VAIL RESORTS INC
Form 10-K
September 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x 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	51-0291762
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
390 Interlocken Crescent Broomfield, Colorado	80021
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of each class:	Name of each exchange on which registered:
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x 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 x 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

required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
x 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. x

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 x 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 x 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 t 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.

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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.

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 permitee.

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:

- 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

		sale or development
Beaver Creek Mountain, CO (3,849 acres)	Special Use Permit	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% Owned	Administrative offices
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 Bistricer (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 Bistricer 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.

	Year Ended July 31,				
	2010(1)	2009(1)	2008(1)	2007(1)	2006 (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

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

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

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

Fiscal 2009 compared to Fiscal 2008

Lift revenue decreased $25.4 million, or 8.4%, for Fiscal 2009 compared to Fiscal 2008, primarily as a result of a $42.2 million, or 18.8%, decline in lift revenue excluding season pass revenue, partially offset by an increase in season pass revenue of $16.8 million, or 21.7%. The increase in season pass revenue was driven by higher season pass sales resulting primarily from the introduction of the Epic Season Pass in the 2008/2009 ski season. Additionally, a portion of the decline in lift revenue excluding season pass revenue was caused by a shift in Destination guests purchasing the Epic Season Pass instead of other lift ticket products.

Total skier visitation was down 5.3% in the 2008/2009 ski season compared to the 2007/2008 ski season, with overall visitation for the four Colorado resorts (excluding Heavenly) being down 3.5%. The overall visitation decline was primarily as a result of an estimated 15% decrease in visitation from Destination guests, partially offset by strong visitation from season pass holders, especially from the new Epic Season Pass holders, who on average skied more in the current year per pass than holders of our other pass products. ETP decreased 3.2%, driven by an increase in average season pass holder visitation per pass sold, partially offset by a 2.9% increase in ETP excluding season pass products, driven by price increases on certain lift ticket products.

Revenues for our ski school, dining and retail/rental operations, were all negatively impacted by the severe downturn in the economic environment in Fiscal 2009 which resulted from the decrease in both Destination guest visitation as well as overall spending per guest. Ski school revenue decreased $16.0 million, or 19.7%, in Fiscal 2009 compared to Fiscal 2008, as ski school revenue is primarily driven by Destination guests. Dining revenue decreased $10.2 million, or 16.4%, in Fiscal 2009 compared to Fiscal 2008, due to an approximate 11% decrease in the number of total on-mountain food and beverage transactions, coupled with an even greater decline in fine dining. Revenue from retail/rental operations decreased $21.4 million, or 12.7%, in Fiscal 2009 compared to Fiscal 2008 primarily due to lower sales and rental volumes at our mountain resort stores.

For Fiscal 2009 other revenues increased $2.1 million, or 2.9%, compared to Fiscal 2008, primarily due to private club operations (which revenue increased $4.1 million) resulting from the opening of the Vail Mountain Club in November 2008.

Operating expense decreased $19.3 million, or 4.1%, during Fiscal 2009 compared to Fiscal 2008. This decrease primarily resulted from a decrease in labor and labor-related benefits expense of $10.1 million, or 5.8%, due to decreased staffing levels driven by lower volume in ski school, dining and retail/rental operations as well as the impacts of cost reduction initiatives including the suspension of the matching contribution to our 401(k) program effective January 2009 and a company-wide wage reduction plan implemented in April 2009 and a $6.5 million, or 9.0%, decrease in retail cost of sales (commensurate with the decrease in retail revenue). Additionally, resort related fees (including Forest Service fees, other resort-related fees, credit card fees and commissions) decreased $3.2 million, or 8.9%, compared to Fiscal 2008 due to overall declines in revenue that those fees are calculated on and other expenses decreased $1.3 million, or 1.3%, due primarily to lower food and beverage cost of sales, supplies and fuel expense, partially offset by higher property taxes, utilities and repairs and maintenance expense. All of the above decreases were slightly offset by a $1.9 million, or 2.3%, increase in general and administrative expenses primarily due to higher allocated corporate expenses.

Mountain equity investment income primarily includes our share of income from the operations of a real estate brokerage joint venture. The decrease in equity investment income for Fiscal 2009 compared to Fiscal 2008 is primarily due to decreased commissions earned by the brokerage due to a lower level of real estate closures compared to Fiscal 2008.

Lodging Segment

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

	Year Ended July 31,			Percentage Increase/(Decrease)	
	2010	2009	2008	2010/2009	2009/2008
Lodging net revenue:					
Owned hotel rooms	$ 41,479	$ 43,153	$ 46,806	(3.9) %	(7.8) %
Managed condominium rooms	32,074	34,571	37,132	(7.2) %	(6.9) %
Dining	27,235	30,195	31,763	(9.8) %	(4.9) %
Transportation	19,026	17,975	--	5.8 %	-- %
Golf	13,769	15,000	16,224	(8.2) %	(7.5) %
Other	35,547	35,347	38,132	0.6 %	(7.3) %
Total Lodging net revenue	$169,130	$176,241	$170,057	(4.0) %	3.6 %
Lodging operating expense:					
Labor and labor-related benefits	$ 78,698	$ 81,290	$ 75,746	(3.2) %	7.3 %
General and administrative	29,361	27,823	26,877	5.5 %	3.5 %
Other	58,679	60,369	57,209	(2.8) %	5.5 %
Total Lodging operating expense	$166,738	$169,482	$159,832	(1.6) %	6.0 %
Total Lodging Reported EBITDA	$ 2,392	$ 6,759	$ 10,225	(64.6) %	(33.9) %
Owned hotel statistics:					
ADR	$ 190.93	$ 183.59	$ 184.42	4.0 %	(0.5) %
RevPar	$ 104.90	$ 107.06	$ 118.97	(2.0) %	(10.0) %
Managed condominium statistics:					
ADR	$ 291.18	$ 273.38	$ 280.37	6.5 %	(2.5) %
RevPar	$ 77.76	$ 84.50	$ 98.68	(8.0) %	(14.4) %
Owned hotel and managed condominium statistics (combined):					
ADR	$ 235.02	$ 225.12	$ 230.17	4.4 %	(2.2) %
RevPar	$ 88.14	$ 93.10	$ 106.43	(5.3) %	(12.5) %

Total Lodging Reported EBITDA includes $2.0 million, $1.8 million and $1.3 million of stock-based compensation expense for Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively.

Fiscal 2010 compared to Fiscal 2009

Total Lodging net revenue for Fiscal 2010 decreased $7.1 million, or 4.0%, compared to Fiscal 2009. We acquired CME on November 1, 2008, and as a result Lodging net revenue for Fiscal 2009 includes only nine months of operations for CME. Excluding the impact of CME revenue for the first quarter of Fiscal 2010, total Lodging net revenue decreased $8.9 million, or 5.0% for Fiscal 2010 compared to Fiscal 2009.

