

VAIL RESORTS INC  
Form 10-K  
September 28, 2015

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

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended July 31, 2015

or

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

For the transition period from            to

Commission File Number: 001-09614

Vail Resorts, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0291762

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

390 Interlocken Crescent

Broomfield, Colorado

(Address of principal executive offices)

(303) 404-1800

(Registrant's telephone number, including area code)

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

80021

(Zip Code)

Title of each class

Common Stock, \$0.01 par value

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

None

(Title of class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  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	<input checked="" type="checkbox"/> x	Accelerated filer	<input type="checkbox"/> ..
Non-accelerated filer	<input type="checkbox"/> .. (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/> ..

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 \$87.76 per share as reported on the New York Stock Exchange Composite Tape on January 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was \$3,160,590,658.

As of September 23, 2015, 36,546,790 shares of Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of July 31, 2015 are incorporated by reference herein into Part III, Items 10 through 14, of this Annual Report.

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## FORWARD-LOOKING STATEMENTS

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

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

- prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries;
- unfavorable weather conditions or natural disasters;
- 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;
- adverse events that occur during our peak operating periods combined with the seasonality of our business;
- competition in our mountain and lodging businesses;
- high fixed cost structure of our business;
- our ability to fund resort capital expenditures;
- our reliance on government permits or approvals for our use of federal land or to make operational and capital improvements;
- risks related to federal, state, local and foreign government laws, rules and regulations;
- risks related to our reliance on information technology;
- our failure to maintain the integrity of our customer or employee data;
- adverse consequences of current or future legal claims;
- a deterioration in the quality or reputation of our brands, including from the risk of accidents at our mountain resorts;
- our ability to hire and retain a sufficient seasonal workforce;
- risks related to our workforce, including increased labor costs;
- loss of key personnel;
- our ability to successfully integrate acquired businesses or future acquisitions;
- our ability to realize anticipated financial benefits from Park City and Canyons;
  - fluctuations in foreign currency exchange rates, in particular the Australian Dollar;
- impairments or write downs of our assets;
- changes in accounting estimates and judgments, accounting principles, policies or guidelines; and
  - a materially adverse change in our financial condition.

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.

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## PART I

### ITEM 1. BUSINESS

#### General

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

Vail Resorts, Inc., a Delaware corporation, was organized as a 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 79%, 18% and 3%, respectively, of our net revenue for our fiscal year ended July 31, 2015 (“Fiscal 2015”).

In Fiscal 2015 our Mountain segment operated ten world-class mountain resort properties (including Perisher Ski Resort acquired on June 30, 2015) and two urban ski areas, as well as ancillary services, primarily including ski school, dining and retail/rental operations. 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 mountain resorts, certain National Park Service (“NPS”) concessionaire properties, including Grand Teton Lodge Company (“GTLC”), which operates destination resorts at Grand Teton National Park; Colorado Mountain Express (“CME”), a Colorado resort ground transportation company; and, mountain resort 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.

For financial information and other information about the Company’s segments, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8. “Financial Statements and Supplementary Data” below.

#### Mountain Segment

Our portfolio of world-class mountain resorts and urban ski areas includes:

Breckenridge Ski Resort (“Breckenridge”) - the single most visited mountain resort in the United States for the 2014/2015 ski season with five interconnected peaks offering an expansive variety of terrain for every skill level, including the recent addition of Peak 6 which provides access to above tree line intermediate and expert terrain, and progressive and award-winning terrain parks. The Town of Breckenridge is well known for its historic town and vibrant nightlife.

Vail Mountain (“Vail Mountain”) - the second most visited mountain resort in the United States for the 2014/2015 ski season. Vail Mountain offers some of the most expansive and varied terrain in North America with approximately 5,300 skiable acres including seven world renowned back bowls and the resort's rustic Blue Sky Basin.

Keystone Resort (“Keystone”) - the third most visited mountain resort in the United States for the 2014/2015 ski season and home to the highly renowned A51 Terrain Park, as well as the largest area of night skiing in Colorado. Keystone also offers guests a unique skiing opportunity through guided snow cat ski tours accessing five bowls. Keystone is a premier destination for families with its “Kidtopia” program focused on providing activities for kids on and off the mountain.

Beaver Creek Resort (“Beaver Creek”) - the fifth most visited mountain resort in the United States for the 2014/2015 ski season. Beaver Creek is a European-style resort with multiple villages and also includes a world renowned children's

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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, and with Vail Mountain hosted the 2015 FIS World Alpine Ski Championships.

Park City Mountain Resort ("Park City") - acquired on September 11, 2014, is located in the heart of historic Park City, Utah, one of the country's great ski destinations. Park City offers terrain for every type of skier and snowboarder on over 3,300 acres including manicured groomed runs, bowls and some of the industry's most progressive terrain parks and half pipes. Park City's location provides easy access to outstanding lodging, dining and shopping.

Canyons Resort ("Canyons") - the largest mountain resort in Utah offering over 4,000 skiable acres and featuring a modern base area located less than 35 miles from the Salt Lake City International Airport and adjacent to the historic

downtown of Park City with all of its distinctive restaurants and nightlife. The resort offers guests an outstanding ski experience with fine dining, ski school, retail and lodging.

In Fiscal 2015, we announced a \$50 million transformation plan to connect Park City and Canyons which will create the largest ski resort by acreage in the United States with more than 7,300 acres of skiable terrain. We began implementing our planned upgrades to Park City in Summer 2015 and are in the process of installing an eight-passenger gondola connecting Park City and Canyons, upgrading two chairlifts, and making major on-mountain restaurant improvements. The planned upgrades are expected to be completed by the start of the 2015/2016 ski season and we will operate the two resorts as one unified branded mountain resort under the name "Park City." The Canyons base area will now be known as "Canyons Village" at Park City.

Heavenly Mountain Resort ("Heavenly") - located near the South Shore of Lake Tahoe with over 4,800 skiable acres, straddling the border of California and Nevada, offers unique and spectacular views of Lake Tahoe and boasts the largest snowmaking capacity in the Lake Tahoe region. Heavenly offers great nightlife, including its proximity to several casinos.

Northstar Resort ("Northstar") - the premier luxury mountain resort destination near Lake Tahoe, offers premium lodging, a vibrant base area and over 3,000 skiable acres. Northstar's village features high-end shops and restaurants, a conference center and a 9,000 square-foot skating rink.

Kirkwood Mountain Resort ("Kirkwood") - located southwest of Lake Tahoe, offering a unique location atop the Sierra Crest. Kirkwood is recognized for offering some of the best high alpine advanced terrain in North America with 2,000 feet of vertical drop and over 2,300 acres of terrain.

Perisher Ski Resort ("Perisher") - acquired on June 30, 2015, is located in New South Wales, Australia, and is the largest and most visited ski resort in Australia and the Southern Hemisphere. Perisher provides accessibility, significant lodging and the market's most skiable acreage for the country's largest cities, including Sydney, Melbourne, Adelaide, Canberra and Brisbane. Perisher offers over 3,000 skiable acres on seven peaks and includes the resort areas known as Perisher Valley, Smiggin Holes, Blue Cow and Guthega, along with ski school, lodging, food and beverage, retail/rental and transportation operations.

Urban Ski Areas - Afton Alps Ski Area ("Afton Alps") is the largest ski area near a major city in the Midwest (33 miles from the Minneapolis/St. Paul metropolitan area) and offers 48 trails on 300 skiable acres, with night skiing, riding and tubing. Mount Brighton Ski Area ("Mt. Brighton") is located 43 miles from Detroit and offers 26 trails on 130 skiable acres offering night skiing and riding. We have made significant upgrades at both Afton Alps and Mt. Brighton to enhance the ski and base area experience for skiers and riders in each market.

The following discussion of our business excludes the recent acquisition of Perisher, unless otherwise noted. For additional information, including the total revenue and estimated fair value of assets acquired and liabilities assumed related to Perisher, see Note 5, Acquisitions, of the Notes to Consolidated Financial Statements.

Vail Mountain, Beaver Creek, Breckenridge and Keystone, all located in the Colorado Rocky Mountains; Park City and Canyons, located in Utah; and, Heavenly, Northstar and Kirkwood, located in the Lake Tahoe region of California/Nevada, are year-round mountain resorts that provide a comprehensive resort experience to a diverse clientele with an attractive demographic profile. Each resort offers a broad complement of winter and summer recreational activities, including skiing, snowboarding, snowshoeing, snowtubing, sightseeing, mountain biking, guided hiking, zip lines, challenge ropes courses, alpine slide and mountain coaster, 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 winter and summer recreational activities. In addition to providing extensive guest amenities, we also lease some of our owned and leased commercial space to third party operators to add unique restaurants and retail stores to the mix of amenities at the base of our resorts.

#### Ski Industry/Market

There are approximately 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

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represents a person utilizing a ticket or pass to access a mountain resort for any part of one day during a winter ski season, and includes both paid and complimentary access. During the 2014/2015 ski season, combined skier visits for all ski areas in the United States were approximately 53.6 million and all North American skier visits were approximately 70.8 million. Our U.S. mountain resorts and urban ski areas had approximately 8.2 million skier visits during the 2014/2015 ski season, or approximately 15.3% of United States skier visits, and an approximate 11.6% share of the North American skier visits. Our largest presence is in the Rocky Mountain region, including our Colorado and Utah mountain resorts, and the Lake Tahoe region.

Our Rocky Mountain region mountain resorts appeal to both day skiers and destination guests due to the Colorado resorts' proximity to Colorado's Front Range (Denver/Colorado Springs/Boulder metropolitan areas) and the Utah resorts' proximity to the Salt Lake City metropolitan area; accessibility from several airports, including Denver International Airport and Eagle County Airport in Colorado and the Salt Lake City International Airport in Utah; and, the wide range of amenities available at each resort, as well as within the proximate base areas/villages and towns. The Rocky Mountain region has 94 ski areas. All ski areas within the Rocky Mountain region combined recorded approximately 20.8 million skier visits for the 2014/2015 ski season with skier visits at our Rocky Mountain region mountain resorts totaling 6.7 million, or approximately 32.2% of all Rocky Mountain region skier visits for the 2014/2015 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 entirety of California and Nevada and making it a convenient destination for both day skiers and destination guests. Heavenly located near the South Shore of Lake Tahoe, Northstar located near the North Shore of Lake Tahoe, and Kirkwood located about 35 miles southwest of South Lake Tahoe are popular year-round vacation destinations, featuring outstanding winter sports offerings and extensive summer attractions. Heavenly, Northstar and Kirkwood are proximate to both the Reno/Tahoe International Airport and the Sacramento International Airport. California and Nevada collectively have 33 ski areas. Our Lake Tahoe resorts had 1.2 million skier visits for the 2014/2015 ski season, which was approximately 26.7% of California's and Nevada's approximately 4.5 million total skier visits for the 2014/2015 ski season.

## Competition

There is limited opportunity for development of new ski areas due to the limited private lands on which ski areas can be built, the difficulty in obtaining 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 more than 30 years, which has and should continue to allow the best positioned resorts, including all of our resorts, to benefit from future industry growth. Our resorts compete with other major destination mountain resorts, including Aspen/Snowmass, Copper Mountain, Deer Valley, Squaw Valley USA, Steamboat, Whistler Blackcomb and Winter Park, as well as other ski areas in Colorado, California, Nevada, Utah, the Pacific Northwest and Southwest, and other destination ski areas worldwide and non-ski related vacation options and destinations.

While the ski industry has performed well in recent years in terms of number of skier visits, with the six 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 mountain resorts, including our mountain resorts, are expanding their offerings, as well as enhancing the quality and experience by adding new high speed chairlifts, gondolas, terrain parks, state of the art grooming machines, expanded terrain, on-mountain dining venues, as well as amenities at the base areas of the resorts, including dining, retail and lodging, all of which are aimed at increasing guest visitation and revenue per skier visit.

Our premier resorts and business model differentiate our Company from the rest of the ski industry. We have iconic, branded mountain resorts in three important ski destinations in Colorado, Utah and Lake Tahoe. Through our sales of season passes, we provide our guests with a strong value proposition 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. We believe we invest in more capital improvements than our competitors and we create synergies by operating multiple resorts, which enhances our profitability. Additionally, our mountain resorts located in the United States, with the exception of Kirkwood, typically rank in the 25 most visited ski resorts in the United States, and most of our mountain resorts consistently rank in the top 25 ranked ski resorts in North America according to industry surveys, which we attribute to our mountain resorts' ability to provide a high-quality experience.

Summer tourism in Colorado, Utah and Lake Tahoe exceeds winter tourism, which provides for a strong summer business opportunity. Our mountain resorts offer non-ski related attractions such as sightseeing, mountain biking, guided hiking, 4x4 Jeep tours, zip line tours, challenge ropes courses, alpine slide and coaster, children's activities and other recreational activities.

In the fall of 2011, the Ski Area Recreational Opportunities Enhancement Act was enacted into law which allows our mountain resorts on USDA Forest Service ("Forest Service") land to offer more summer-season recreational opportunities. We have a comprehensive summer activities plan for Vail Mountain, Breckenridge, and Heavenly, that includes a number of new activities, including zip lines, challenge ropes courses, tubing, mountain excursions, canopy tours and Forest Flyers (i.e. alpine coasters). At Vail Mountain, we installed two challenge ropes courses and zip lines. Additionally, zip lines have been completed at Breckenridge and Heavenly. Smaller scale improvements are planned for Beaver Creek, Keystone and Northstar. These new activities are already popular with summer travelers and will introduce a new guest demographic to our mountain resorts.

