open for business for the 2009/2010 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 45%, 45% and 44% of Mountain segment net revenue for Fiscal 2010, Fiscal 2009 and Fiscal 2008, 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 2009/2010 ski season, Destination guests comprised approximately 58% of our skier visits, while In-State guests

comprised approximately 42% of our skier visits, which compares to approximately 57% and 43%, respectively, for the 2008/2009 ski season and 63% and 37%, respectively, for the 2007/2008 ski season.

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 due to the advance planning generally required for vacation trips, 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. Prior to the 2008/2009 ski season, we primarily marketed season passes to In-State guests in an effort to offer a value option in turn for a commitment predominately prior to the beginning of the ski season from In-State guests to ski at our resorts. This in turn has developed a loyal customer base that generally skis multiple days each season at our resorts and provides a more stabilized stream of lift revenue. Given the success of In-State pass products, we introduced a new season pass product (the "Epic Season Pass") for the 2008/2009 ski season, marketed to Destination guests (and also marketed to In-State guests) allowing pass holders unlimited and unrestricted access to all five of our ski resorts during the entire ski season. 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 2009/2010, 2008/2009 and 2007/2008 ski season approximately 35%, 34% and 26%, 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 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.

Lodging properties (including managed condominium rooms) at or around our ski resorts, and CME, are closely aligned with the performance of the Mountain segment and generally experience similar seasonal trends, particularly with respect to visitation by Destination guests, and represented approximately 67%, 68% and 63% of Lodging segment revenue for Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively. 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 the vertical development of projects, as well as occasionally the sale of land to third-party developers (which often includes a contingent revenue structure based on the ultimate sale of the developed units). Revenue from vertical development projects is not recognized until closing of individual units within a project, which occurs after substantial completion of the project. Contingent future profits from land sales, if any, are recognized only when received. 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). 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 profit margin, fluctuate 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 2010 compared to Fiscal 2009 in our Mountain segment in part due to a strong spring break and Easter holiday period during which visitation to our mountain resorts improved, as well as an increase in overall guest spend on ancillary services to levels that approached the spring break and Easter holiday periods of 2007 and 2008, uncertainties still exist surrounding the strength and duration of the general economic environment. Conditions currently present or recently present in the economic environment including high unemployment, erosion of consumer confidence, financial instability in the global markets and weakness in the real estate market may potentially continue to have negative effects on the travel and leisure industry and our results of operations. Because of these uncertainties we cannot predict whether recent favorable trends in visitation and guest spend will continue and what impact the economic environment may have on our future results of operations, in particular for the 2010/2011 ski season.
- 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. During the past three ski seasons, early season snowfall has been significantly lower than the historical average, which we believe had a negative impact on early season visitation.
- Our season pass products provide a value option to our guests, which in turn provides a guest commitment predominately prior to the start of the ski season, resulting in a more stabilized stream of lift revenue for us. In the spring of 2008, we introduced the Epic Season Pass, which contributed to season pass revenue as a percent of total lift revenue increasing from 26% for the 2007/2008 ski season to 34% and 35% for the 2008/2009 and 2009/2010 ski seasons, respectively. In March 2010, we began our pre-season pass sales program for the 2010/2011 ski season, including the Epic Season Pass. During our spring season pass sales program we experienced a decline in advance sales of season pass products for the 2010/2011 ski season primarily due to a decline in Epic Season Pass sales compared to sales during the spring season pass period for the 2009/2010 ski season. However, early fall sales of season passes have been favorable compared to the same period in the prior year which has resulted in only a slight overall decline to date in total season pass sales for the 2010/2011 ski season compared to total season pass sales through the same early fall sales period for the 2009/2010 ski season. There can be no assurance that the season pass sales will be similar to historical trends or the overall impact that season pass sales will have on lift revenue for the 2010/2011 ski season.
- In response to the economic downturn in 2008 and 2009, we implemented cost reduction initiatives in Fiscal 2009 including a company-wide wage reduction and suspension of our 401(k) plan matching contributions. We reinstated some of the prior year's wage and benefit reductions with a 2% interim wage increase for year round employees effective April 1, 2010 and seasonal employees for the 2010/2011 ski season along with partial reinstatement of our matching component of the 401(k) plan. We currently plan to fully reinstate the previous level of 401(k) matching ratably over a three year period. We also expect to return in fiscal year ending July 31, 2011 ("Fiscal 2011") to a more normal level of annual wage increases; however we cannot predict whether any increases in labor costs and other employee benefit costs coupled with other increases in operating costs will be offset by increased revenues.
- We held prices flat for most multi-day lift ticket and certain other products and services for the last two ski seasons even though we have historically implemented annual price increases. Prices for the 2010/2011 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.