Revenue from owned hotel rooms decreased $1.7 million, or 3.9%, for Fiscal 2010 compared to Fiscal 2009, driven by a decrease in occupancy of 3.4 percentage points partially offset by an increase in ADR of 4.0%. The decrease in occupancy was primarily due to declines in occupancy at our Keystone lodging properties of 11.5 percentage points. This decrease was partially offset by a 3.9 percentage point increase in occupancy at our other lodging properties proximate to our ski resorts (excluding Keystone lodging properties) during the second half of the ski season due to increased visitation particularly during the spring break and Easter holiday periods as discussed in the Mountain segment and an increase in occupancy at GTLC of 10.8 percentage points in the fourth quarter of Fiscal 2010 compared to the fourth quarter of Fiscal 2009 driven by an increase in both transient and group room nights (GTLC's room revenue increased $1.2 million in the fourth quarter of Fiscal 2010 compared to the fourth quarter of Fiscal 2009). Revenue from managed condominium rooms decreased $2.5 million, or 7.2%, for Fiscal 2010 compared to Fiscal 2009, driven by a decrease in occupancy of 4.2 percentage points partially offset by an increase in ADR of 6.5%. The decrease in occupancy is largely attributed to declines in group and transient room nights primarily at our Keystone lodging properties.

Dining revenue for Fiscal 2010 decreased $3.0 million, or 9.8%, compared to Fiscal 2009, primarily due to a decline in group visitation primarily at our Keystone lodging properties. This decline was partially offset by an increase in dining revenue of $0.7 million at GTLC in the fourth quarter of Fiscal 2010 compared to the fourth quarter of Fiscal 2009 due to an increase in occupancy as discussed above. Transportation revenues were up $1.1 million, or 5.8%, primarily due to a full twelve months of operations for CME included in Fiscal 2010 compared to only nine months of operations for CME in Fiscal 2009. Golf revenues decreased $1.2 million, or 8.2%, for Fiscal 2010 compared to Fiscal 2009, primarily resulting from a 12.6% decrease in the number of golf rounds played.

Operating expense decreased $2.7 million, or 1.6%, for Fiscal 2010 compared to Fiscal 2009. Due to the acquisition of CME on November 1, 2008, operating expenses for Fiscal 2010 included twelve months of CME operating expenses compared to only nine months of CME operating expenses for Fiscal 2009. Excluding the impact of CME operating expenses for the first quarter of Fiscal 2010 of $2.7 million, operating expenses decreased $5.5 million, or 3.2%, primarily due to (i) a decrease in labor and labor-related benefits of $4.3 million, or 5.3%, primarily due to lower staffing levels associated with decreased occupancy and the impacts of cost reduction initiatives including a company-wide wage reduction plan implemented in April 2009 (which was partially reinstated in April 2010) and the suspension of the matching contribution to our 401(k) program in January 2009 (of which the 401(k) matching program was partially reinstated in April 2010) and (ii) a decrease in other expense of $2.7 million, or 4.5 %, primarily due to decreased variable operating costs associated with lower revenue including lower food and beverage cost of sales and a decrease in operating supplies and repairs and maintenance. The above decreases were partially offset by an increase in general and administrative expense of $1.5 million, or 5.5%, primarily due to higher allocated corporate expenses including increased employee incentive compensation expense, employee medical costs and legal expenses.

Fiscal 2009 compared to Fiscal 2008

Total Lodging net revenue for Fiscal 2009 increased $6.2 million, or 3.6%, compared to Fiscal 2008, primarily due to the acquisition of CME on November 1, 2008 and a full year of operations at The Arrabelle at Vail Square hotel (the "Arrabelle") which opened in January 2008. CME operations contributed $18.0 million in net revenue for Fiscal 2009 and the full year operations of the Arrabelle contributed $11.3 million in revenue for Fiscal 2009 compared to net revenue of $5.2 million for the partial year of operations of the Arrabelle in Fiscal 2008.

Revenue from owned hotel rooms, including the Arrabelle, decreased $3.7 million, or 7.8%, for Fiscal 2009 compared to Fiscal 2008, which was driven by a decrease in occupancy of 6.2 percentage points which primarily occurred at the lodging properties proximate to our ski resorts. This was due to a decline in Destination visitation for the 2008/2009 ski season as compared to the 2007/2008 ski season as discussed in our Mountain segment and declines in group business (including a decrease in GTLC's room revenue of $0.8 million in the fourth quarter of Fiscal 2009 compared to the fourth quarter of Fiscal 2008 primarily due to a decline in group business) as well as decreases in ADR of 0.5%, partially offset by the full year of operations at the Arrabelle (the Arrabelle generated $0.8 million of incremental owned hotel room revenue for Fiscal 2009 compared to Fiscal 2008). Revenue from managed condominium rooms decreased $2.6 million, or 6.9%, for Fiscal 2009, due to decreases in visitation as noted above, declines in group business primarily at our Keystone lodging properties and decreases in ADR of 2.5%, partially offset by the full year of operations at the Arrabelle which includes condominium property management (the Arrabelle generated $2.1 million of incremental revenue from managed properties for Fiscal 2009 compared to Fiscal 2008).

Dining revenue for Fiscal 2009 decreased $1.6 million, or 4.9%, as compared to Fiscal 2008 mainly due to decreased overall transient and group visitation as well as decreases in guest spending per visit (GTLC's dining revenue decreased $1.0 million in the fourth quarter of Fiscal 2009 compared to the fourth quarter of Fiscal 2008 primarily due to a decline in group business). The decline in dining revenue was partially offset by a full year of dining operations at the Arrabelle (the Arrabelle generated $1.2 million of incremental dining revenue for Fiscal 2009 compared to Fiscal 2008).

Golf revenues decreased $1.2 million, or 7.5%, for Fiscal 2009 compared to Fiscal 2008, primarily resulting from a 6.0% decrease in the number of golf rounds played. Other revenue decreased $2.8 million, or 7.3%, in Fiscal 2009 compared to Fiscal 2008 primarily due to a reduction in commissions earned from reservations booked through our central reservation system, which were partially offset by a full year of spa operations at the Arrabelle (the Arrabelle generated $0.9 million of incremental spa revenue for Fiscal 2009 compared to Fiscal 2008).

Operating expense increased $9.7 million, or 6.0%, for Fiscal 2009 compared to Fiscal 2008. Operating expenses for Fiscal 2009 included $12.8 million of CME operating expenses as well as an increase in operating expenses at the Arrabelle of $6.8 million as a result of a full year of operations in Fiscal 2009, which was partially offset by $3.1 million of start-up and pre-opening expenses associated with the Arrabelle recorded in Fiscal 2008. Excluding the impact of CME operating expenses and operating expenses for the Arrabelle due to a full year of operations (net of start-up and pre-opening expenses recorded in Fiscal 2008), total operating expenses decreased $6.9 million, or 4.6%, in Fiscal 2009 compared to Fiscal 2008, primarily due to (i) a decrease in labor and labor-related benefits of $4.9 million, or 6.9%, due primarily to lower staffing levels associated with decreased occupancy and wage decreases as a result of a company-wide wage reduction plan and (ii) a decrease in other expenses of $3.0 million, or 5.6%, primarily due to decreased variable operating costs associated with lower revenue resulting in lower food and beverage cost of sales and credit card fees, offset by an increase in general and administrative expenses of $1.0 million due to higher allocated corporate expenses.