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 2014/2015 (the "Kottke Survey") and other industry publications.

### Our Competitive Strengths

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

Exceptional mountain experience --

#### World-Class Mountain Resorts and Integrated Base Resort Areas

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

#### Snow Conditions

Our mountain 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 Rocky Mountains of Colorado and Utah and the Sierra Nevada Mountains in Lake Tahoe receive average yearly snowfall between 20 and 39 feet. Average yearly snowfall in Australia is significantly lower than in the United States, although Perisher generally receives higher average yearly snowfall compared to other Australian alpine ski resorts due to its location in the Australian Alps and the elevation of its terrain. 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 mountain resorts with extensive fleets of snow grooming equipment.

#### Lift Service

We systematically upgrade our lifts and put in new lifts to increase uphill capacity and streamline skier traffic to maximize the guest experience. In the past several years, we have installed several high-speed chairlifts and gondolas across our mountain resorts, including a new high-speed, state-of-the-art combination gondola and chairlift replacing the Centennial Express Lift at Beaver Creek; a new high-speed, six-passenger chairlift replacing the Colorado SuperChair at Breckenridge, which is the primary chairlift serving the critical Peak 8 base area; a new high-speed, six-passenger chairlift and a new four-passenger chairlift to access the Peak 6 area in Breckenridge; a state-of-the-art ten passenger gondola (Gondola 1) at Vail, replacing a four-passenger high-speed chairlift; a new high-speed, six-passenger chairlift servicing mid-Vail, replacing a four-passenger chairlift; and, a four-passenger high-speed chairlift servicing Vail Mountain's back bowls. Additionally, for the 2015/2016 ski season we are installing an

eight-passenger gondola connecting Park City and Canyons, upgrading the King Con chairlift from a four-passenger to a six-passenger high-speed chairlift, and upgrading the Motherlode chairlift from a fixed-grip triple to a four-passenger high-speed detachable chairlift at Park City; and, installing a six-passenger high-speed chairlift to upgrade Vail Mountain's Avanti Chair (Chair 2).

#### ¶ Terrain Parks

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

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Extraordinary service and amenities --

### Commitment to the Guest Experience

Our focus is to provide quality service at every level of the guest experience. Prior to arrival at our mountain resorts, guests can receive personal assistance through our full-service, in-house travel center and through our comprehensive websites to book desired lodging accommodations, lift tickets, ski school lessons, equipment rentals and travel arrangements. Upon arrival, our resort staff serve as ambassadors to engage guests, answer questions and create a customer focused environment. In addition, we offer guests what we believe is the industry leading EpicMix application. EpicMix is an online and mobile application that, through radio frequency technology, captures a guest's activity on the mountain (e.g. number of ski days, vertical feet skied, and chairlift activity) and allows a guest to share his or her experience and accomplishments with family and friends on social networks. Since the initial launch of our EpicMix technology, we have expanded the offering to include:

- EpicMix Photo - EpicMix Photo provides professional photos and allows guests to take and share photos on social networks;

- EpicMix Racing - EpicMix Racing allows our guests a new way to experience ski racing at our mountain resorts/ ski areas and compare their race times to ski racing great, Lindsey Vonn, as well as compete against racers from all over our mountain resorts/ski areas and track and share all of their accomplishments;

- EpicMix Academy - EpicMix Academy allows our ski school instructors to certify the attainment of certain skills and ski levels for any of the students in their classes and allows students to earn permanent recognition and review their accomplishments;

- EpicMix Guide - EpicMix Guide uses guest input including desired resort; starting location at the resort; terrain difficulty desired; and, length of time available, to generate customized, step-by-step navigational guides to experience our mountains in Colorado, Utah, and Tahoe.

- EpicMix Time - EpicMix Time will allow guests to access real-time lift line wait times enabling them to better navigate the mountain and make the most out of their ski and ride experience. EpicMix Time will be available during the 2015/2016 ski season at our four Colorado mountain resorts, and at our other mountain resorts in future ski seasons.

We also solicit guest feedback through a variety of surveys and results, which are used to ensure high levels of customer satisfaction, understand trends and develop future resort programs and amenities.

### Season Pass Products

We offer a variety of season pass products for all of our mountain resorts and urban ski areas that are marketed towards both out-of-state and international (“Destination”) guests and in-state and local (“In-state”) guests. Our season pass products are available for purchase predominately during the period prior to the start of the ski season, offering our guests a better value in exchange for their commitment to ski at our resorts before the season begins. As such, our season pass program drives strong customer loyalty, mitigates exposure to more weather sensitive guests leading to greater revenue stability, and allows us to capture valuable guest data. Additionally, our season pass customers typically ski more days each season than those guests who do not buy season passes, which leads to additional ancillary spending. Season pass products generated approximately 40% of our total lift revenue for the 2014/2015 ski season. In addition, our season pass products attract new guests to our mountain resorts and urban ski areas. Sales of season pass products are a key component of our overall Mountain segment revenue and helps create strong synergies among our mountain resorts. Our season pass products range from providing access to one or a combination of our mountain resorts and urban ski areas to our Epic Pass which provides unrestricted access to all our mountain resorts and urban ski areas. For the 2015/2016 ski season, we are providing, among others, the following season pass product

options to our guests:

• Epic Pass - The Epic Pass provides unlimited and unrestricted access to all of our operated mountain resorts and urban ski areas, Arapahoe Basin, as well as limited access to Verbier in Switzerland;

• Epic Local Pass - The Epic Local Pass provides unlimited, unrestricted skiing or riding at Breckenridge, Keystone, Afton Alps, Mt. Brighton and Arapahoe Basin with limited restrictions at Park City, Canyons,

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Heavenly, Northstar and Kirkwood; it also includes a total of ten days at Vail and Beaver Creek with holiday restrictions;

Epic 7-Day - The Epic 7-Day provides a total of seven unrestricted days valid at Vail, Beaver Creek, Breckenridge, Keystone, Park City, Canyons, Heavenly, Northstar, Kirkwood and Arapahoe Basin, plus seven days at Afton Alps or Mt. Brighton;

Epic 4-Day - The Epic 4-Day provides a total of four unrestricted days valid at Vail, Beaver Creek, Breckenridge, Keystone, Park City, Canyons, Heavenly, Northstar, Kirkwood and Arapahoe Basin, plus four days at Afton Alps or Mt. Brighton;

Summit Value Pass - The Summit Value Pass provides unlimited skiing or riding at Keystone and Arapahoe Basin with limited restrictions at Breckenridge;

Tahoe Local Pass - The Tahoe Local Pass provides access to Heavenly, Northstar and Kirkwood, with limited holiday restrictions, plus five days at Vail, Beaver Creek, Breckenridge, Keystone, Park City, Canyons or Arapahoe Basin;

Tahoe Value Pass - The Tahoe Value Pass provides access to Heavenly, Kirkwood and Northstar with limited restrictions; and

Perisher Freedom Pass - The Perisher Freedom pass provides unlimited and unrestricted access to Perisher for the 2015 season and access, with limited restrictions, at Breckenridge, Keystone, Park City, Canyons, Heavenly, Northstar, Kirkwood, Afton Alps, Mt. Brighton and Arapahoe Basin; it also includes a total of ten days at Vail and Beaver Creek with holiday restrictions.

As part of our continued strategy to drive season pass sales and create a stronger connection between key skier markets and our iconic destination mountain resorts, we acquired Perisher in New South Wales, Australia in June 2015. Australia is an important international market for ski resorts across the Northern Hemisphere, generating an estimated more than 1.0 million skier visits annually to resorts in North America, Japan and Europe. We have re-branded the Perisher Freedom Pass for the 2016 Perisher season, now the Epic Australia Pass, to align the brand with our other season pass products. Additionally, we acquired Afton Alps in Minnesota and Mt. Brighton in Michigan in December 2012, which serve major snow sports markets in the Midwest with more than 468,000 active skiers and snowboarders in the Minneapolis-St. Paul and Detroit metropolitan areas. We believe our strategy increases the value of our season pass products and dramatically enhances the connection between our destination mountain resorts and these key skier markets.

#### Premier Ski Schools

Our mountain resorts are home to some of the highest quality and most widely recognized ski and snowboard schools in the industry. Through a combination of outstanding training and abundant work opportunities, our ski 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. We offer a wide variety of adult and child group and private lesson options with a goal of creating lifelong skiers and riders and showcasing to our guests all the terrain our resorts have to offer.

#### Dining

Our resorts provide a variety of quality on-mountain and base village dining venues, ranging from top-rated fine dining restaurants to trailside express food service outlets. We operate approximately 134 dining venues at our nine U.S. mountain resorts and two urban ski areas.

#### Retail/Rental

We have approximately 185 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 mountain 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, Salt Lake City, Minneapolis and Appleton, Wisconsin. Many of the locations in the Colorado Front Range and in the San Francisco Bay Area also offer prime venues for selling our season pass products.

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### On-Mountain Activities and Epic Discovery

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 such as snowtubing, snowshoeing, guided snowmobile and scenic cat tours, backcountry expeditions, 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; 4x4 Jeep tours; and, our Epic Discovery program at Vail Mountain, Breckenridge and Heavenly. The Epic Discovery program, which will be introduced at Vail and Heavenly in Fiscal 2016, encourages “learn through play” by featuring extensive environmental educational elements interspersed between numerous new fun activities, which consists of zip lines, children's activities, challenge ropes courses, tubing, mountain excursions, and an alpine slide and an alpine coaster. Additionally, we are constructing an alpine coaster and canopy tour at both Vail Mountain and Heavenly, which we expect to be completed and operational in fiscal 2016.

### Lodging and Real Estate

Quality lodging options are an integral part of providing a complete resort experience. Our 18 owned or managed hotels and resorts proximate to our mountain resorts, including five RockResorts branded properties, and a significant inventory of managed condominium units provide numerous accommodation options for our mountain resort guests. More recently, our real estate efforts have focused on the potential to expand our destination bed base and upgrade our resorts through the sale of land parcels to third-party developers which in turn provides opportunity for the development of condominiums, luxury hotels, parking and commercial space for restaurants and retail shops. Our Lodging and Real Estate segments have and continue to invest in resort related assets and amenities or seek opportunities to expand and enhance the overall resort experience.

### Environmental Stewardship and Social Responsibility

Environmental stewardship is a core philosophy for us. Our resorts operate in some of the world's greatest natural environments, and we are compelled to care for and conserve them. Through our sustainability program, Epic Promise, we focus on resource conservation, forest health and building stronger local communities through contributions to local non-profits. Our environmental stewardship efforts are diverse and touch nearly every area of our operations. One of the most encompassing programs is our commitment to energy reduction. After reaching an initial goal to reduce our energy consumption by 10%, we have set a new goal of another 10% reduction by 2020. In addition, we have partnered with several organizations to help raise resources for local environmental programs, including the National Forest Foundation, The Tahoe Fund and Mountain Trails Foundation in Park City. We also have an extensive on-mountain recycling program that diverted approximately 45% of our total waste. We encourage our employees to help protect the environment with over 20,000 volunteer hours donated annually. Lastly, our charitable giving focuses on supporting education and youth programs, encouraging innovation in, and implementation of, environmental stewardship practices and enhancing the quality of life in the communities in which we operate.

### Accessibility from major metropolitan areas--

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

### Colorado Resorts

The Colorado Front Range, with a population of approximately 4.5 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.

#### Utah Resorts

The Salt Lake City metropolitan area, with a population of over 1.1 million, is approximately 30 miles from our Utah mountain resorts and is accessible via a major interstate highway. Additionally, the Salt Lake City International Airport is just a two-hour flight from either the Los Angeles International Airport or the San Diego International

Airport; which are the two major airports serving the Southern California region that has a population of approximately 23.0 million.

#### Lake Tahoe Resorts

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

#### Urban Ski Areas

Afton Alps and Mt. Brighton are located within 50 miles of Minneapolis/St. Paul and Detroit, respectively. This close proximity to major Midwestern skier markets allows guests to visit regularly during the week, including popular night skiing, or on the weekends. Additionally, both cities offer major airports with routine direct flights to Denver, San Francisco and Salt Lake City.

#### Marketing and Sales

Our marketing and sales efforts are increasingly oriented around data analytics to drive targeted and personalized marketing to our existing and prospective guests. We capture marketable data on the vast majority of guest transactions through our season pass program, e-commerce platforms including mobile lift ticket sales, the EpicMix application and operational processes at our lift ticket windows. We promote our resorts through customer relationship marketing ("CRM") to targeted audiences via email and direct mail, promotional programs, digital marketing (including social, search and display) and traditional media advertising where appropriate (e.g. targeted print, TV, radio). Additionally, our resorts and the snowsports industry are frequently featured through our OnTheSnow.com and Skiinfo.com websites, which are two of the world's most visited online snowsports portals. We also have marketing programs directed at attracting groups, corporate meetings and convention business. Most marketing efforts drive traffic to our websites, where we provide our guests with information regarding each of our resorts, including services and amenities, reservations information, virtual tours and the opportunity to book/purchase multiple products for their vacations or other visits. We also enter into strategic alliances with companies to enhance the guest in-resort experience and to create opportunities for cross-marketing.