- We operate our ski areas under various Forest Service permits, and many of our operations require permits and approval from governmental authorities; therefore many of our on-mountain capital improvements must go through an approval process. Changes or impacts to the applicable regulatory environment may have detrimental effects on us.
- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate under contract, 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 fourth quarter of Fiscal 2010, we closed on 36 units, or 61% of the 59 units that were under contract at One Ski Hill Place in Breckenridge, while 23 units that were under contract defaulted. Additionally, we have another real estate project substantially completed (the Ritz-Carlton Residences, Vail) which units under contract will begin closing during the first quarter of Fiscal 2011. 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. Certain buyers have been or may be unable to close on their units due to a reduction in funds available to buyers and/or decreases in mortgage availability and certain buyers may successfully seek rescission of their contracts (see Part I Item 3. Legal Proceedings). We cannot predict the ultimate number of units that we will sell, the ultimate price we will receive, or when the units will sell. Additionally, if a prolonged weakness in the real estate market or general economic conditions were to occur we may have to adjust our selling prices in an effort to sell and close on units available for sale, although we currently have no plans to do so.
- Over the past several years our Real Estate segment results have reflected the successful completion of several real estate projects including, One Ski Hill Place in Breckenridge, the Arrabelle at Vail Square, Vail's Front Door, Crystal Peak Lodge at Breckenridge, Gore Creek Place in Vail's Lionshead Village and Mountain Thunder in Breckenridge. Additionally, as mentioned above, we have substantially completed the Ritz-Carlton Residences, Vail and units under contract will begin closing in the first quarter of Fiscal 2011. Although we continue to undertake 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.
- We had \$14.7 million in cash and cash equivalents as of July 31, 2010 as well as \$283.9 million available under the revolver component of our Credit Facility. We have and plan to continue to self-fund the completion of the Ritz-Carlton Residences, Vail (we estimate to incur between \$20 million and \$30 million in cash expenditures subsequent to July 31, 2010) while we have from time to time been required to borrow under the revolver component of our Credit Facility; especially during our seasonal low points outside of the ski season; however, we believe we have reached an inflection point, where as future proceeds from anticipated real estate closings on One Ski Hill Place and the Ritz-Carlton Residences, Vail (for example, we received approximately \$100 million in net proceeds from the sale of Ritz-Carlton Residences, Vail fractional units in September 2010) should now significantly exceed anticipated future construction costs on these projects.
- Under GAAP, we are required to test goodwill for impairment annually, which we do during the fourth quarter of each fiscal year. 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. Our Fiscal 2010 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 of our reporting units which may result in a goodwill and/or indefinite-lived intangible asset impairment charge attributable to certain goodwill and/or indefinite lived-intangible assets, particularly related to our lodging operations.

Results of Operations

Summary

Shown below is a summary of operating results for Fiscal 2010, Fiscal 2009 and Fiscal 2008 (in thousands):

| | Year Ended July 31, | | |
|--|---------------------|------------|------------|
| | 2010 | 2009 | 2008 |
| Mountain Reported EBITDA | \$184,036 | \$ 164,389 | \$ 220,561 |
| Lodging Reported EBITDA | 2,392 | 6,759 | 10,225 |
| Resort Reported EBITDA | 186,428 | 171,148 | 230,786 |
| Real Estate Reported EBITDA | (4,308) | 44,080 | 45,937 |
| Income before provision for income taxes | 53,797 | 81,196 | 170,933 |
| Net income attributable to Vail Resorts, Inc. | \$ 30,385 | \$ 48,950 | \$ 102,927 |

Mountain Segment

Mountain segment operating results for Fiscal 2010, Fiscal 2009 and Fiscal 2008 are presented by category as follows (in thousands, except ETP):

| | Year Ended July 31, | | | Percentage Increase/(Decrease) | |
|---|---------------------|-----------|-----------|-----------------------------------|-----------|
| | 2010 | 2009 | 2008 | 2010/2009 | 2009/2008 |
| Net Mountain revenue: | | | | | |
| Lift tickets | \$289,289 | \$276,542 | \$301,914 | 4.6 % | (8.4) % |
| Ski school | 70,694 | 65,336 | 81,384 | 8.2 % | (19.7) % |
| Dining | 53,322 | 52,259 | 62,506 | 2.0 % | (16.4) % |
| Retail/rental | 154,846 | 147,415 | 168,765 | 5.0 % | (12.7) % |
| Other | 70,344 | 73,045 | 70,964 | (3.7)% | 2.9% |
| Total Mountain net revenue | \$638,495 | \$614,597 | \$685,533 | 3.9 % | (10.3) % |
| Mountain operating expense: | | | | | |
| Labor and labor-related benefits | \$166,378 | \$165,550 | \$175,674 | 0.5 % | (5.8) % |
| Retail cost of sales | 65,545 | 66,022 | 72,559 | (0.7)% | (9.0) % |
| Resort related fees | 35,431 | 33,102 | 36,335 | 7.0 % | (8.9) % |
| General and administrative | 88,705 | 83,117 | 81,220 | 6.7 % | 2.3 % |
| Other | 99,958 | 103,234 | 104,574 | (3.2)% | (1.3)% |
| Total Mountain operating expense | \$456,017 | \$451,025 | \$470,362 | 1.1 % | (4.1) % |
| Mountain equity investment income, net | 1,558 | 817 | 5,390 | 90.7 % | (84.8) % |
| Total Mountain Reported EBITDA | \$184,036 | \$164,389 | \$220,561 | 12.0 % | (25.5) % |
| Total skier visits | 6,010 | 5,864 | 6,195 | 2.5 % | (5.3)% |
| ETP | \$ 48.13 | \$ 47.16 | \$ 48.74 | 2.1 % | (3.2) % |

Total Mountain Reported EBITDA includes \$5.3 million, \$4.8 million and \$3.8 million of stock-based compensation expense for Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively.

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 including the Epic Season Pass. 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 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 ski season which was bolstered by increased visitation to our resorts and higher guest spend.

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, strategic alliance and other marketing revenue, commercial leasing revenue, employee housing revenue, municipal services revenue and other recreation activity revenue.