Real Estate Segment

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

	Year Ended July 31,			Percentage Increase/(Decrease)	
	2010	2009	2008	2010/2009	2009/2008
Total Real Estate net revenue	$61,007	$186,150	$296,566	(67.2) %	(37.2) %
Real Estate operating expense:	46,397	111,669	225,891	(58.4) %	(50.6) %

Cost of sales (including sales commissions)								
Other	25,005	30,401	25,447	(17.7)	%	19.5	%
Total Real Estate operating expense	71,402	142,070	251,338	(49.7)	%	(43.5)	%
Gain on sale of real property	6,087	--	709	--	%	(100.0)	%
Total Real Estate Reported EBITDA	$ (4,308)	$ 44,080	$ 45,937	(109.8)	%	(4.0)	%

Total Real Estate Reported EBITDA includes $4.5 million, $4.1 million and $3.1 million of stock-based compensation expense for Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively.

Our Real Estate operating revenue is primarily determined by the timing of closings and the mix of real estate sold in any given period. Different types of projects have different revenue and profit margins; therefore, as the real estate inventory mix changes it can greatly impact Real Estate segment net revenue, operating expense and Real Estate Reported EBITDA.

Fiscal 2010

Real Estate segment net revenue for Fiscal 2010 was driven primarily by the closing of 36 condominium units at One Ski Hill Place ($50.7 million of revenue with an average selling price per unit of $1.4 million and an average price per square foot of $1,241) and 17 affordable housing units associated with the JHG&TC development ($3.1 million of revenue with an average selling price per unit of $0.2 million and an average price per square foot of $188). The One Ski Hill Place average price per square foot is driven by its premier ski-in/ski-out location at the base of Peak 8 in Breckenridge, its close proximity to the BreckConnect gondola and other lifts and the comprehensive offering of amenities resulting from this project. Additionally, during Fiscal 2010 we recognized $5.2 million of revenue related to deposits from buyers who defaulted on units under contract at One Ski Hill Place, and recorded a gain on sale of real property of $6.1 million (net of $2.4 million in related cost of sales) for a land parcel located at the Arrowhead base area of the Beaver Creek Resort which sold for $8.5 million.

Operating expense for Fiscal 2010 included cost of sales of $39.7 million resulting from the closing of 36 condominium units at One Ski Hill Place (average cost per square foot of $971) and $3.1 million resulting from the closing of 17 affordable housing units associated with the JHG&TC development (average cost per square foot of $188, net of impairment charges taken in previous periods). The cost per square foot for One Ski Hill Place is reflective of the high-end features and amenities associated with this project compared to other Breckenridge properties and high construction costs associated with mountain resort development. Additionally, sales commissions of approximately $3.6 million were incurred commensurate with revenue recognized. Other operating expense of $25.0 million (including $4.5 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate projects under development (including those that have not yet closed), overhead costs, such as labor and labor-related benefits and allocated corporate costs.

Fiscal 2009

Real Estate net revenue for Fiscal 2009 was driven primarily by the closings of eight Lodge at Vail Chalet ("Chalet") units ($111.5 million of revenue with an average selling price per unit of $13.9 million and an average price per square foot of $2,860), 42 residences at Crystal Peak Lodge ($54.9 million of revenue with an average selling price per unit of $1.3 million and an average price per square foot of $1,038) and two units at the Arrabelle ($16.7 million of revenue with an average selling price per unit of $8.4 million and an average price per square foot of $1,623). The higher average price per square foot for the Chalet units was driven by their premier location at the base of Vail mountain in Vail Village and the fact that this development consisted of only 13 exclusive chalets. The Arrabelle average price per square foot is driven by its ski-in/ski-out location in Vail, and the comprehensive offering of amenities resulting from this project. The Crystal Peak Lodge average price per square foot though significantly lower than the Vail project real estate sales, is significantly higher than historical Breckenridge project real estate sales and is primarily driven by its ski-in/ski-out location at the base of Peak 7 in Breckenridge and close proximity to the BreckConnect Gondola.

Operating expense for Fiscal 2009 included cost of sales of $101.1 million commensurate with revenue recognized, primarily driven by the closing on eight Chalet units ($54.1 million in cost of sales with an average cost per square foot of $1,387), 42 residences at Crystal Peak Lodge ($34.2 million in cost of sales with an average cost per square foot of $654) and two units at the Arrabelle ($12.4 million in cost of sales with an average cost per square foot of $1,204). The cost per square foot for the Arrabelle and Chalets are reflective of the high-end features and amenities associated with these projects and the relatively high construction costs associated with mountain resort development. The cost per square foot for Crystal Peak Lodge is reflective of its less complicated design features and fewer amenities associated with this project relative to the Arrabelle and Chalets. Additionally, sales commissions of approximately $10.6 million were incurred commensurate with revenue recognized. Other operating expense of $30.4 million (including $4.1 million of stock-based compensation expense) was primarily comprised of general and administrative costs which include marketing expenses for the major real estate projects under development (including those that have not yet closed), overhead costs such as labor and labor-related benefits and allocated corporate costs. In addition, included in other segment operating expense for Fiscal 2009, we recorded $2.8 million of estimated costs in excess of anticipated sales proceeds for an affordable housing commitment resulting from the cancellation of a contract by a third party developer related to our JHG&TC development.

Fiscal 2008

Real Estate net revenue for Fiscal 2008 was driven primarily by the closings of 64 condominium units at the Arrabelle ($213.6 million of revenue with an average selling price per unit of $3.3 million and an average price per square foot of $1,220), the closings of five Chalet units ($58.8 million of revenue with an average selling price per unit of $11.8 million and an average price per square foot of $2,336), the closings of 11 remaining JHG&TC cabins ($9.0 million of revenue with an average selling price per unit of $0.8 million and an average price per square foot of $360) and contingent gains of $13.0 million on development parcel sales that closed in previous periods. The higher average price per square foot for the Chalet units was driven by the premier location at the base of Vail mountain in Vail Village and the fact that this development consisted of only 13 exclusive chalets. The Arrabelle average price per square foot is driven by its ski-in/ski-out location in Vail, and the comprehensive offering of amenities resulting from this project. The JHG&TC cabins yielded a lower price per square foot as its location is proximate to golf and tennis facilities which does not have as strong of a demand compared to real estate featuring ski-in/ski-out locations proximate to our ski resorts.

Operating expense for Fiscal 2008 included cost of sales of $208.8 million commensurate with revenue recognized, primarily driven by the closing on 64 units at the Arrabelle ($171.2 million in cost of sales with an average cost per square foot of $978), the closing on five Chalet units ($27.7 million in cost of sales with an average cost per square foot of $1,100) and the closing of the 11 remaining JHG&TC cabins ($8.9 million in cost of sales with an average cost per square foot of $355). The cost per square foot for the Arrabelle and Chalets are reflective of the high-end features and amenities associated with these projects and the relatively high construction costs associated with mountain resort development. The average cost per square foot for the JHG&TC was significantly lower than for other projects closed during the period due to the fact that this project did not include the typical high-end features of our projects that are in close proximity to our mountain resorts; however, the cost of sales for the JHG&TC cabins were relatively high compared to the revenue earned due to unanticipated incremental design and construction related costs. Additionally, sales commissions of approximately $17.1 million were incurred commensurate with revenue recognized. Other operating expense of $25.4 million (including $3.1 million of stock-based compensation expense) was primarily comprised of general and administrative costs which include marketing expenses for the major real estate projects under development (including those that have not yet closed), overhead costs such as labor and labor-related benefits and allocated corporate costs.

Other Items

In addition to segment operating results, the following material items contribute to our overall financial position.