#### Seasonality

Ski resort operations are highly seasonal in nature, with a typical ski season in North America beginning in mid-November and running through mid-April. In an effort to partially mitigate the concentration of our revenue in the winter months in the United States, we offer several non-ski related activities such as sightseeing, mountain biking, guided hiking, 4x4 Jeep tours, golf (included in the operations of the Lodging segment) and our Epic Discovery program, which includes zip lines, challenge ropes courses, an alpine slide and coaster, children's activities, tubing and mountain excursions. These activities also help attract destination conference and group business to our resorts in our off-season. In addition, the operating results of Perisher, with its ski season from June through early October, partially counterbalance the concentration of our revenues during this seasonally low period.

#### Lodging Segment

Our Lodging segment includes the following operations:

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RockResorts -- a luxury hotel management company with a current portfolio of six properties, including four Company-owned hotels and two managed resort properties with locations in Colorado and Jamaica; Five additional Company-owned hotels, management of the Vail Marriott Mountain Resort & Spa (“Vail Marriott”), Mountain Thunder Lodge, Crystal Peak Lodge, Austria Haus Hotel, Grand Summit Hotel, Silverado Lodge, Sundial Lodge, DoubleTree by Hilton Park City - The Yarrow, and condominium management operations, which are in and around our mountain resorts in the Colorado, Lake Tahoe and Utah regions; Two NPS concessionaire properties - GTLC, a summer destination resort with three resort properties in the Grand Teton National Park, and Headwaters Lodge & Cabins at Flagg Ranch (“Flagg Ranch”) located between Yellowstone National Park and Grand Teton National Park in Wyoming; CME -- a resort ground transportation company in Colorado; and Five Company-owned mountain resort golf courses in Colorado, one owned in Wyoming and one operated in Lake Tahoe, California.

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The Lodging segment currently includes approximately 5,000 owned and managed hotel rooms and condominium units. Our resort hotels collectively offer a wide range of services to guests.

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

Name	Location	Own/Manage	Rooms/Units*
RockResorts:			
The Lodge at Vail	Vail, CO	Own	164**
The Arrabelle at Vail Square	Vail, CO	Own	84**
The Pines Lodge	Beaver Creek, CO	Own	71**
The Osprey at Beaver Creek	Beaver Creek, CO	Own	47**
Half Moon	Rose Hall, Jamaica	Manage	383
One Ski Hill Place	Breckenridge, CO	Manage	59***
Other Hotels and Properties:			
DoubleTree by Hilton Breckenridge	Breckenridge, CO	Own	208
The Keystone Lodge	Keystone, CO	Own	152
Inn at Keystone	Keystone, CO	Own	103
Village Hotel	Breckenridge, CO	Own	60
Ski Tip Lodge	Keystone, CO	Own	10
Jackson Lake Lodge	Grand Teton Nat'l Pk., 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
Headwaters Lodge & Cabins at Flagg Ranch	Moran, WY	Concessionaire Contract	92
Vail Marriott Mountain Resort & Spa	Vail, CO	Manage	344
Mountain Thunder Lodge	Breckenridge, CO	Manage	87
Crystal Peak Lodge	Breckenridge, CO	Manage	25
Austria Haus Hotel	Vail, CO	Manage	25
Grand Summit Hotel	Park City, UT	Manage	282
Silverado Lodge	Park City, UT	Manage	142
Sundial Lodge	Park City, UT	Manage	114
DoubleTree by Hilton Park City - The Yarrow	Park City, UT	Manage	182

\*Rooms/Units excludes approximately 1,800 managed condominium units.

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

\*\*\*Includes owned and managed whole ownership 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 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 proximate to our mountain resorts and selective management of luxury resorts in premier destination locations.

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In addition to our portfolio of owned or managed luxury resort hotels and other hotels and properties, our lodging business also features a Colorado ground transportation company, 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 (which includes Keystone, Breckenridge, Copper Mountain, Frisco and Silverthorne) for mountain resort experiences. CME offers four primary types of services; 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. CME's vehicle fleet consists of approximately 260 vans and luxury SUVs, and transported approximately 395,000 resort guests in Fiscal 2015.

### 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 segment, 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 686,000 rooms at approximately 1,900 properties in the United States as of July 2015. For Fiscal 2015, our owned hotels, which include a combination of certain RockResort hotels, as well as other hotels in proximity to our mountain resorts, had an overall ADR of \$216.76, a paid occupancy rate of 64.7% and revenue per available room ("RevPAR") of \$140.28, as compared to the upper upscale segment's ADR of \$173.36, a paid occupancy rate of 74.1% and RevPAR of \$128.44. We believe that this comparison to the upper upscale segment is appropriate as our mix of owned hotels include those in the luxury and upper upscale segments, as well as certain of our hotels that fall in the upscale segment. 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 and price. 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 four properties in our portfolio that are currently rated as AAA 4-Diamond;

• 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, which has resulted in all six of our RockResort properties being recognized with the TripAdvisor Certificate of Excellence in recent years;

• 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 mountain 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; and

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 at our owned properties completed over the past several years include extensive refurbishments and upgrades to the DoubleTree by Hilton Breckenridge, renovations of guest rooms and the front lobby at The Lodge at Vail, pool and restaurant (Elway's) upgrades to

The Lodge at Vail, guest room renovations at the Keystone Lodge, a restaurant renovation at The Arrabelle at Vail Square, and guest room upgrades at The Pines Lodge.

#### National Park Concessionaire Properties

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 NPS. We also own Flagg Ranch, located in Moran, Wyoming and is centrally located between Yellowstone National Park and Grand Teton National Park on the John D. Rockefeller, Jr. Memorial Parkway (the "Parkway"). Flagg Ranch operates under a 15-year concessionaire agreement (that expires October 31, 2026) with the NPS. GTLC also owns Jackson Hole Golf & Tennis Club ("JHG&TC"), located outside 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 June through the end of September.

There are 407 areas within the National Park System covering approximately 84 million acres across the United States and its territories. Of the 407 areas, 59 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 year 2014, areas designated as National Parks received approximately 68.9 million recreation visits. The Grand Teton National Park, which spans approximately 310,000 acres, had approximately 2.8 million recreation visits during calendar year 2014, or approximately 4.1% of total National Park recreation visits. Four full service 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.

Flagg Ranch features a range of lodging options from 92 standard, deluxe and premium cabins and 40 camper cabins, to a 97-space RV park and 34 campsites. Flagg Ranch also offers additional amenities including dining, retail and activities for our guests to enjoy, including horseback riding, guided fishing, float trips and guided Yellowstone National Park and Grand Teton National Park tours. In addition to these summer offerings, Flagg Ranch provides limited winter operations to support Yellowstone National Park snowmobile tours.

#### Marketing and Sales

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

### Seasonality

Our lodging business is highly seasonal in nature, with peak seasons primarily in the winter months (with the exception of GTLC, Flagg Ranch, certain managed properties and mountain resort golf operations). We actively promote our extensive conference facilities and have added more off-season activities to help offset the seasonality of our lodging business. Additionally, we operate seven golf courses: The Beaver Creek Golf Club, The Keystone Ranch Golf Course, The River Course at Keystone, JHG&TC near Jackson, Wyoming, The Northstar Resort Golf Course and the Tom Fazio and Greg Norman courses at Red Sky Ranch near the Beaver Creek Resort. In 2015, The Tom Fazio course at Red Sky Ranch was ranked number 69 out of the Top 100 Resort Courses by Golfweek Magazine.

## Real Estate Segment

We have extensive holdings of real property at our mountain resorts primarily throughout Summit and Eagle Counties in Colorado. Our real estate operations, through Vail Resorts Development Company (“VRDC”), a wholly-owned subsidiary, include 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 by (1) creating 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 and expand our destination bed base; (2) controlling the architectural themes of our resorts; and, (3) expanding our property management and commercial leasing operations.

The principal activities of our Real Estate segment include the marketing and selling of remaining condominium units available for sale, which primarily relate to The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge; planning for future real estate development projects, including zoning and acquisition of applicable permits; and, the occasional purchase of selected strategic land parcels for future development, as well as the sale of land parcels to third-party developers. We continue undertaking preliminary planning and design work on future projects and are pursuing opportunities with third-party developers rather than undertaking our own significant vertical development projects. We believe that, due to our low carrying cost of real estate land investments, we are well situated to promote future projects with third-party developers while limiting our financial risk.

## Employees

At fiscal year end, we employed approximately 5,200 year-round employees. During the height of our operating seasons, we employ approximately 21,300 additional seasonal employees. In addition, we employ approximately 300 year-round employees and 100 seasonal employees on behalf of the owners of our managed hotel properties. We consider employee relations to be good.

## Intellectual Property

The development of intellectual property is part of our overall business strategy, and we regard our intellectual property as an important element of our success. We seek to establish and maintain our proprietary rights in our business operations and technology through the use of trademarks and trade secret laws. We file applications for and obtain trademarks, copyrights and patents in the United States. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements.

In the highly competitive industry in which we operate, trademarks, service marks, trade names and logos are very important in the sales and marketing of our mountain resorts and urban ski areas, lodging properties and services. We have a significant number of trademarks, service marks, trade names, logos and pending registrations, and seek to register and protect our trademarks, service marks, trade names and logos, which we believe have become synonymous in the travel and leisure industry with a reputation for excellence in service and authentic hospitality.

## 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, a “SUP”) for the operation of ski areas and construction of related facilities on National Forest lands. In addition, the 1986 Act requires a Master Development Plan (“MDP”) for each ski area that is granted a SUP. In November 2011, the 1986 Act was amended by the Ski Area Recreational Opportunity Enhancement Act (the “Enhancement Act”) to clarify the Forest Service's authority to approve facilities primarily for year-round recreation.

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

The operations of Northstar, Afton Alps, Mt. Brighton, Park City and Canyons are conducted primarily on private land, and are not under the jurisdiction of the Forest Service.

### Special Use Permits

Vail Mountain operates under a SUP for the use of 12,353 acres that expires December 1, 2031. Breckenridge operates under a SUP for the use of 5,702 acres that expires December 31, 2029. Keystone operates under a SUP for the use of 8,376 acres that expires December 31, 2032. Beaver Creek operates under a SUP for the use of 3,849 acres that expires November 8, 2039. Heavenly operates under a SUP for the use of 7,050 acres that expires May 1, 2042. Kirkwood operates under a SUP for the use of approximately 2,330 acres that expires March 1, 2052. We anticipate requesting a new SUP for each resort prior to its expiration date as provided by 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 indemnifying the Forest Service from third-party claims arising out of our operation under the SUP and compliance 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 beverage, certain summer activities, equipment rentals and retail merchandise.

The SUPs may be revised or amended to accommodate changes initiated 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 holder's 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 permit holder.

#### Master Development Plans

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

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## Forest Plans

Operational and development activities on National Forest System lands at our four Colorado mountain resorts are subject to the additional regulatory and planning requirements set forth in the April 2002 Record of Decision (the “2002 ROD”) for the White River National Forest Land and Resources Management Plan (the “White River Forest Plan”). At Heavenly, operational and development activities on National Forest System lands are subject to the Lake Tahoe Basin Management Unit Land and Resources Management Plan (the “LTBMU Forest Plan”), which was adopted in 1988. The Forest Service is currently in the process of amending the LTBMU Forest Plan. A draft decision adopting a new LTBMU Forest Plan has been released. The Forest Service is working through a formal objection process before finalizing the new LTBMU Forest Plan, which we expect will occur before the end of calendar year 2015. At Kirkwood, operational and development activities on National Forest System lands are subject to the Eldorado National Forest Land and Resources Management Plan (the “Eldorado Forest Plan”), which was adopted in 1989.

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

## National Environmental Policy Act; California Environmental Quality Act

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

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

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

## California Environmental Quality Act

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

### State and Local Land Use Regulations

In addition to federal and environmental regulations, each resort is subject to and must comply with state, county, regional and local government land use regulations and restrictions, including, for example, employee housing ordinances, zoning and density restrictions, noise ordinances, wildlife regulations, and water and air quality restrictions.

Recent specific regulatory matters including approvals, requests and status of the more significant regulatory activities associated with our mountain resorts and ski areas are discussed in the following section.



#### Breckenridge Regulatory Matters

In March 2014, we received approval from the Forest Service to replace the Colorado Super Chair with a six-passenger chairlift. As this chairlift is located on both National Forest System lands and private lands within the Town of Breckenridge, approval was pursuant to a Forest Service Categorical Exclusion and Class C permit from the Town of Breckenridge. Work started in June 2014 and was completed for the 2014/2015 ski season.

In January 2015, the Forest Service released a draft EIS for a number of summer recreation activities, including zip lines, canopy tours, ropes challenge courses and new mountain biking and hiking trails. The draft EIS analyzed environmental affects and alternatives including our proposal. In August 2015, the Forest Service released its final EIS and draft record of decision approving various new facilities and summer recreation activities. The draft record of decision is subject to a 45-day objection period, which expires on September 28, 2015.