Depreciation and amortization. Depreciation and amortization expense for Fiscal 2010 and Fiscal 2009 increased primarily due to the full year impact of an increase in the fixed asset base from the placing in service of significant resort assets over the last three years, which included, among other assets, the Arrabelle (including amenities such as a private club, spa, commercial leasing space, and other skier services facilities), a new skier services building in Vail Village, a private club (the Vail Mountain Club), multiple gondolas and lifts within the last three years and software platforms associated with our central reservation systems.

Investment income, net. The decrease in investment income for Fiscal 2010 compared to Fiscal 2009 is primarily due to a decrease in average invested cash during Fiscal 2010 compared to Fiscal 2009. The decrease in investment income for Fiscal 2009 compared to Fiscal 2008 is primarily due to a reduction in the average interest rate earned on investments (the average interest rate earned decreased by approximately 2.5 percentage points during the period), as well as a decrease in average invested cash during the period.

Interest expense, net. The reduction in interest expense for Fiscal 2010 compared to Fiscal 2009 is primarily due to an increase in capitalized interest on self-funded real estate projects. The reduction in interest expense for Fiscal 2009 compared to Fiscal 2008 is attributable to the payoff of a scheduled debt maturity in Fiscal 2009 and capitalized interest on self-funded real estate projects. Capitalized interest was $16.3 million, $7.6 million and $13.4 million for Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively.

Contract dispute credit, net. On October 19, 2007, RockResorts received payment of the final settlement from Cheeca Holdings, LLC (the “Cheeca settlement”), related to the disputed contract termination of the formerly managed RockResorts Cheeca Lodge & Spa property, in the amount of $13.5 million, of which $11.9 million (net of final attorney’s fees) is recorded in “Contract dispute credit, net” in the Consolidated Statement of Operations for Fiscal 2008.

Income taxes. Our tax provision and effective tax rate are driven primarily by the amount of pre-tax income, which is adjusted for items that are deductible/non-deductible for tax purposes only (i.e. permanent items), taxable income generated by state jurisdictions that varies from the consolidated pre-tax income and the amount of net income attributable to noncontrolling interests. The effective tax rate was 33.5%, 37.7% and 36.9% in Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively. Additionally, the income tax provision recorded for Fiscal 2010 reflects a $0.3 million income tax benefit due to a reversal of an income tax contingency resulting from the expiration of the statue of limitations and the Fiscal 2008 income tax provision reflects the impact of a favorable tax settlement with state tax authorities of $1.0 million.

Beginning August 1, 2009, we adopted a new accounting pronouncement regarding noncontrolling interest (see Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements), which requires that the net income or loss attributable to noncontrolling interest in a company’s consolidated subsidiaries no longer be included in the determination of pretax income or loss in the company’s effective tax rate calculation. Including noncontrolling interests in pre-tax income, our effective tax rate would have been 37.2%, 38.5% and 38.0% for Fiscal 2010, Fiscal 2009 and Fiscal 2008, respectively.

In 2005, we amended previously filed tax returns (for the tax years from 1997 through 2002) in an effort to remove restrictions under Section 382 of the Internal Revenue Code on approximately $73.8 million NOLs relating to fresh start accounting from our reorganization in 1992. As a result, we requested a refund related to the amended returns in the amount of $6.2 million and have reduced our Federal tax liability in the amount of $19.6 million in subsequent tax returns. In 2006, the IRS completed its examination of our filing position in our amended returns and disallowed our request for refund and our position to remove the restriction on the NOLs. We appealed the examiner’s disallowance of the NOLs to the Office of Appeals. In December 2008, the Office of Appeals denied our appeal, as well as a request for mediation. We disagree with the IRS interpretation disallowing the utilization of the NOLs and in August

2009, filed a complaint in the United States District Court for the District of Colorado seeking recovery of $6.2 million in over payments that were previously denied by the IRS, plus interest. Due to the uncertainty surrounding the utilization of the NOLs, we have not reflected any of the benefits of the utilization of the NOLs within our financial statements; thus if we are unsuccessful in our action regarding this matter it will not negatively impact our results of operations.

Reconciliation of Non-GAAP Measures

The following table reconciles from segment Reported EBITDA to net income attributable to Vail Resorts, Inc. (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
Total Reported EBITDA	182,120	215,228	276,723
Depreciation and amortization	(110,638)	(107,213)	(93,794)
Loss on disposal of fixed assets, net	(615)	(1,064)	(1,534)
Investment income, net	445	1,793	8,285
Interest expense, net	(17,515)	(27,548)	(30,667)
Contract dispute credit, net	--	--	11,920
Income before provision for income taxes	53,797	81,196	170,933
Provision for income taxes	(18,022)	(30,644)	(63,086)
Net income	35,775	50,552	107,847
Net income attributable to noncontrolling interests	(5,390)	(1,602)	(4,920)
Net income attributable to Vail Resorts, Inc.	$ 30,385	$ 48,950	$ 102,927

The following table reconciles Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents) (in thousands):

	July 31,	
	2010	2009
Long-term debt	$ 524,842	$ 491,608
Long-term debt due within one year	1,869	352
Total debt	526,711	491,960
Less: cash and cash equivalents	14,745	69,298
Net Debt	$ 511,966	$ 422,662

Liquidity and Capital Resources

Significant Sources of Cash

Historically, we have lower cash available as of our fiscal year end (as well as at the end of our first fiscal quarter of each year) as compared to our second and third fiscal quarters end primarily due to the seasonality of our Mountain segment operations. Additionally, cash provided by operating activities can be significantly impacted by the timing or mix of closings on and investment in real estate development projects. We had $14.7 million of cash and cash equivalents as of July 31, 2010, compared to $69.3 million as of July 31, 2009. We generated $35.9 million of cash from operating activities during Fiscal 2010 compared to $134.3 million and $217.0 million generated during Fiscal 2009 and Fiscal 2008, respectively. We currently anticipate that Resort Reported EBITDA will continue to provide a significant source of future operating cash flows. Additionally, we believe we have reached an inflection point, where as, anticipated future closings of One Ski Hill Place and Ritz-Carlton Residences, Vail units will provide a source of cash flows from operations in Fiscal 2011 (for example, we received approximately $100 million in net proceeds from the sale of Ritz-Carlton Residences, Vail fractional units in September 2010) and beyond that we expect will now significantly exceed anticipated future construction costs on these projects (as further discussed below within Significant Uses of Cash). However, we cannot predict the ultimate amount of proceeds we will receive given the current state of the real estate market as well as the fact that certain buyers may be unable to close on their units due to a reduction in funds available to buyers and/or decreases in mortgage availability.

In addition to our $14.7 million of cash and cash equivalents at July 31, 2010, we have available $283.9 million under our Credit Facility (which represents the total commitment of $400.0 million less the current outstanding balance of $35.0 million and certain letters of credit outstanding of $81.1 million). Our plan to self-fund the completion of Ritz-Carlton Residences, Vail (we estimate to incur between $20 million to $30 million in cash expenditures subsequent to July 31, 2010) combined with historically lower operating cash flows during our first fiscal quarter will require us to borrow under the revolver component of our Credit Facility from time to time. We expect that our liquidity needs in the near term will be met by continued utilization of operating cash flows (primarily those generated in our second and third fiscal year quarters), as well as borrowings under the Credit Facility, if needed, and proceeds from anticipated real estate closings. We believe the Credit Facility, which matures in 2012, provides adequate flexibility and is priced favorably with any new borrowings currently being priced at LIBOR plus 1.0%.

Fiscal 2010 compared to Fiscal 2009

We generated $35.9 million of cash from operating activities in Fiscal 2010, a decrease of $98.3 million when compared to the $134.3 million of cash generated in Fiscal 2009. The decline in operating cash flows was primarily a result of increased real estate closings that occurred in Fiscal 2009, which generated $126.9 million in proceeds (net of sales commissions) compared to real estate closings that occurred in Fiscal 2010, which generated $43.7 million in proceeds (net of sales commissions). Additionally, investments in real estate increased $4.8 million during Fiscal 2010 compared to Fiscal 2009. Further contributing to the decrease in cash provided by operating activities for Fiscal 2010 compared to Fiscal 2009 was the receipt of $40.8 million of private club initiation fees for the Vail Mountain Club in Fiscal 2009 and a reduction in restricted cash of $47.6 million in the Fiscal 2009 which became available for general purpose use due to the payoff of our non-recourse real estate financing. Partially offsetting the above items were improved operating cash flows from our resort operations of approximately $15.3 million, a decrease in income tax payments of $30.1 million and a decrease in the change in accounts receivable of $13.5 and an increase in the change in accounts payable and accrued expenses of $7.0 million.

Cash used in investing activities decreased by $61.1 million in Fiscal 2010 compared to Fiscal 2009 due to a decrease in resort capital expenditures of $37.5 million, the acquisition of CME for $38.2 million in Fiscal 2009 and the cash receipt of $8.9 million primarily related to a land parcel we sold during Fiscal 2010, partially offset by the acquisition of Mountain News for $15.9 million in Fiscal 2010.

Cash used in financing activities decreased $75.7 million in Fiscal 2010 compared to Fiscal 2009 resulting from an increase in net borrowings of $35.0 million, the payoff of our non-recourse real estate financings and scheduled debt maturity of $58.4 million and $15.0 million, respectively in Fiscal 2009 and a decrease in repurchases of our common stock of $7.4 million during Fiscal 2010. Partially offsetting the above items was the acquisition of the remaining noncontrolling interest in SSV for $31.0 million on April 30, 2010.

Fiscal 2009 compared to Fiscal 2008

Net cash provided by operating activities decreased $82.7 million for Fiscal 2009 compared to Fiscal 2008 and was primarily a result of increased real estate closings that occurred in Fiscal 2008, which generated $226.1 million in proceeds (net of sales commissions) compared to real estate closings that occurred in Fiscal 2009, which generated

$126.9 million in proceeds (net of sales commissions) and deposits received on projects under development decreased $43.7 million, partially offset by a reduction in investments in real estate of $55.9 million. Further contributing to the decrease in cash provided by operating activities was a decrease in cash generated by resort operations including a decrease in Resort Reported EBITDA of $59.6 million for Fiscal 2009 compared to Fiscal 2008 and a decline in accounts payable and other accrued liabilities of $25.5 million primarily as a result of a decline in real estate investment activity and lower trade payables associated with lower operating volume, as well as the receipt of $11.9 million in cash (net of legal costs) for the Cheeca settlement in Fiscal 2008. Offsetting the above items was the receipt of $40.8 million in proceeds for the final installment related to private club initiation fees to the Vail Mountain Club that opened in November 2008 and a reduction in restricted cash of $47.6 million which became available for general purpose use due to the payoff of our non-recourse real estate financings.

Cash used in investing activities decreased by $3.5 million for Fiscal 2009 primarily due to a decrease in resort capital expenditures of $44.4 million offset by the acquisition of CME for $38.2 million.

Cash used in financing activities decreased $54.6 million primarily due to a decrease in repurchases of our common stock of $77.3 million in Fiscal 2009 compared to Fiscal 2008, which was partially offset by an increase in net payments of debt related to non-recourse real estate financings of $11.9 million and the payoff of $15.0 million for a scheduled debt maturity during Fiscal 2009.

Significant Uses of Cash

Our cash uses currently include providing for operating expenditures, capital expenditures for assets to be used in operations and for real estate under development.

We expect to spend approximately $105 million to $115 million in calendar year 2010 on real estate investments, including the construction of associated resort-related depreciable assets, of which approximately $80 million was spent as of July 31, 2010, leaving approximately $25 million to $35 million to spend in the remainder of the calendar year 2010 for the completion of Ritz-Carlton Residences, Vail and other projects. We have entered into contracts with third parties to provide services to us throughout the course of project development; commitments for future services to be performed under such current contracts total approximately $16 million and are expected to be performed primarily over the remainder of the 2010 calendar year. We currently have no plans to commit to the development of significant new real estate projects.

We have historically invested significant cash in capital expenditures for our resort operations, and expect to continue to invest in the future; however, plans for such investment were reduced in calendar year 2009 given the significant level of capital expenditures made in the previous few years including individually significant projects that do not annually re-occur such as gondolas and major hotel renovations coupled with the economic environment. We have increased our level of expected resort discretionary investment for calendar year 2010 above the calendar year 2009 level, although such spending is still expected to remain below the 2007 and 2008 calendar year levels. Current capital expenditure levels will primarily include investments that allow us to maintain our high quality standards, as well as certain incremental discretionary improvements at our five ski resorts and throughout our owned hotels. We evaluate additional discretionary capital improvements based on an expected level of return on investment. We currently anticipate we will spend approximately $75 million to $85 million of resort capital expenditures for calendar year 2010, excluding resort depreciable assets arising from real estate activities noted above. Included in these capital expenditures are approximately $37 million to $42 million which are necessary to maintain appearance and level of service appropriate to our resort operations, including routine replacement of snow grooming equipment and rental fleet equipment. Discretionary expenditures for calendar 2010 include a new high speed chairlift to serve Vail mountain’s back bowls; a new on-mountain restaurant at Heavenly; a new coaster slide at Breckenridge; expansion of Vail mountain’s adventure ridge; Keystone Lodge guest room renovation, new marketing campaign management software and software development as well as radio frequency scanners at each lift to support the newly launched EpicMix initiative among other projects. We currently plan to utilize cash on hand, borrowings available under our

Credit Facility and/or cash flow generated from future operations to provide the cash necessary to execute our capital plans. Additionally, we do not expect to make any significant income tax payments throughout Fiscal 2011 due to estimated tax losses from August 2010 through December 2010 (we are a calendar year tax payer) and planned accelerated tax deductions, subject to a settlement of the dispute with the IRS over the utilization of NOLs previously discussed.

Principal payments on the majority of our long-term debt ($489.2 million of the total $524.8 million debt outstanding as of July 31, 2010) are not due until fiscal 2014 and beyond. As of July 31, 2010 and 2009, total debt obligations (including long-term debt due within one year) were $526.7 million and $492.0 million, respectively, with the increase at July 31, 2010 being primarily due to borrowings under the Credit Facility. Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents) increased from $422.7 million as of July 31, 2009 to $512.0 million as of July 31, 2010 due primarily to the decrease in cash and cash equivalents and borrowings under our Credit Facility.