#### Vail Mountain Regulatory Matters

In July 2012, we submitted to the Forest Service a project proposal under a Categorical Exclusion for construction of summer recreational activities and related projects under our Epic Discovery program. Two challenge ropes courses and zip lines were approved and construction was completed in August 2013. A children's zip line and children's challenge course were also approved and construction was completed in July 2014. Summer tubing was installed and opened in July 2015.

In July 2012, we also submitted a project proposal to the Forest Service to develop a larger, more comprehensive program of summer activities and environmental education opportunities, including horse, bike and hiking trails, a new deck at Eagles Nest, canopy tours, lookout towers, and Forest Flyers. Various hiking and biking trails, the Game Creek Canopy Tour and the Adventure Ridge Forest Flyer are under construction and are expected to be completed by November 2015, with operation of the new activities anticipated during the 2015/2016 ski season.

In December 2014, we submitted a proposal to the Forest Service for the replacement of Chair 2 with a high speed detachable six-passenger chairlift, which was accepted and approved by the Forest Service. The lift is being built during summer 2015 and is anticipated to be operational for the 2015/2016 ski season.

In June 2014, a proposal to expand racing and training terrain on Golden Peak was submitted to the Forest Service. The Forest Service has accepted the proposal for NEPA review beginning in the fall of 2015.

#### Beaver Creek Regulatory Matters

We are currently evaluating a proposal to locate summer activities including a Forest Flyer in the area around Spruce Saddle, which would require Forest Service review and approval. We submitted an amendment to Beaver Creek's MDP in the fall of 2014 that contemplates year round activities on Beaver Creek. That amendment was accepted by the Forest Service in June 2015.

In May 2014, the Forest Service approved, under a NEPA Categorical Exclusion, the replacement of the Centennial Express Lift. It was updated to a combination 6-passenger chairlift that also has 10-passenger gondola cabins. Construction was completed during the summer of 2014 and the lift was operational for the 2014/2015 ski season.

In May 2015, the Forest Service approved, under a NEPA Categorical Exclusion, the replacement and upgrade of the Red Tail snowmaking system. This upgrade is underway and is expected to be completed for the 2015/2016 ski season.

Keystone Regulatory Matters

None.

Park City and Canyons Regulatory Matters

Park City and Canyons are located primarily on private land leased by us and not subject to Forest Service authorization or oversight. Canyons is part of the Canyons Specially Planned Area (“SPA”) pursuant to a Summit County, Utah ordinance adopted in 1998, and a Development Agreement and Master Development Plan with affected property owners, developers and the county, the most recent versions of which were adopted in 1999. Land use within the SPA is within the jurisdiction of Summit County. Land use at Park City is within the jurisdiction of Summit County and Park City Municipal Corporation. The

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portions of the resort located within Park City Municipal Corporation are subject to a Development Agreement with the municipality, the most recent version of which was entered into in 1998.

In February 2014, we received a conditional use permit from Summit County for construction of a new Cloud Dine restaurant, which was completed for the 2014/2015 ski season.

From December 2014 through April 2015, Canyons and Park City submitted applications to the Park City Municipal Corporation and Summit County with respect to the installation of the Interconnect Gondola connecting Canyons and Park City, replacement of the Snow Hut Lodge at Park City, expansion of the Red Pine Lodge at Canyons, renovation of Summit House at Park City, relocation and replacement of the King Con chairlift, and the improvement and installation of new trails and snowmaking infrastructure at Canyons. These projects were approved during the first half of calendar year 2015 and construction is underway. We expect to complete these improvements for the 2015/2016 ski season.

#### Northstar Regulatory Matters

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

In May 2013, Northstar received approval from Placer County to construct a Forest Flyer near the mid-mountain lodge. The approval has been appealed and an appeal hearing was scheduled for late July 2013. Northstar has requested a continuance of the appeal hearing in order to more fully understand and respond to the issues raised.

#### Heavenly Regulatory Matters

In the fall of 2012, we submitted a project proposal to the Forest Service and to the Tahoe Regional Planning Agency ("TRPA") for additional summer activities to be located at the top of the gondola. In December 2012 and April 2013, those activities were approved for implementation by the TRPA and the Forest Service, respectively. Subsequently, we received approval for a climbing wall following implementation of the Forest Service regulations which occurred in 2014. The climbing wall is completed and operational.

In June 2013, Heavenly submitted a project proposal to the Forest Service and TRPA to develop a larger, more comprehensive program of summer activities and environmental education opportunities on the upper mountain under our Epic Discovery program, which includes canopy tours, hiking and biking trails, Forest Flyers and zip lines. The proposal was slightly modified and resubmitted in September 2013. In 2014, a joint EIS was prepared and circulated for public comment. A draft decision approving the Epic Discovery proposal was released in February 2015 by the Forest Service and no objections were filed on the draft decision. In April 2015, the Forest Service issued a final decision approving the project. In March 2015, the TRPA certified the EIS and approved the Epic Discovery project. The Epic Discovery project also went through the CEQA process for the portions of project located in California.

In November 2013, the Forest Service Lake Tahoe Basin Management Unit ("LTBMU") issued a draft record of decision and final EIS for revisions to the LTBMU Forest Plan. A large portion of Heavenly is located within the LTBMU. Elements of the revised LTBMU Forest Plan may have an adverse impact on future development opportunities at Heavenly, including a proposal to limit future development to certain areas where Heavenly currently operates or within other limited areas of land. In January 2014, Heavenly submitted objections to the revised LTBMU Forest Plan. In May 2014 and July 2014, we attended hearings with the Forest Service and other objectors. We continue to work with the Forest Service to resolve our objections and expect the Forest Service to adopt the revised LTBMU Forest Plan before the end of 2015.

Kirkwood Regulatory Matters

None.

Afton Alps Regulatory Matters

None.

Mt. Brighton Regulatory Matters

None.

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## Perisher Regulatory Matters

Perisher is located in the Kosciuszko National Park, the largest national park in New South Wales, Australia. The resort includes four villages (Perisher Valley, Smiggin Holes, Guthega and Blue Cow) and their associated ski fields, as well as the site of the Skitube Alpine Railway at Bullock's Flat. The Office of Environment and Heritage ("OEH"), an agency of the New South Wales government, which is part of the Department of Planning and Environment, is responsible for the protection and conservation of the Kosciuszko National Park. The National Parks and Wildlife Act 1974 (NSW) ("NPW Act") establishes the National Parks and Wildlife Service, headed by a Director-General, in whom the care, control and management of the Kosciuszko National Park is vested.

The NPW Act requires the Kosciuszko National Park to be managed in accordance with the principles specified in that legislation, including the provision for sustainable visitor or tourist use and enjoyment that is compatible with the conservation of the national park's natural and cultural values. The legislation also authorizes the Minister for the Environment and the Minister for Heritage (the "Minister") to grant leases and licenses of land within the Kosciuszko National Park for various purposes, including for purposes related to sustainable visitor or tourist use and enjoyment. Under this power, the Minister has granted to Perisher a lease and a license of specified land within the Kosciuszko National Park until June 30, 2048, each with an option to renew for an additional period of 20 years. The Minister has also granted Perisher a lease of the parking lot at Perisher Valley that expires on December 31, 2025.

The Environmental Planning and Assessment Act 1979 (NSW) ("EPA Act") is the principal legislation regulating land use and development in New South Wales. Perisher relies on a suite of planning approvals (and existing use rights) granted under the EPA Act to operate the resort. Various types of development that facilitate commercial ski resort operations are also permitted to be carried out without planning approval pursuant to the State Environmental Planning Policy (Kosciuszko National Park - Alpine Resorts) 2007 and the Snowy River Local Environmental Plan 2013. Strategic planning documents have been adopted to provide a framework for the assessment and approval of future development at the resort, including the Perisher Range Resorts Master Plan, Perisher Blue Ski Resort Ski Slope Master Plan and Kosciuszko National Park Plan of Management. The Perisher Range Resorts and Perisher Ski Slope Master Plans are due to be updated in 2016. Perisher holds a number of environmental approvals to regulate its operations, including an environment protection license in respect of the water treatment plant at Bullock's Flat Terminal and a suite of dangerous goods licenses in respect of the storage of diesel, heating oil and propane in storage tanks across the resort. Perisher implemented an Environmental Management System to manage compliance with the environmental regulatory framework, and mitigate potential environmental risks arising from its operations.

The lease and license provide for the payment of a minimum annual base rent with periodic increases in base rent over the term, turnover rent payments based on 2.0% of certain gross revenue, remittance of park user fees, and certain other charges, also subject to periodic increases over the term.

## 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 operations under the concession contract at any time if the NPS determines it is necessary to protect visitors or resources within the Grand Teton National Park or during a Federal Government shutdown. NPS also has the right to terminate the concession 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 Grand Teton National Park.

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

Flagg Ranch Concession Contract

In August 2011, the NPS selected Flagg Ranch Company, a wholly-owned subsidiary, to provide lodging, food and beverage services, retail, service station, recreation and other services on the Parkway located between Grand Teton National Park and Yellowstone National Park. Our concession contract with the NPS for the Parkway expires on October 31, 2026. Upon expiration of the concession contract, we will have to bid against other prospective concessionaires for award of a new contract.

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Like our GTLC concession contract, the NPS may suspend operations under the concession contract at any time if the NPS determines it is necessary to protect visitors or resources within the Grand Teton National Park or during a Federal Government shutdown. NPS may also terminate the concession 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 Grand Teton National Park.

We pay a fee of 5.3% to the NPS on the majority of our sales occurring in the Parkway.

#### Water and Snowmaking

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.

To provide a level of predictability in dates of operation and favorable snow surface conditions at our ski areas, we rely on snowmaking. Snowmaking requires a significant volume of water, most of 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. Although we have not experienced significant issues to date, we continue to look for ways to improve storage and delivery options for Keystone.

Park City receives water for snowmaking primarily from the Park City Municipal Corporation pursuant to various long-term agreements. Park City's water is stored in retention ponds located at the Park City Golf Club.

Canyons receives water for snowmaking primarily from the Summit Water Distribution Company pursuant to a long-term lease. Canyons' water is stored in a retention pond located at the resort, and at facilities owned or operated by the Summit Water Distribution Company.

Heavenly's primary sources of water purchased for domestic and snowmaking uses are the South Tahoe Public Utility District ("STPUD") and Kingsbury General Improvement District ("KGID"), which are California and Nevada utilities, respectively. 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. These sources are augmented by on-mountain underground wells that provide water for domestic uses at on-mountain lodges and for snowmaking. The underground water rights that are used for the East Peak Lake snowmaking well are held jointly with the Forest Service. In 2015, KGID began a public rate-making process to update its water rates. Under the proposed rate-making process, Heavenly will be treated as a separate industrial use customer class that is expected to result in a lower rate increase than is proposed for

the residential and commercial customer classes.

Northstar obtains water through a cooperative arrangement with the Northstar Community Services District (“NCSD”). Together with NCSD, we, through our lease with affiliates of CNL Lifestyles Properties, Inc., control surface water rights that we use for snowmaking. In addition, we have contractual rights to ground water from NCSD and from the adjacent Martis Camp residential development. We receive domestic water from NCSD and, for on-mountain facilities, from on-mountain wells and a series of significant near-surface springs.

Kirkwood co-owns with the Forest Service surface water rights sufficient for current and planned snowmaking at the resort. Kirkwood's water is stored in nearby Caples Lake under contract with its owner/operator.

Both Afton Alps and Mt. Brighton rely on on-site water wells and reservoirs for snowmaking.



Perisher is subject to the Water Act of 1912 (NSW) (“NSW Water Act”), which regulates the use of water sources (such as rivers, lakes and groundwater aquifers) in the Kosciuszko National Park. Perisher relies on six water licenses issued under the NSW Water Act and a water extraction agreement with an independent third party for the purposes of extracting water for snowmaking.

#### Available Information

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

#### ITEM 1A. RISK FACTORS.

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

##### Risks Related to Our Business

We are subject to the risk of prolonged weakness in general economic conditions including adverse effects on the overall travel and leisure related industries. Economic conditions currently present or recently present in the United States, Europe and parts of the rest of the world, including high unemployment, erosion of consumer confidence, sovereign debt issues, 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 experience in the future, among other items, a change in booking trends such that guest reservations are made much closer to the actual date of stay, a decrease in the length of stay and a decrease in group bookings. We cannot predict what impact these uncertainties may have on overall travel and leisure or more specifically, on our guest visitation, guest spending or other related trends and the ultimate impact it will have on our results of operations. Additionally, 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, which would adversely impact our operating results. Our resorts also serve as a destination for international guests. To the extent there are material changes in exchange rates relative to the United States (“U.S.”) dollar, it could impact the volume of international visitation.