Our debt service requirements can be impacted by changing interest rates as we had $87.6 million of variable-rate debt outstanding as of July 31, 2010. A 100-basis point change in LIBOR would cause our annual interest payments to change by approximately $0.9 million. The fluctuation in our debt service requirements, in addition to interest rate changes, may be impacted by future borrowings under our Credit Facility or other alternative financing arrangements, including non-recourse real estate financings, we may enter into. Our long term liquidity needs are dependent upon operating results that impact the borrowing capacity under the Credit Facility, which can be mitigated by adjustments to capital expenditures, flexibility of investment activities and the ability to obtain favorable future financing. We can respond to liquidity impacts of changes in the business and economic environment by managing our capital expenditures and the timing of new real estate development activity.

Our Credit Facility is scheduled to mature in fiscal 2012 and our 6.75% Senior Subordinated Notes are due in fiscal 2014. In Fiscal 2011, we may consider obtaining new financing or re-financing one or both of these debt financings depending on many factors including current credit markets and terms available to us.

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. During Fiscal 2010, we repurchased 386,269 shares of common stock at a cost of $15.0 million. Since inception of this stock repurchase plan through July 31, 2010, we have repurchased 4,264,804 shares at a cost of approximately $162.8 million. As of July 31, 2010, 1,735,196 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under our employee share award plans. Acquisitions under the stock 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 timing as well as the number of shares that may be repurchased under the program will depend on a number of factors, including our future financial performance, our available cash resources and competing uses for cash that may arise in the future, the restrictions in our Fourth Amended and Restated Credit Agreement, dated as of January 28, 2005, as amended, between The Vail Corporation (our wholly-owned subsidiary), Bank of America, N.A. as administrative agent and the Lenders party thereto (the “Credit Agreement”) governing our Credit Facility and the Indenture, governing the 6.75% Notes, prevailing prices of our common stock and the number of shares that become available for sale at prices that we believe are attractive. The stock repurchase program may be discontinued at any time.

Covenants and Limitations

We must abide by certain restrictive financial covenants under our Credit Facility and the Indenture. The most restrictive of those covenants include the following Credit Facility covenants: Net Funded Debt to Adjusted EBITDA ratio, Interest Coverage ratio and the Minimum Net Worth (each as defined in the Credit Agreement). In addition, our financing arrangements, including the Indenture, limit our ability to incur certain indebtedness, make certain restricted payments, enter into certain investments, make certain affiliate transfers and may limit our ability to enter into certain mergers, consolidations or sales of assets. Our borrowing availability under the Credit Facility is primarily determined by the Net Funded Debt to Adjusted EBITDA ratio, which is based on our segment operating performance, as defined in the Credit Agreement.

We were in compliance with all restrictive financial covenants in our debt instruments as of July 31, 2010. We expect that we will meet all applicable financial maintenance covenants in our Credit Agreement, including the Net Funded Debt to Adjusted EBITDA ratio throughout the year ending July 31, 2011. However, there can be no assurance that we will meet such financial covenants. If such covenants are not met, we would be required to seek a waiver or amendment from the banks participating in the Credit Facility. While we anticipate that we would obtain such waiver or amendment, if any were necessary, there can be no assurance that such waiver or amendment would be granted, which could have a material adverse impact on our liquidity.

Contractual Obligations

As part of our ongoing operations, we enter into arrangements that obligate us to make future payments under contracts such as debt agreements, construction agreements in conjunction with our development activities and lease agreements. Debt obligations, which total $526.7 million as of July 31, 2010, are recognized as liabilities in our Consolidated Balance Sheet as of July 31, 2010. Obligations under construction contracts are not recognized as liabilities in our Consolidated Balance Sheet until services and/or goods are received which is in accordance with GAAP. Additionally, operating lease and service contract obligations, which total $98.2 million as of July 31, 2010, are not recognized as liabilities in our Consolidated Balance Sheet, which is in accordance with GAAP. A summary of our contractual obligations as of July 31, 2010 is as follows (in thousands):

		Payments Due by Period			
Contractual Obligations	Total	Fiscal 2011	2-3 years	4-5 years	More than 5 years
Long-Term Debt (1)	$ 526,711	$ 1,869	$ 35,686	$ 390,450	$ 98,706
Fixed Rate Interest (1)	124,280	29,569	58,997	20,583	15,131
Operating Leases and Service Contracts	98,236	21,235	26,800	19,327	30,874
Purchase Obligations (2)	255,200	218,619	36,581	--	--
Other Long-Term Obligations (3)	1,884	310	279	260	1,035
Total Contractual Cash Obligations	$ 1,006,311	$ 271,602	$ 158,343	$ 430,620	$ 145,746

(1) The fixed-rate interest payments, as well as long-term debt payments, included in the table above assume that all fixed-rate debt outstanding as of July 31, 2010 will be held to maturity. Interest payments associated with variable-rate debt have not been included in the table. Assuming that the amounts outstanding under variable-rate long-term debt as of July 31, 2010 are held to maturity, and utilizing interest rates in effect at July 31, 2010, our annual interest payments (including commitment fees and letter of credit fees) on variable rate long-term debt as of July 31, 2010 is anticipated to be approximately $2.0 million for Fiscal 2011, $1.2 million for Fiscal 2012 and $0.2 million for at least each of the next three years subsequent to Fiscal 2012. The future annual interest obligations noted herein are estimated only in relation to debt outstanding as of July 31, 2010, and do not reflect interest obligations on potential future debt.

(2) Purchase obligations include amounts which are classified as trade payables, real estate development payables, accrued payroll and benefits, accrued fees and assessments, accrued taxes (including taxes for uncertain tax positions), liabilities to complete real estate projects on our Consolidated Balance Sheet as of July 31, 2010 and other commitments for goods and services not yet received, including construction contracts not included on our balance

sheet as of July 31, 2010 in accordance with GAAP.
(3) Other long-term obligations include amounts which become due based on deficits in underlying cash flows of the metropolitan district as described in Note 12, Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

Off Balance Sheet Arrangements

We do not have off balance sheet transactions that are expected to have a material effect on our financial condition, revenue, expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The preparation of Consolidated Financial Statements in conformity with GAAP requires us to select appropriate accounting policies and to make judgments and estimates affecting the application of those accounting policies. In applying our accounting policies, different business conditions or the use of different assumptions may result in materially different amounts reported in the Consolidated Financial Statements.

We have identified the most critical accounting policies which were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. We also have other policies considered key accounting policies; however, these policies do not meet the definition of critical accounting policies because they do not generally require us to make estimates or judgments that are complex or subjective. We have reviewed these critical accounting policies and related disclosures with our Audit Committee of the Board of Directors.

Real Estate Revenue and Cost of Sales

Description

We utilize the relative sales value method to determine cost of sales for condominium units sold within a project and/or individual parcels of real estate, when specific identification of costs cannot be reasonably determined. The determination of cost of sales may utilize estimates for the fair value of resort depreciable assets that may be part of a mixed-use real estate development project and total costs to be incurred on a real estate development project.

Judgments and Uncertainties

Changes to either the relative sales values of the components of a project, which may include resort depreciable assets, or the total projected costs to be incurred to determine cost of sales may cause significant variances in the profit margins recognized on individual parcels of real estate and/or condominium units within a project.

Effect if Actual Results Differ From Assumptions

A 10% change in the estimates of either the relative sales values of the components of a project or remaining costs to be incurred for projects utilizing the relative sales value method would have changed the profit margin recognized by our Real Estate segment by approximately $2.5 million for Fiscal 2010.