We are vulnerable to unfavorable weather conditions and the impact of natural disasters. Our ability to attract guests 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 significantly increase the costs incurred to groom trails and may make it difficult for guests to obtain access to our mountain resorts. In the past 20 years, our mountain resorts have averaged between 20 and 39 feet of annual snowfall, which is significantly in excess of the average for United States ski resorts. However, there can be no assurance that our resorts will receive seasonal snowfalls near their historical average in the future. For example, we have experienced very poor conditions in the Lake Tahoe region during the three most recent ski seasons and experienced historic low snowfall across all our resorts during the 2011/2012 ski season. Past snowfall levels or consistency of snow conditions can impact the levels of sales of season passes. Additionally, the early season snow conditions and skier perceptions of early season snow conditions can influence the momentum and success of the overall ski season. Unfavorable weather conditions can adversely affect our resorts and lodging properties as guests 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, reduce the number of guests who visit our resorts in affected areas and negatively impact our revenue and profitability. Damage to our properties could take a long time to repair and there is no guarantee that we would have adequate insurance to cover the costs of repair and recoup lost profits. Furthermore, such a disaster may interrupt or impede access to our affected properties or require evacuations and may cause visits to our affected properties to decrease for an indefinite period. The ability to attract visitors to our resorts is also influenced by the aesthetics and natural beauty of the outdoor environment where our resorts are located. A severe forest fire or other severe impacts from naturally occurring events could negatively impact the natural beauty of our resorts and have a long-term negative impact on our overall guest visitation as it would take several years for the environment to recover.

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, 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 effect 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. A significant portion of our guests also 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 Perisher (acquired on June 30, 2015), GTLC and Flagg Ranch, mountain summer activities/sightseeing and our golf courses generally occur from June to the end of September while the remainder of the year results in operating losses. Revenue and profits generated by Perisher, GTLC and Flagg Ranch, mountain summer activities/sightseeing and golf peak season operations are not nearly sufficient to fully offset our off-season losses from our other mountain and lodging operations. For Fiscal 2015, 80% of total combined Mountain and Lodging segment net revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) was earned during our second and third fiscal quarters. This seasonality is partially mitigated by the sale of season passes (which for the 2014/2015 ski season accounted for approximately 40% of the total lift revenue) predominately occurring during the period prior to the start of the ski season as the cash from those sales is collected in advance and revenue is mostly recognized in the second and third quarters. In addition, the timing of major holidays can impact vacation patterns and therefore visitation at our mountain resorts and urban ski areas. 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).

In the fall of 2011, the Ski Area Recreational Opportunity Enhancement Act was enacted into law which clarifies that the Forest Service is authorized to permit year-round recreational activities on land owned by the Forest Service. As such, this will allow our mountain resorts on Forest Service land to offer more summer-season recreational opportunities. We anticipate that if our proposed plans are approved and implemented, that once these summer

activities mature, we could realize substantial incremental summer guest visitation and revenue. However, our new summer activities plan may not generate the initial projected revenue and profit margins we expect, and even if our plans are successful, we do not expect that these enhanced summer operations will fully mitigate the seasonal losses that our mountain operations experience from late spring to late fall.

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 51 million and 61 million annually over the last decade, with approximately 53.6 million visits for the 2014/2015 ski season. There are approximately 470 ski areas in the United States that serve local and destination guests, and these ski areas can be more or less impacted by weather conditions based on their location and snowmaking capabilities. 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 magnitude, 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 guests, including other major resorts in Colorado, Utah, California, Nevada, the Pacific Northwest and Southwest and other major destination ski areas worldwide. Our guests can choose from any of these alternatives, as well as non-skiing vacation options and destinations around the world. In addition, other forms of leisure such as sporting events and participation in other competing indoor and outdoor recreational activities are available to potential guests.

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

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

We may not be able to fund resort capital expenditures. We regularly expend capital to construct, maintain and renovate our mountain resorts and properties in order to remain competitive, maintain the value and brand standards of our mountain resorts and properties and comply with applicable laws and regulations. We cannot always predict where capital will need to be expended in a given fiscal year and capital expenditures can increase due to forces beyond our control. We anticipate that resort capital expenditures will be approximately \$110 million to \$115 million for calendar year 2015, which excludes any capital expenditures for our Epic Discovery program. In addition, we expect to spend approximately \$17 million on new summer activities related to our Epic Discovery program at Vail, Breckenridge and Heavenly. We anticipate future annual capital expenditures to be approximately \$100 million (including the recent acquisitions of Park City and Perisher), in addition to adjustments for inflation, the growth in our resorts and future acquisitions. This amount excludes any investment we plan to make in our Epic Discovery program and summer related projects, some of which are subject to regulatory approval. Our ability to fund capital expenditures will depend on our ability to generate sufficient cash flow from operations and/or to borrow from third parties in the debt or equity markets. We cannot provide assurances that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. 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 capital markets;  
competition; and  
legislative and regulatory matters affecting our operations and business;

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

We rely on government permits and landlord approvals. Our resort operations require permits and approvals from certain federal, state, local and foreign authorities, including the Forest Service, U.S. Army Corps of Engineers, NPS and the OEH, an agency of the New South Wales government. Virtually all of our ski trails and related activities, including our current and proposed comprehensive summer activities plan, at Vail Mountain, Breckenridge, Keystone, Heavenly, Kirkwood and a

majority of Beaver Creek are located on National Forest land. The Forest Service has granted us permits to use these lands, but maintains the right to review and approve many operational matters, as well as the location, design and construction of improvements in these areas. Currently, our permits expire December 31, 2029 for Breckenridge; December 1, 2031 for Vail Mountain; December 31, 2032 for Keystone; November 8, 2039 for Beaver Creek; May 1, 2042 for Heavenly; and, March 1, 2052 for Kirkwood. 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 effect 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. The Forest Service is in the process of developing SUP language that may burden our water rights or require us to transfer ownership of some water rights used within ski area SUP boundaries. Once the new SUP language is finalized, the Forest Service will have the right to amend our existing SUPs to include this new language. The new permit language may substantially impair the value of or our ability to fully use existing water rights at Breckenridge, Vail Mountain, Keystone, Beaver Creek or Heavenly and may make it difficult to acquire new sources of water in the future. Additionally, our operations at Northstar and our Utah resorts are conducted pursuant to long-term leases with third parties who require us to operate the resorts in accordance with the terms of the leases and seek certain approvals from the respective landlords for improvements made to the resorts. The initial lease term for Northstar with affiliates of CNL Lifestyle Properties, Inc. expires in January 2027, and allows for three 10-year renewal options. We entered into a transaction agreement, master lease agreement and ancillary transaction documents with affiliate companies of Talisker Corporation ("Talisker"), the initial lease term for our Utah resorts with Talisker expires in May 2063, and allows for six 50-year renewal options. We have a lease and a license for Perisher within the Kosciusko National Park which expires in June 2048, with an option to renew for an additional period of 20 years. Perisher relies on a suite of planning approvals (and existing use rights) granted under the Australian EPA Act to operate the resort. Strategic planning documents have been adopted to provide a framework for the assessment and approval of future development at the resort, some of which are due to be updated in 2016. Perisher also holds a number of environmental approvals to regulate its operations, including an environment protection license and a suite of dangerous goods licenses related to the storage of diesel, heating oil and propane in storage tanks across the resort. Additionally, GTLC and Flagg Ranch operate under concessionaire agreements with the NPS that expire on December 31, 2021 and October 31, 2026, respectively. There is no guarantee that at the end of the initial lease/license or agreements under which we operate our resorts we will renew or, if desired, be able to negotiate new terms that are favorable to us. Additionally, our resorts that operate on privately-owned land are subject to local land use regulation and oversight by county and/or town government and may not be able to obtain the requisite approvals needed for resort improvements or expansions. Failure to comply with the provisions, obligations and terms (including renewal requirements and deadlines) of our material permits and leases could adversely impact our operating results.

We are subject to extensive environmental and health and safety laws and regulations in the ordinary course of business. Our operations are subject to a variety of federal, state, local and foreign environmental laws and regulations including those relating to air emissions, discharges to water, storage, treatment and disposal of wastes and other liquids, land use, remediation of contaminated sites, protection of natural resources such as wetlands, and sustainable visitor or tourist use and enjoyment. For example, future expansions of certain of our mountain facilities must comply with applicable forest plans approved under the National Forest Management Act, federal, state and foreign wildlife protection laws or local zoning requirements. In addition, most projects to improve, upgrade or expand our ski areas are subject to environmental review under the NEPA, the CEQA, the Australian NPW Act or the Australian EPA Act, as applicable. The NEPA and CEQA require the Forest Service, or other governmental entities, to study any proposal for potential environmental impacts and include various alternatives in its analysis. 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 for central reservations, point of sale, procurement, administration and technologies we make available to our guests. 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.

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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 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 the quality of service 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 internal or guest data could result in damages to our reputation and/or subject us to costs, fines or lawsuits. We collect and retain guest data, including credit card numbers and other personally identifiable information, for various business purposes, including transactional marketing and promotional purposes. We also maintain personally identifiable information about our employees. The integrity and privacy of our guest and employee information is very important to us, and our guests and employees have a high expectation that we will adequately protect their personal information. The regulatory environment, as well as the requirements imposed on us by the payment card industry, governing information, security and privacy laws is increasingly demanding and continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Maintaining compliance with applicable security and privacy regulations may increase our operating costs and/or impact our ability to market our products, properties and services to our guests.

Despite our efforts, information networks and systems are vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. In recent years, there has been a rise in the number of sophisticated cyber attacks on network and information systems, and as a result, the risks associated with such an event continue to increase. We have experienced, and expect to continue to be subject to, cybersecurity threats and incidents, none of which has been material to us to date. Although we have taken, and continue to take steps to address these concerns by implementing network security and internal controls, there can be no assurance that a system interruption, security breach or unauthorized access will not occur. Any such interruption, breach or unauthorized access to our network or systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us.

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 you that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations.

Our business depends on the quality and reputation of our brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our business. A negative public image or other adverse events could affect the reputation of one or more of our mountain resorts, other destination resorts, hotel properties and other businesses or more generally impact the reputation of our brands. If the reputation or perceived quality of our brands declines, our market share, reputation, business, financial condition or results of operations could be adversely impacted. The unauthorized use of our trademarks could also diminish the value of our brands and their market acceptance, competitive advantages or goodwill, which could adversely affect our business.

There is a risk of accidents occurring at our mountain resorts or competing mountain resorts which may reduce visitation and negatively impact our operations. Our ability to attract and retain guests depends, in part, upon the external perceptions of the Company, the quality and safety of our resorts, services and activities, including summer activities, and our corporate and management integrity. While we maintain and promote an on-mountain safety program, there are inherent risks associated with our resort activities. An accident or an injury at any of our resorts or at resorts operated by competitors, particularly an accident or injury involving the safety of guests and employees that receives media attention, could negatively impact our brand or reputation, cause loss of consumer confidence in us, reduce visitation at our resorts, and negatively impact our results of operations. The considerable expansion in the use of social media over recent years has compounded the impact of negative publicity. If any such incident occurs during a time of high seasonal demand, the effect could disproportionately impact our results of operations.

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.

We are subject to risks associated with our workforce, including increased labor costs. We are subject to various federal, state and foreign laws governing matters such as minimum wage requirements, overtime compensation and other working conditions, work authorization requirements, discrimination and family and medical leave. Labor costs and labor-related benefits are primary components in the cost of our operations. Labor shortages, increased employee turnover and health care mandates could increase our labor costs. Also, during Fiscal 2015, we announced our plans to implement a Company-wide minimum wage in the United States of \$10.00 per hour across all lines of business (except for employees at GTLC, the minimum wage will be \$8.50 per hour because these employees also receive an employee housing benefit) effective September 2015. This is a wage above current minimum wages in all states where we operate. Our intention is also to raise this minimum wage by inflation each year going forward. As minimum wage rates increase, including further potential federal and state legislative changes to the minimum wage rate, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above the minimum wage. These potential labor impacts could adversely impact our financial results.

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 senior executive officers. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed. We do not maintain "key-man" life insurance on any of our employees.

Our acquisitions or future acquisitions might not be successful. We have acquired certain mountain resorts, hotel properties and other businesses complementary to our own, as well as developable land in proximity to our resorts. Acquisitions are complex to evaluate, execute and integrate. We cannot assure you that we will be able to accurately evaluate or successfully integrate and manage acquired mountain resorts, properties and businesses and increase our profits from these operations. We continually evaluate potential acquisitions and intend to actively pursue acquisition opportunities, some of which could be significant. As a result, we face various risks from acquisitions, including:

- our evaluation of the synergies and/or long-term benefits of an acquired business;
- our inability to integrate acquired businesses into our operations as planned;
- diversion of our management's attention;
- potential increased debt leverage;
- litigation arising from acquisition activity;
- potential goodwill or other intangible asset impairments; 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 and integration for such properties may prove inaccurate.

We may not realize all the anticipated financial benefits from Park City and Canyons. In May 2013, we entered into a long-term lease to assume the resort operations of Canyons, including its ski area and related amenities, and the ski terrain of Park City (excluding the base area), which was subject to litigation. In September 2014, we acquired the resort operations of Park City (including the base area) and entered into ancillary transaction documents that provided for, among other things, the settlement of the litigation related to the ski terrain of Park City. Following the acquisition, the Park City ski terrain, which was previously subject to litigation, was incorporated into the Canyons lease under the existing terms of the lease. The Canyons lease has an initial term of 50 years with six 50-year renewal options and annual payments of \$25 million. The lease payment is subject to annual increases based upon the increase in the CPI index less 1%, with a floor of 2% per year. As lease payments increase annually, we may be adversely impacted to the extent these increases are not offset by increases in cash flow generated from operations. We also

anticipate realizing significant tax benefits which are subject to examination by the Internal Revenue Service. Additionally, we record liabilities for uncertain tax positions that may be inadequate.

In addition, the Canyons lease requires us to pay participating contingent payments to Talisker equal to 42% of the amount by which EBITDA for the resort operations of both Canyons and Park City exceeds \$35 million, which increases annually based upon the increase in the CPI index plus a 10% adjustment for any capital improvements or investments made under the lease by us, including the purchase price for Park City. We are required to measure at each reporting period the fair value of the future estimated participating contingent payments and record the change in fair value in our income (loss) from operations. This change in fair value of participating contingent payments could provide significant fluctuations in our operating results in a particular period.

Exchange rate fluctuations could result in significant foreign currency gains and losses and affect our business results. In June 2015, we acquired Perisher in Australia. We are exposed to currency translation risk because the results of Perisher are reported in local currency, which we then translate to U.S. dollars for inclusion in our consolidated financial statements. As a result, changes between the foreign exchange rates, in particular the Australian dollar and the U.S. dollar, affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. We currently do not enter into hedging arrangements to minimize the impact of foreign currency fluctuations. We expect that our exposure to foreign currency exchange rate fluctuations will grow as the relative contribution of Perisher increases.

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

• changes in the overall travel, gaming, hospitality and leisure industries;  
• changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors or such guidance provided by us;  
• announcements by us or companies in the travel, gaming, hospitality and leisure industries of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments, plans, prospects, service offerings or operating results;  
• additions or departures of key personnel;  
• future sales of our securities;  
• trading and volume fluctuations;  
• other risk factors as discussed above; and  
• other unforeseen events.

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

We cannot provide assurance that we will continue to increase dividend payments and/or pay dividends. In fiscal 2011, our Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate of \$0.60 per share, subject to quarterly declaration. Since the initial commencement of a regular quarterly cash dividend, our Board of Directors has annually approved an increase to our cash dividend on our common stock. On March 11, 2015, our Board of Directors approved a 50% increase to our quarterly cash dividend to \$0.6225 per share, subject to quarterly declaration. This dividend is anticipated to be funded through cash flow from operations and available cash on hand. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of dividends is subject to the discretion of our Board of Directors, and is limited by applicable state law concepts of available funds for distribution, as well as contractual restrictions. As a result, the amount, if any, of the dividends to be paid in the future will depend upon a number of factors, including our available cash on hand, anticipated cash needs, overall financial condition, restrictions contained in our senior credit facility, the Seventh Amended and Restated Credit Agreement (“Credit Agreement”), any future contractual restrictions, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors. In addition, our Board of Directors may also suspend the payment of dividends at any time if it deems such action to be in the best interests of the Company and its stockholders. If we do not pay dividends, the price of our common stock must appreciate for investors to realize a gain on their investment in Vail Resorts, Inc. This appreciation may not occur and our stock may in fact depreciate in value.

Anti-takeover provisions affecting us could prevent or delay a change of control that is beneficial to our stockholders. 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. As of July 31, 2015, we had \$816.8 million of outstanding indebtedness. This amount includes \$317.5 million for the Canyons Lease obligation. This amount also consists of \$250.0 million of borrowings from the term loan facility under our Credit Agreement to redeem the outstanding aggregate principal amounts of our 6.50% Senior Subordinated Notes due 2019 (“6.50% Notes”) and Industrial Development Bonds in May 2015, and \$185.0 million borrowings under the revolver portion of our Credit Agreement to fund the acquisition of Perisher in June 2015 and seasonal liquidity needs. Our borrowings under our senior credit facility are subject to interest rate changes substantially increasing our risk to changes in interest rates. Borrowings under the Credit Agreement, including the term loan facility, currently bear interest at a rate of LIBOR plus 1.25% on an annual basis. Interest rate margins may fluctuate based upon the ratio of our Net Funded Debt to Adjusted EBITDA on a trailing four-quarter basis. We also have, on a cumulative basis, minimum lease payment obligations under operating leases of approximately \$292.0 million as of July 31, 2015. Our level of indebtedness and minimum lease payment obligations 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, including the annual payments under the Canyons lease, 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 senior credit facility do not fully prohibit us from doing so. If we incur additional debt, 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 senior credit facility may adversely affect our ability to finance future operations or capital needs or to engage in other



business activities and strategic initiatives that may be in our long-term best interests. For example, the senior credit facility contains a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional debt or sell preferred stock;
- pay dividends, repurchase our stock and make other restricted payments;
- create liens;
- make certain types of investments;
  - engage in sales of assets and subsidiary stock;
- enter into sales-leaseback transactions;
- enter into transactions with affiliates;
- issue guarantees of debt;
- transfer all or substantially all of our assets or enter into merger or consolidation transactions; and
- make capital expenditures.

In addition, there can be no assurance that we will meet the financial covenants contained in our senior credit facility. If we breach any of these restrictions or covenants, or suffer a material adverse change which restricts our borrowing ability under our senior credit facility, we would not be able to borrow funds thereunder without a waiver. Any 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 senior credit facility 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.

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 at fiscal year-end:

Location	Ownership	Use
Afton Alps, MN (296 acres)	Owned	Ski resort operations, including ski lifts, ski trails, golf course, clubhouse, buildings, commercial space and other improvements
Arrowhead Mountain, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management 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, property management and commercial space
Beaver Creek Resort, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management, commercial space and real estate held for sale or development
Beaver Creek Mountain, CO (3,849 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Beaver Creek Mountain Resort, CO	Owned	Golf course, clubhouse, commercial space and residential condominium units
Breckenridge Ski Resort, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management, commercial space and real estate held for sale or development
Breckenridge Mountain, CO (5,702 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Breckenridge Terrace, CO	50% Owned	Employee housing facilities
Broomfield, CO	Leased	Corporate offices
Canyons Resort, UT (6,100 acres)	Leased *	Ski resort operations, including ski lifts, ski trails, buildings, commercial space, dining facilities, property management, conference facilities and other improvements
Colter Bay Village, WY	Concessionaire contract	Lodging and dining facilities
Eagle-Vail, CO	Owned	Warehouse facility
Edwards, CO	Leased	Administrative offices
DoubleTree by Hilton Breckenridge, CO	Owned	Lodging, dining and conference facilities
Headwaters Lodge & Cabins, WY	Concessionaire contract	Lodging and dining facilities
Heavenly Mountain Resort, CA & NV	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements and commercial space
Heavenly Mountain, CA & NV (7,050 acres)	SUP	Ski trails, ski lifts, buildings and other improvements

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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

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Keystone Resort, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, commercial space, property management, dining and real estate held for sale or development
Keystone Mountain, CO (8,376 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Keystone Ranch, CO	Owned	Golf course, clubhouse and dining facilities
Kirkwood Mountain Resort, CA	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management and commercial space
Kirkwood Mountain, CA (2,330 acres)	SUP	Ski trails, ski lifts, buildings and other improvements
Mt. Brighton, MI (193 acres)	Owned	Ski resort operations, including ski lifts, ski trails, golf course, clubhouse, buildings, commercial space and other improvements
Northstar California Resort, CA** (7,200 acres)	Leased**	Ski trails, ski lifts, golf course, commercial space, dining facilities, buildings and other improvements
Northstar Village, CA**	Leased**	Commercial space, ski resort operations, dining facilities, buildings, property management and other improvements
Park City Mountain Resort, UT (2,800 acres)	Leased*	Ski trails, ski lifts, dining facilities, buildings and other improvements
Park City Mountain Resort, UT (220 acres)	Owned	Ski trails, ski lifts, dining facilities, commercial space, buildings, real estate held for sale or development, and other improvements
Perisher Ski Resort, NSW, Australia (3,335 acres)	Owned/Leased/Licensed***	Ski trails, ski lifts, dining facilities, commercial space, railway, buildings, lodging, conference facilities and other improvements
Red Cliffs Lodge, CA	Leased	Dining facilities, ski resort operations, commercial space, administrative offices
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, commercial space
SSI Venture, LLC (“VRR”) Properties; CO, CA, NV, UT, MN & WI	Owned/Leased	Approximately 185 retail stores (of which 118 stores are currently held under lease) for recreational products, and 4 leased warehouses
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

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The Tarnes at Beaver Creek, CO	31% Owned	Employee housing facilities
Tenderfoot Housing, CO	50% Owned	Employee housing facilities
The Pines Lodge at Beaver Creek, CO	Owned	Lodging, dining and conference facilities
The Village Hotel, Breckenridge, CO	Owned	Lodging, dining, conference facilities and commercial space
Vail Mountain, CO	Owned	Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management, commercial space and real estate held for sale or development
Vail Mountain, CO (12,353 acres)	SUP	Ski trails, ski lifts, buildings and other improvements

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

\* The operations of Canyons and portions of Park City are conducted pursuant to a long-term lease on land and with certain operating assets owned by Talisker. The lease provides for the payment of a minimum annual base rent with periodic increases in base rent over the lease term and participating contingent payments of a percentage of the amount by which EBITDA for resort operations exceeds certain thresholds, also subject to periodic increases over the lease term. The initial term of the lease expires in fiscal 2063 and is subject to six 50-year renewal options. Additionally, in connection with the lease, we entered into certain ancillary agreements with third parties, including leases and easements, allowing for various resort operations.

\*\* The operations of Northstar are conducted on land and with operating assets owned by affiliates of CNL Lifestyle Properties, Inc. under operating leases which were assumed by us. The leases provide for the payment of a minimum annual base rent with periodic increases in base rent over the lease term. In addition, the leases provide for the payment of percentage rent based on a percentage of gross revenues generated at the property over certain thresholds. The initial term of the leases expires in fiscal 2027, and is subject to three 10-year renewal options.

\*\*\*The operations of Perisher are conducted pursuant to a long-term lease and license of land and certain improvements owned by the government of New South Wales within Kosciuszko National Park pursuant to the National Parks and Wildlife Act of 1974. The lease and license provide for the payment of a minimum annual base rent with periodic increases in base rent over the term, turnover rent payments of a percentage of certain gross revenue, remittance of park user fees, and certain other charges, also subject to periodic increases over the term. The initial term of the lease and license expires in 2048 and is subject to one 20-year renewal option.

#### 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.

#### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## PART II

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

## Market Information and Dividend Policy

Our common stock is traded on the New York Stock Exchange under the symbol "MTN." As of September 23, 2015, 36,546,790 shares of common stock were outstanding, held by approximately 313 holders of record.

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

Quarter Ended	Market Price Per Share		Cash Dividends Declared Per Share
	High	Low	
Fiscal Year 2015			
July 31,	\$ 112.34	\$ 98.45	\$ 0.6225
April 30,	\$ 108.29	\$ 84.55	\$ 0.6225
January 31,	\$ 94.16	\$ 83.72	\$ 0.4150
October 31,	\$ 89.99	\$ 73.94	\$ 0.4150
Fiscal Year 2014			
July 31,	\$ 79.47	\$ 64.61	\$ 0.4150
April 30,	\$ 73.08	\$ 64.47	\$ 0.4150
January 31,	\$ 76.90	\$ 67.24	\$ 0.2075
October 31,	\$ 73.11	\$ 65.10	\$ 0.2075

In fiscal 2011, our Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate of \$0.60 per share, subject to quarterly declaration. Since the initial commencement of a regular quarterly cash dividend, our Board of Directors has annually approved an increase to our cash dividend on our common stock and on March 11, 2015, our Board of Directors approved a 50% increase to our quarterly cash dividend to an annual rate of \$2.49 per share, subject to quarterly declaration. This dividend is anticipated to be funded through cash flow from operations and available cash on hand. Subject to the discretion of our Board of Directors, applicable law and contractual restrictions, we anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our available cash on hand, anticipated cash needs, overall financial condition, restrictions contained in our Credit Agreement, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

## Repurchase of Equity Securities

The Company did not repurchase any shares of common stock during the fourth quarter of Fiscal 2015. The share repurchase program is conducted under authorizations made from time to time by our Board of Directors. The Board of Directors initially authorized the repurchase of up to 3,000,000 shares of common stock (March 9, 2006), and later authorized additional repurchases of up to 3,000,000 additional shares (July 16, 2008). Since inception of this stock repurchase program through July 31, 2015, the Company has repurchased 4,949,111 shares at a cost of approximately \$193.2 million. As of July 31, 2015, 1,050,889 shares remained available to repurchase under the existing repurchase authorization. Repurchases under these authorizations may be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. These authorizations have no expiration date.





## Performance Graph

The total return graph above is presented for the period from the end of our 2010 fiscal year through the end of Fiscal 2015. 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, with dividends reinvested where applicable. We included the Dow Jones U.S. Travel and Leisure Index as we believe we compete in the travel and leisure industry.

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

## ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected historical consolidated financial data derived from our Consolidated Financial Statements for the periods indicated. The financial data for Fiscal 2015, the year ended July 31, 2014 (“Fiscal 2014”) and the year ended July 31, 2013 (“Fiscal 2013”) and as of July 31, 2015 and 2014 should be read in conjunction with the Consolidated Financial Statements, related notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Form 10-K. The table presented below is unaudited. The data presented below are in thousands, except for diluted net income per share attributable to Vail Resorts, Inc., cash dividends declared per share, effective ticket price (“ETP”), ADR and RevPAR amounts.