Goodwill and Intangible Assets

Description

The carrying value of goodwill and indefinite-lived intangible assets are evaluated for possible impairment on an annual basis or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. Other intangible assets are evaluated for impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. We are required to determine goodwill impairment using a two-step process. The first step is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The impairment test for indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Judgments and Uncertainties

Application of the goodwill and indefinite-lived intangible asset impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and determination of the fair value of reporting units and indefinite-lived intangible assets. We determine the estimated fair value of our reporting units using a discounted cash flow analysis. The estimated fair value of indefinite-lived intangible assets is primarily determined using the income approach based upon estimated future revenue streams. These analyses require significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, available industry/market data (to the extent available), estimation of the long-term rate of growth for our business including expectations and assumptions regarding the impact of the timing and degree of any economic recovery, estimation of the useful life over which cash flows will occur (including terminal multiples), determination of the respective weighted average cost of capital and market participant assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and impairment for each reporting unit and indefinite-lived intangible asset. We evaluate our reporting units on an annual basis and allocate goodwill to our reporting units based on the reporting units expected to benefit from the acquisition generating the goodwill.

Effect if Actual Results Differ From Assumptions

Goodwill and indefinite-lived intangible assets are at least tested for impairment annually as of May 1st of each year. Based upon our annual impairment test performed during the fourth fiscal quarter of Fiscal 2010 the estimated fair value of our reporting units and indefinite-lived intangible assets were in excess of their respective carrying values and as such no impairment of goodwill or indefinite lived intangible assets existed and the second step of the goodwill impairment test was not required. However, we determined that our Colorado Lodging reporting unit ($34.3 million of goodwill as of July 31, 2010) within our Lodging segment was at risk of failing step one of the goodwill impairment test, with the fair value of the reporting unit estimated at approximately 13% in excess of its carrying value and is therefore at risk for a future impairment in the event of significant unfavorable changes in the forecasted cash flows, terminal multiples and/or weighted-average cost of capital utilized in the discounted cash flow analysis.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment test will prove to be an accurate prediction of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of the Colorado Lodging reporting unit may include such items as: (i) a prolonged weakness in the general economic conditions in which the Colorado Lodging unit operates and therefore negatively impacting group and transient room nights and ADR (especially at our Keystone lodging properties); (ii) an economic recovery that significantly differs from our assumptions in timing and/or degree; and (iii) volatility in the equity and debt markets which could result in a higher discount rate.

While historical performance and current expectations have resulted in fair values of goodwill in excess of carrying values, if our assumptions are not realized, it is possible that an impairment charge may need to be recorded in the future. However, it is not possible at this time to determine if an impairment charge would result or if such a charge would be material.

Tax Contingencies

Description

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits and deductions and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to uncertain tax positions. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity.A significant amount of time may pass before a particular matter, for which we may have established a reserve, is audited and fully resolved.

Judgments and Uncertainties

The estimates of our tax contingencies reserve contains uncertainty because management must use judgment to estimate the potential exposure associated with our various filing positions.

Effect if Actual Results Differ From Assumptions

Although we believe the estimates and judgments discussed herein are reasonable and we have adequate reserves for our tax contingencies, actual results could differ, and we may be exposed to increases or decreases in those reserves and tax provisions that could be material.

An unfavorable tax settlement could require the use of cash and could possibly result in an increased tax expense and effective tax rate in the year of resolution. A favorable tax settlement could possibly result in a reduction in our tax expense, effective tax rate, income taxes payable, other long-term liabilities and/or adjustments to our deferred tax assets, deferred tax liabilities or intangible assets in the year of settlement or in future years.

Depreciable Lives of Assets

Description

Mountain and lodging operational assets, furniture and fixtures, computer equipment, software, vehicles and leasehold improvements are primarily depreciated using the straight-line method over the estimated useful life of the asset. Assets may become obsolete or require replacement before the end of their useful life in which the remaining book value would be written-off or we could incur costs to remove or dispose of assets no longer in use.

Judgments and Uncertainties

The estimate of our useful lives of the assets contain uncertainty because management must use judgment to estimate the useful life of the asset.

Effect if Actual Results Differ From Assumptions

Although we believe the estimates and judgments discussed herein are reasonable, actual results could differ, and we may be exposed to increased expense related to depreciable assets disposed of, removed or taken out of service prior to its originally estimated useful life, which may be material. A 10% decrease in the estimated useful lives of depreciable assets would have increased depreciation expense by approximately $11.7 million for Fiscal 2010.

New Accounting Standards

Refer to Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements for a discussion of new accounting standards.

Inflation

Although we cannot accurately determine the precise effect of inflation on our operations, management does not believe inflation has had a material effect on the results of operations in the last three fiscal years. When the costs of operating resorts increase, we generally have been able to pass the increase on to our customers. However, there can be no assurance that increases in labor and other operating costs due to inflation will not have an impact on our future profitability.

Seasonality and Quarterly Results

Our mountain and lodging operations are seasonal in nature. In particular, revenue and profits for 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 owned golf courses occur during the summer months while the winter season 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. During Fiscal 2010, 80% of total combined Mountain and Lodging segment net revenue was earned during the second and third fiscal quarters. Therefore, the 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 year (see Note 14, Selected Quarterly Financial Data, of the Notes to Consolidated Financial Statements).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk. Our exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate indebtedness. At July 31, 2010, we had $87.6 million of variable rate indebtedness, representing approximately 17% of our total debt outstanding, at an average interest rate during Fiscal 2010 of 0.8%. Based on variable-rate borrowings outstanding as of July 31, 2010, a 100-basis point (or 1.0%) change in LIBOR would result in our annual interest payments changing by $0.9 million. Our market risk exposure fluctuates based on changes in underlying interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Vail Resorts, Inc.

Consolidated Financial Statements for the Years Ended July 31, 2010, 2009 and 2008

Financial Statement Schedule:
The following consolidated financial statement schedule of the Company is filed as part of this Report on Form 10-K and should be read in conjunction with the Company’s Consolidated Financial Statements:

Management's Report on Internal Control over Financial Reporting

Management of Vail Resorts, Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of July 31, 2010. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of July 31, 2010, the Company's internal control over financial reporting was effective.