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	Year Ended July 31,				
	2015 <sup>(1)</sup>	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>
Statement of Operations Data:					
Net revenue:					
Mountain	\$1,104,029	\$963,573	\$867,514	\$766,608	\$752,191
Lodging	254,553	242,287	210,974	210,623	214,658
Real estate	41,342	48,786	42,309	47,163	200,197
Total net revenue	1,399,924	1,254,646	1,120,797	1,024,394	1,167,046
Segment operating expense:					
Mountain	777,147	712,785	639,706	568,578	540,366
Lodging	232,877	225,563	198,813	204,270	205,903
Real estate	48,408	55,826	58,090	63,170	205,232
Total segment operating expense	1,058,432	994,174	896,609	836,018	951,501
Depreciation and amortization	(149,123 )	(140,601 )	(132,688 )	(127,581 )	(117,957 )
Gain on sale of real property	151	—	6,675	—	—
Gain on litigation settlement	16,400	—	—	—	—
Change in fair value of contingent consideration	3,650	(1,400 )	—	—	—
Mountain equity investment income, net	822	1,262	891	878	1,342
Interest expense, net	(51,241 )	(63,997 )	(38,966 )	(33,586 )	(33,641 )
Loss on extinguishment of debt	(11,012 )	(10,831 )	—	—	(7,372 )
Income before provision for income taxes	149,328	44,072	59,229	27,092	55,520
Net income	114,610	28,206	37,610	16,391	34,422
Net loss attributable to noncontrolling interests	144	272	133	62	67
Net income attributable to Vail Resorts, Inc.	\$114,754	\$28,478	\$37,743	\$16,453	\$34,489
Diluted net income per share attributable to Vail Resorts, Inc.	\$3.07	\$0.77	\$1.03	\$0.45	\$0.94
Cash dividends declared per share	\$2.075	\$1.245	\$0.790	\$0.675	\$0.150
Other Data:					
Mountain					
Skier visits <sup>(2)</sup>	8,466	7,688	6,977	6,144	6,991
ETP <sup>(3)</sup>	\$63.37	\$58.18	\$56.02	\$55.75	\$48.99
Lodging					
ADR <sup>(4)</sup>	\$270.84	\$257.14	\$253.91	\$255.21	\$238.45
RevPAR <sup>(5)</sup>	\$112.67	\$100.57	\$91.76	\$88.68	\$91.43
Real Estate					
Real estate held for sale and investment <sup>(6)</sup>	\$129,825	\$157,858	\$195,230	\$237,668	\$273,663
Other Balance Sheet Data					
Cash and cash equivalents <sup>(7)</sup>	\$35,459	\$44,406	\$138,604	\$46,053	\$70,143
Total assets	\$2,489,621	\$2,173,849	\$2,308,297	\$1,927,614	\$1,946,236
Long-term debt (including long-term debt due within one year)	\$816,830	\$626,622	\$796,922	\$490,765	\$491,743
Net Debt <sup>(8)</sup>	\$781,371	\$582,216	\$658,318	\$444,712	\$421,600
Total Vail Resorts, Inc. stockholders' equity	\$866,568	\$820,843	\$823,868	\$802,311	\$829,723

(footnotes to selected financial data appear on following page)

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Footnotes to Selected Financial Data:

- We have made several acquisitions which impact comparability between years during the past five years. The more significant of those include: Perisher (acquired in June 2015); Park City (acquired in September 2014); Canyons transaction (entered into in May 2013); Urban ski areas (acquired in December 2012); Kirkwood (acquired in April 2012); Skiinfo (acquired February 2012); and, Northstar (acquired in October 2010).
- (1) A skier visit represents a person utilizing a ticket or pass to access a mountain resort or Urban ski area for any part of one day during a winter ski season, and includes both paid and complimentary access.
  - (2) ETP is calculated by dividing lift revenue by total skier visits during the respective periods.  
ADR is calculated by dividing total room revenue (includes both owned room and managed condominium unit revenue) by the number of occupied rooms during the respective periods. ADR for all years presented above have been adjusted to exclude resort fee revenue from total room revenue for the calculation of ADR, as stipulated by the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.
  - (4) RevPAR is calculated by dividing total room revenue (includes both owned room and managed condominium unit revenue) by the number of rooms that are available to guests during the respective periods. RevPAR for all years presented above have been adjusted to exclude resort fee revenue from total room revenue for the calculation of RevPAR, as stipulated by the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.
  - (5) Real estate held for sale and investment includes all land, development costs and other improvements associated with real estate held for sale and investment.
  - (6) Cash and cash equivalents exclude restricted cash.
  - (7) Net Debt is defined as long-term debt plus long-term debt due within one year less cash and cash equivalents.
  - (8)

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

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

Management's Discussion and Analysis includes discussion of financial performance within each of our segments. We have chosen to specifically include Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment income or loss, plus gain on litigation settlement 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. The Mountain, Lodging and Real Estate segments represented approximately 79%, 18% and 3%, respectively, of our net revenue for Fiscal 2015.

Mountain Segment

During Fiscal 2015 the Mountain segment was comprised of the operations of ten mountain resort properties at the Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado ("Colorado" resorts); the Park City (acquired in September 2014) and Canyons (transaction entered into in May 2013) mountain resorts in Park City, Utah ("Utah" resorts); the Heavenly, Northstar and Kirkwood mountain resorts in the Lake Tahoe area of California and Nevada ("Tahoe" resorts); Perisher Ski resort ("Perisher" acquired in June 2015) in New South Wales, Australia; and, the ski areas of Afton Alps in Minnesota and Mount Brighton in Michigan (both acquired in December 2012) ("Urban" ski areas); as well as ancillary services, primarily including ski school, dining, retail/rental operations, and for Perisher also lodging and transportation operations. Our mountain resorts located in the U.S. were open for business for the 2014/2015 ski season primarily 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 49%, 46% and 45% of Mountain segment net revenue for Fiscal 2015, Fiscal 2014 and Fiscal 2013, respectively.

Lift 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 to our U.S. mountain resorts is divided into two primary categories: (1) out-of-state and international ("Destination") guests and (2) in-state and local ("In-State") guests. For the 2014/2015 ski season, Destination guests

comprised approximately 59% of our mountain resort skier visits, while In-State guests comprised approximately 41% of our mountain resort skier visits, which compares to approximately 56% and 44%, respectively for the 2013/2014 and 2012/2013 ski seasons.

Destination guests generally purchase our higher-priced lift ticket products and utilize more ancillary services such as ski school, dining and retail/rental, as well as lodging at or around our mountain resorts. Destination guest visitation is less likely to be impacted by changes in the weather, but can be more impacted by adverse economic conditions or the global geopolitical climate. In-State guests tend to be more value-oriented and weather sensitive. We offer a variety of season pass products for

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all of our mountain resorts and Urban ski areas, marketed towards both Destination and In-State guests. Our season pass product offerings range from providing access to one or a combination of our mountain resorts and Urban ski areas to our Epic Season Pass, which allows pass holders unlimited and unrestricted access to all of our mountain resorts and Urban ski areas. Our season pass program provides a compelling value proposition to our guests, which in turn assists us in developing a loyal base of customers who commit to ski at our mountain resorts and Urban ski areas generally in advance of the ski season and typically ski more days each season at our mountain resorts and Urban ski areas than those guests who do not buy season passes. As such, our season pass program drives strong customer loyalty; mitigates exposure to more weather sensitive guests; and, generates additional ancillary spending. In addition, our season pass program attracts new guests to our mountain resorts and Urban ski areas. All of our season pass products, including the Epic Pass, are predominately sold 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 Fiscal 2015, Fiscal 2014 and Fiscal 2013, approximately 40%, 40% and 38%, respectively, of total lift revenue was derived from season pass revenue.

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

#### Lodging Segment

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

The performance of lodging properties (including managed condominium units) proximate to our mountain resorts, and CME, is closely aligned with the performance of the Mountain segment and generally experiences similar seasonal trends, particularly with respect to visitation by Destination guests, and represented approximately 70%, 71% and 67% of Lodging segment net revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) for Fiscal 2015, Fiscal 2014 and Fiscal 2013, respectively. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursements and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense have no effect on our Lodging Reported EBITDA which we use to evaluate Lodging segment performance. Revenue of the Lodging segment during our first and fourth fiscal quarters is generated primarily by the operations of our NPS concessionaire properties (as their operating season generally occurs from June to the end of September); mountain resort golf operations and seasonally low operations from our other owned and managed properties and businesses.

#### Real Estate Segment

The principal activities of our Real Estate segment include the marketing and selling of remaining condominium units that are available for sale, which primarily relate to The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge; planning for future real estate development projects, including zoning and acquisition of applicable permits; and, the occasional purchase of selected strategic land parcels for future development, as well as the sale of land parcels to third-party developers. Revenue from vertical development projects is not recognized until closing of individual units within a project, which occurs after substantial completion of the project. 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. We continue undertaking preliminary planning and design work on future projects and are pursuing opportunities with third-party developers rather than undertaking our own significant vertical development projects. We believe that, due to our low carrying cost of real estate land investments, we are well situated to promote future projects with third-party developers while limiting our financial risk. Our revenue from the Real Estate segment, and associated expense, can fluctuate significantly based upon the timing of closings and the type of real estate being sold, causing volatility in the Real Estate segment's operating results from period to period.

Recent Trends, Risks and Uncertainties

We have identified the following important factors (as well as uncertainties associated with such factors) that could impact our future financial performance:

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 ski season resulting in a more stabilized stream of lift revenue. Additionally, our season pass products provide a compelling value proposition to our guests, which in turn creates a

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guest commitment predominantly prior to the start of the ski season. In March 2015, we began our pre-season pass sales program for the 2015/2016 ski season. Through September 20, 2015, pre-season pass sales for the upcoming 2015/2016 ski season have increased approximately 16% in units and increased approximately 22% in sales dollars, compared to the prior year period ended September 21, 2014, excluding pass sales at Perisher. We cannot predict if this favorable trend will continue through the fall 2015 pass sales campaign, nor can we predict the overall impact that season pass sales will have on lift revenue for the 2015/2016 ski season.

In Fiscal 2015, our lift revenue was favorably impacted by price increases at our mountain resorts that were implemented for the 2014/2015 ski season. Prices for the 2015/2016 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.

Our Fiscal 2015 results for our Mountain and Lodging segments showed strong improvement over Fiscal 2014 largely due to strong pass sales growth for the 2014/2015 ski season, an increase in overall visitation at our Colorado resorts, and improved ancillary guest spend in our ski school, dining and retail/rental operations, as well as the addition of Park City and Perisher. However, our Fiscal 2015 results were negatively impacted by very poor conditions in the Tahoe region during the 2014/2015 ski season. We cannot predict whether snowfall levels will return to historical averages at our Tahoe resorts or that our Colorado and Utah resorts will experience normal snowfall conditions for the upcoming 2015/2016 ski season nor can we estimate the impact there may be to advance bookings, guest travel, season pass sales, lift revenue (excluding season passes), retail/rental sales or other ancillary services revenue next ski season as a result of past snowfall conditions.

Although many key economic indicators have improved including stronger consumer confidence and declines in the unemployment rate, the growth in the U.S. economy may be challenged by declining or slowing growth in many economies outside of the U.S., accompanied by devaluation of currencies and, lower commodity prices. Given these economic trends and uncertainties, we cannot predict what the impact will be on overall travel and leisure spending or more specifically, on our guest visitation, guest spending or other related trends for the upcoming 2015/2016 ski season.

In May 2013, we entered into a long-term lease with Talisker Corporation (“Talisker”) under which we assumed resort operations of Canyons, which includes the ski area and related amenities. In addition to the lease, we entered into ancillary transaction documents setting forth our rights related to, among other things, the litigation between the then current operator of Park City and Talisker concerning the validity of a lease of the Talisker-owned land under the ski terrain of Park City (excluding the base area). On September 11, 2014, we entered into a Purchase and Sale Agreement (the “Park City Purchase Agreement”) providing for the acquisition of substantially all of the assets related to Park City. Pursuant to the Park City Purchase Agreement and ancillary transaction documents dated the same date, we assumed resort operations of Park City. In addition, the parties entered into ancillary transaction documents, including an agreement that settled all litigation related to the validity of the lease of the Talisker-owned land. In connection with settling the litigation, we recorded a non-cash gain of \$16.4 million during Fiscal 2015, based upon the estimated fair value of the settlement. We expect that Park City will significantly contribute to our results of operations; however, we cannot predict whether we will realize all of the synergies expected from the operations of our Utah resorts nor can we predict all the resources required to integrate Park City operations and the ultimate impact our Utah resorts will have on our future results of operations.

On March 30, 2015, we entered into a Purchase and Sale Agreement (the “Perisher Purchase Agreement”) with Murray Publishers Pty Ltd, Consolidated Press Holdings Pty Limited, Transfield Corporate Pty Limited and Transfield Pty Limited (collectively, “Perisher Sellers”) providing for the acquisition of the entities that operate Perisher in New South Wales, Australia. On June 30, 2015, we closed on the acquisition of Perisher, for total cash consideration of AU\$176.2 million (approximately US\$134.8 million), excluding cash acquired and assumed working capital. The cash purchase price was funded through borrowings from the revolving portion of our senior credit facility, the Seventh Amended and Restated Credit Agreement (the “Credit Agreement”). We expect that Perisher will positively contribute to our results of operations with its peak operating season occurring during our first and fourth fiscal quarters. However, we cannot predict whether we will realize all of the synergies expected from the operations of Perisher and the ultimate impact Perisher will have on our future results of operations.