The Company’s independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an audit report on the Company’s internal control over financial reporting as of July 31, 2010, as stated in the Report of Independent Registered Public Accounting Firm on the following page.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
of Vail Resorts, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Vail Resorts, Inc. and its subsidiaries at July 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for non-controlling interests effective August 1, 2009.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Denver, Colorado
September 22, 2010

Vail Resorts, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	July 31, 2010	July 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 14,745	$ 69,298
Restricted cash	11,834	11,065
Trade receivables, net of allowances of $2,259 and $1,877, respectively	53,622	58,063
Inventories, net of reserves of $1,452 and $1,455, respectively	48,295	48,947
Deferred income taxes (Note 10)	21,406	21,297
Other current assets	20,843	20,318
Total current assets	170,745	228,988
Property, plant and equipment, net (Note 5)	1,027,390	1,057,658
Real estate held for sale and investment	422,164	311,485
Deferred charges and other assets	25,155	31,976
Notes receivable	6,997	6,994
Goodwill, net (Note 5)	181,085	167,950
Intangible assets, net (Note 5)	89,273	79,429
Total assets	$1,922,809	$1,884,480
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 5)	$ 255,326	$ 245,536
Income taxes payable	32,729	5,460
Long-term debt due within one year (Note 4)	1,869	352
Total current liabilities	289,924	251,348
Long-term debt (Note 4)	524,842	491,608
Other long-term liabilities (Note 5)	197,160	233,169
Deferred income taxes (Note 10)	108,496	112,234
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interest (Note 9)	--	15,415
Stockholders' equity:		
Preferred stock, $0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock, $0.01 par value, 100,000,000 shares authorized, and 40,173,891 and 40,049,988 shares issued, respectively	401	400
Additional paid-in capital	563,816	555,728
Retained earnings	387,380	356,995
Treasury stock, at cost; 4,264,804 and 3,878,535 shares, respectively (Note 15)	(162,827)	(147,828)
Total Vail Resorts, Inc. stockholders' equity	788,770	765,295
Noncontrolling interests	13,617	15,411
Total stockholders' equity	802,387	780,706
Total liabilities and stockholders' equity	$1,922,809	$1,884,480

The accompanying Notes are an integral part of these consolidated financial statements.

Vail Resorts, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year ended July 31, 2010	2009	2008
Net revenue:			
Mountain	$ 638,495	$ 614,597	$ 685,533
Lodging	169,130	176,241	170,057
Real estate	61,007	186,150	296,566
Total net revenue	868,632	976,988	1,152,156
Segment operating expense (exclusive of depreciation and amortization shown separately below):			
Mountain	456,017	451,025	470,362
Lodging	166,738	169,482	159,832
Real estate	71,402	142,070	251,338
Total segment operating expense	694,157	762,577	881,532
Other operating income (expense):			
Gain on sale of real property	6,087	--	709
Depreciation and amortization	(110,638)	(107,213)	(93,794)
Loss on disposal of fixed assets, net	(615)	(1,064)	(1,534)
Income from operations	69,309	106,134	176,005
Mountain equity investment income, net	1,558	817	5,390
Investment income, net	445	1,793	8,285
Interest expense, net	(17,515)	(27,548)	(30,667)
Contract dispute credit, net (Note 12)	--	--	11,920
Income before provision for income taxes	53,797	81,196	170,933
Provision for income taxes (Note 10)	(18,022)	(30,644)	(63,086)
Net income	$ 35,775	$ 50,552	$ 107,847
Net income attributable to noncontrolling interests	(5,390)	(1,602)	(4,920)
Net income attributable to Vail Resorts, Inc.	$ 30,385	$ 48,950	$ 102,927
Per share amounts (Note 3):			
Basic net income per share attributable to Vail Resorts, Inc.	$ 0.84	$ 1.34	$ 2.67
Diluted net income per share attributable to Vail Resorts, Inc.	$ 0.83	$ 1.33	$ 2.64

The accompanying Notes are an integral part of these consolidated financial statements.

Vail Resorts, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Treasury Stock	Total Vail Resorts, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance, July 31, 2007	39,747,976	397	534,370	187,320	(25,846)	696,241	8,560	704,801
Net income	--	--	--	102,927	--	102,927	4,920	107,847
Stock-based compensation (Note 16)	--	--	8,414	--	--	8,414	--	8,414
Issuance of shares under share award plans net of shares withheld for taxes (Note 16)	178,520	2	1,122	--	--	1,124	--	1,124
Tax benefit from share award plans	--	--	1,867	--	--	1,867	--	1,867
Repurchases of common stock (Note 15)	--	--	--	--	(99,615)	(99,615)	--	(99,615)
Adjustment to redemption value of redeemable noncontrolling interest (Note 9)	--	--	--	5,678	--	5,678	(1,917)	3,761
Noncontrolling interest distributions, net	--	--	--	--	--	--	(2,715)	(2,715)
Balance, July 31, 2008	39,926,496	399	545,773	295,925	(125,461)	716,636	8,848	725,484
Net income	--	--	--	48,950	--	48,950	1,602	50,552
Stock-based compensation (Note 16)	--	--	10,741	--	--	10,741	--	10,741
Issuance of shares under share award plans net of shares	123,492	1	(550)	--	--	(549)	--	(549)

withheld for taxes (Note 16)								
Tax expense from share award plans	--	--	(236)	--	--	(236)	--	(236)
Repurchases of common stock (Note 15)	--	--	--	--	(22,367)	(22,367)	--	(22,367)
Adjustment to redemption value of redeemable noncontrolling interest (Note 9)	--	--	--	12,120	--	12,120	5,652	17,772
Noncontrolling interest distributions, net	--	--	--	--	--	--	(691)	(691)
Balance, July 31, 2009	40,049,988	400	555,728	356,995	(147,828)	765,295	15,411	780,706
Net income	--	--	--	30,385	--	30,385	5,390	35,775
Stock-based compensation (Note 16)	--	--	11,843	--	--	11,843	--	11,843
Issuance of shares under share award plans net of shares withheld for taxes (Note 16)	123,903	1	(1,139)	--	--	(1,138)	--	(1,138)
Tax expense from share award plans	--	--	(40)	--	--	(40)	--	(40)
Repurchases of common stock (Note 15)	--	--	--	--	(14,999)	(14,999)	--	(14,999)
Adjustment to redemption value of redeemable noncontrolling interest (Note 9)	--	--	--	--	--	--	(10,338)	(10,338)
Noncontrolling interest contributions, net	--	--	--	--	--	--	3,268	3,268
Acquisition of noncontrolling interest, net of deferred taxes	--	--	(2,576)	--	--	(2,576)	(114)	(2,690)

(Note 9)								
Balance, July 31, 2010	40,173,891	401	563,816	387,380	(162,827)	788,770	13,617	802,387

The accompanying Notes are an integral part of these consolidated financial statements.

Vail Resorts, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended July 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net income	$ 35,775	$ 50,552	$ 107,847
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	110,638	107,213	93,794
Cost of real estate sales	42,821	103,893	208,820
Stock-based compensation expense	11,843	10,741	8,414
Deferred income taxes, net	(4,427)	30,767	2,980
Gain on sale of real property	(6,087)	--	--
Other non-cash income, net	(7,533)	(5,300)	(7,268)
Changes in assets and liabilities:			
Restricted cash	(769)	47,372	(3,688)
Accounts receivable, net	5,687	(7,833)	(12,173)
Inventories, net	652	761	(1,643)
Investments in real estate	(166,446)	(161,608)	(217,482)
Accounts payable and accrued liabilities	(12,547)	(19,568)	5,946
Income taxes payable	26,625	(27,297)	20,033
Deferred real estate deposits	(11,573)	(46,011)	(2,308)
Private club deferred initiation fees and deposits	2,399	41,591	15,867
Other assets and liabilities, net	8,892	9,003	(2,143)
Net cash provided by operating activities	35,950	134,276	216,996
Cash flows from investing activities:			
Capital expenditures	(68,957)	(106,491)	(150,892)
Acquisition of businesses	(15,870)	(38,170)	--
Cash received from sale of real property	8,920	--	--
Other investing activities, net	(7,645)	36	2,757
Net cash used in investing activities	(83,552)	(144,625)	(148,135)
Cash flows from financing activities:			
Acquisition of noncontrolling interest	(31,000)	--	--