The estimated fair values of assets acquired and liabilities assumed in the Perisher acquisition are preliminary and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. We believe that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but we are obtaining additional information necessary to finalize those fair values. Therefore, the preliminary measurements of fair value reflected within the Consolidated Balance Sheets as of July 31, 2015 are subject to change.

As of July 31, 2015, we had \$35.5 million in cash and cash equivalents, as well as \$141.8 million available under the revolver component of our Credit Agreement (which represents the total commitment of \$400.0 million less outstanding borrowing of \$185.0 million and certain letters of credit outstanding of \$73.2 million). The outstanding borrowings under the revolver component of our Credit Agreement are primarily a result of funding the cash purchase price of AU\$176.2 million (approximately US\$134.8 million), excluding cash acquired, for our acquisition of Perisher. In addition, the cash purchase price of \$182.5 million for our acquisition of Park City in September 2014 was funded through borrowings under the revolver portion of our senior credit facility, the Sixth Amended and Restated Credit Agreement (the "Prior Credit Agreement") which was repaid during Fiscal 2015 through cash flow generated from operating activities. In May 2015, we redeemed the outstanding \$215.0 million aggregate principal amount of 6.50% Senior Subordinated Notes due 2019 ("6.50% Notes") and the \$41.2 million aggregate principal amount of 6.95% Eagle County Industrial Development Bonds ("Industrial Development Bonds"). Upon completion of the redemptions, no amounts of the 6.50% Notes or Industrial Development Bonds remain outstanding as of July 31, 2015. Additionally, we amended our Prior Credit Agreement to, among other items, provide for a \$250.0 million term loan facility due May 2020, which borrowings from the term loan facility were used to fund the redemptions. We believe that the terms of our Credit Agreement allow for sufficient flexibility in our ability to make future acquisitions, investments, distributions to stockholders and incur additional debt. This, combined with the continued positive cash flow from operating activities of our Mountain and Lodging segments less resort capital expenditures, has and is anticipated to continue to provide us with significant liquidity. We believe our liquidity will allow us to consider strategic investments and other forms of returning value to our stockholders including the continued payment of a quarterly cash dividend.

Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on condominium units available for sale, which determines when revenue and associated cost of sales is recognized. Changes to the anticipated timing or mix of closing on one or more real estate projects, or unit closings within a real estate project, could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. As of July 31, 2015, we had nine units (of which two units sold subsequent to July 31, 2015) at The Ritz-Carlton Residences, Vail and four units at One Ski Hill Place in Breckenridge available for sale with a remaining book value of approximately \$28.0 million for both projects as of July 31, 2015. We cannot predict the ultimate number of units that we will sell, the ultimate price we will receive, or when the units will sell, although we currently anticipate the selling process will take less than two years to complete assuming continued stability in resort real estate markets.

In accordance with GAAP, we test goodwill and indefinite-lived intangible assets for impairment annually, as well as on an interim basis to the extent factors or indicators become apparent that could reduce the fair value of our reporting units or indefinite-lived intangible assets below book value. We also evaluate long-lived assets (including real estate held for sale) for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the recoverability of our goodwill by estimating the future discounted cash flows of our reporting units and terminal values of the businesses using projected future levels of income, as well as business trends, prospects and market and economic conditions. We evaluate the recoverability of indefinite-lived intangible assets using the income approach based upon estimated future revenue streams, and we evaluate long-lived assets based upon estimated undiscounted future cash flows. Our Fiscal 2015 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 lower than projected levels of cash flows were to occur due to prolonged abnormal weather conditions or a prolonged weakness in general economic conditions, among other risks, it could cause less than expected growth and/or a reduction in terminal values and cash flows and could result in an impairment charge attributable to certain goodwill, indefinite-lived intangible assets and/or long-lived assets, negatively impacting our results of operations and stockholders' equity.

Results of Operations

Summary

Shown below is a summary of operating results for Fiscal 2015, Fiscal 2014 and Fiscal 2013 (in thousands):

	Year Ended July 31,			
	2015	2014	2013	
Mountain Reported EBITDA	\$344,104	\$252,050	\$228,699	
Lodging Reported EBITDA	21,676	16,724	12,161	
Resort Reported EBITDA	365,780	268,774	240,860	
Real Estate Reported EBITDA	(6,915	) (7,040	) (9,106	)
Income before provision for income taxes	149,328	44,072	59,229	
Net income attributable to Vail Resorts, Inc.	\$114,754	\$28,478	\$37,743	

## Mountain Segment

Mountain segment operating results for Fiscal 2015, Fiscal 2014 and Fiscal 2013 are presented by category as follows (in thousands, except ETP):

	Year Ended July 31,			Percentage Increase/(Decrease)		
	2015	2014	2013	2015/2014	2014/2013	
Net Mountain revenue:						
Lift	\$536,458	\$447,271	\$390,820	19.9	%	14.4 %
Ski school	126,206	109,442	95,254	15.3	%	14.9 %
Dining	101,010	89,892	81,175	12.4	%	10.7 %
Retail/rental	219,153	210,387	199,418	4.2	%	5.5 %
Other	121,202	106,581	100,847	13.7	%	5.7 %
Total Mountain net revenue	\$1,104,029	\$963,573	\$867,514	14.6	%	11.1 %
Mountain operating expense:						
Labor and labor-related benefits	\$291,582	\$266,411	\$243,208	9.4	%	9.5 %
Retail cost of sales	87,817	88,291	88,500	(0.5)	)%	(0.2) %
Resort related fees	59,685	49,168	42,020	21.4	%	17.0 %
General and administrative	143,772	125,678	109,181	14.4	%	15.1 %
Other	194,291	183,237	156,797	6.0	%	16.9 %
Total Mountain operating expense	\$777,147	\$712,785	\$639,706	9.0	%	11.4 %
Gain on litigation settlement	16,400	—	—	nm		nm
Mountain equity investment income, net	822	1,262	891	(34.9)	)%	41.6 %
Mountain Reported EBITDA	\$344,104	\$252,050	\$228,699	36.5	%	10.2 %
Total skier visits	8,466	7,688	6,977	10.1	%	10.2 %
ETP	\$63.37	\$58.18	\$56.02	8.9	%	3.9 %

Certain Mountain segment operating expenses presented above for Fiscal 2014 and Fiscal 2013 have been reclassified to conform to Fiscal 2015 presentation.

Mountain Reported EBITDA includes \$11.8 million, \$10.3 million and \$9.0 million of stock-based compensation expense for Fiscal 2015, Fiscal 2014 and Fiscal 2013, respectively.

Fiscal 2015 compared to Fiscal 2014

Fiscal 2015 results reflect an increase in Mountain net revenue of \$140.5 million, or 14.6%, compared to Fiscal 2014. This increase was primarily driven by strong pass sales growth for the 2014/2015 ski season, improved results at our Colorado resorts, which recorded increases in overall visitation, ancillary guest spend and yields for ski school, dining and retail/rental operations, as well as the addition of Park City (acquired September 2014) and Perisher (acquired June 2015). Perisher provided \$7.4 million of incremental EBITDA, which includes \$5.7 million of transaction, duties and transition costs, from one month of peak season operations. Additionally, Mountain Reported EBITDA for Fiscal 2015 was also positively impacted by the \$16.4 million non-cash gain on the Park City litigation settlement. The non-cash gain on the Park City litigation represents the estimated fair value of the settlement, which we obtained the right to in the Canyons transaction, from the Canyons transaction date of May 29, 2013 to the Park City acquisition date. However, our results were negatively impacted by a challenging ski season for our Tahoe resorts, which experienced unseasonably warm temperatures and very low snowfall levels during the 2014/2015 ski season, adversely impacting skier visitation and guest spending. These poor conditions in the Tahoe region resulted in a 16.4% decline in overall skier visitation at our Tahoe resorts for the 2014/2015 ski season compared to the prior year, which also was impacted by challenging conditions.

Lift revenue increased \$89.2 million, or 19.9%, from the prior year, resulting from a \$49.2 million, or 18.2%, increase in lift revenue excluding season pass revenue, as well as a \$40.0 million, or 22.6%, increase in season pass revenue. The increase in

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lift revenue excluding season pass revenue was driven by an increase in ETP excluding season pass holders of 7.2%, along with incremental revenue of \$29.4 million from Park City and \$9.0 million from Perisher, partially offset by lower lift revenue excluding season pass revenue at our Tahoe resorts, resulting from a decline in visitation excluding season pass holders. The increase in season pass revenue was driven by a combination of both an increase in units sold and pricing, along with incremental Perisher season pass revenue of \$2.9 million. Total ETP increased \$5.19, or 8.9%, due primarily to a combination of price increases in both lift ticket products and season pass products and lower average visitation by season pass holders during the 2014/2015 ski season, compared to the same period in the prior year.

Ski school revenue increased \$16.8 million, or 15.3%, for Fiscal 2015 compared to Fiscal 2014, with ski school revenue at our Colorado resorts increasing \$5.5 million, or 6.4%, primarily driven by an increase in yield per skier visit; incremental revenue of \$9.1 million and \$2.7 million from Park City and Perisher, respectively; partially offset by declines in ski school revenue of \$1.1 million, or 7.0%, at our Tahoe resorts, driven by a decline in skier visitation as discussed above.

Dining revenue increased \$11.1 million, or 12.4%, for Fiscal 2015 compared to Fiscal 2014, and was primarily attributable to our Colorado resorts generating a \$4.2 million, or 6.7%, increase in revenue driven by higher yields per skier visit and improved summer visitation; as well as incremental revenue from Park City of \$5.7 million and Perisher of \$1.9 million; partially offset by declines in dining revenue at our Tahoe resorts of \$0.7 million, or 3.8%, primarily driven by decreased skier visitation.

Retail/rental revenue increased \$8.8 million, or 4.2%, for Fiscal 2015 compared to Fiscal 2014 due to an increase in rental revenue of \$5.9 million, or 10.7%, and an increase in retail sales of \$2.9 million, or 1.8%. The increase in rental revenue was largely driven by stores in Colorado and the addition of Park City of \$1.8 million and Perisher of \$1.4 million. Retail revenue was favorably impacted by an increase in sales volume at our stores in Colorado (including strong sales at pre-ski season sales events) and incremental revenue from Park City of \$1.5 million and Perisher of \$0.6 million. The increases in retail sales were partially offset by the elimination of on-line retail sales in Fiscal 2015 due to the shut down of our on-line retail platform in Fiscal 2014 and declines in sales volume at stores proximate to our Tahoe resorts.

Other revenue mainly consists of summer visitation and mountain activities revenue, employee housing revenue, guest services revenue, commercial leasing revenue, marketing and internet advertising revenue, private club revenue (which includes both club dues and amortization of initiation fees), municipal services revenue and other recreation activity revenue. Other revenue also is comprised of Perisher lodging and transportation revenue. For Fiscal 2015, other revenue increased \$14.6 million, or 13.7%, compared to Fiscal 2014, primarily due to increases in summer activities revenue and municipal services revenue, as well as incremental revenue of \$5.3 million from Park City and \$3.3 million from Perisher.

Operating expense for Fiscal 2015 increased \$64.4 million, or 9.0%, compared to Fiscal 2014, which includes incremental operating expense from Park City of \$38.5 million (including current year Park City litigation, integration and transaction costs of \$5.5 million) and incremental operating expense from Perisher of \$14.4 million (including transaction, duties and transition costs of \$5.7 million). Operating expense in the prior year included \$9.8 million of Canyons integration and Park City litigation related expenses. Excluding Park City and Perisher related expenses and Canyons integration expense, operating expense increased \$21.3 million, or 3.0%. Labor and labor-related benefits (excluding Park City and Perisher) increased \$7.0 million, or 2.6%, primarily due to normal wage adjustments. Retail cost of sales decreased \$0.5 million, or 0.5%, as a result of improvement in the gross profit margin percentage at our retail outlets combined with no on-line retail sales in Fiscal 2015 due to the shutdown of our on-line retail platform in Fiscal 2014 (as discussed above), which had associated lower gross profit margins. Resort related fees (excluding Park City and Perisher) increased \$4.8 million, or 9.8%, due to overall increases in revenue upon which those fees are based. General and administrative expense (excluding Park City and Perisher) increased \$13.9 million, or 11.0%, primarily due to higher Mountain segment component of allocated corporate costs including increased information and technology expense, increased sales and marketing expense, increased human resources expense and increased legal costs. Other expense (excluding expenses related to Park City and Perisher, and Canyons integration expense) decreased \$2.7 million, or 1.5%, primarily due to lower fuel and supplies expense, partially offset by higher operating

expenses including food and beverage cost of sales commensurate with increased dining revenue.

Mountain equity investment income, net primarily includes our share of income from the operations of a real estate brokerage joint venture. The decrease in equity investment income for Fiscal 2015 is primarily due to decreased commissions earned by the brokerage due to a lower level of real estate closures compared to Fiscal 2014.

Fiscal 2014 compared to Fiscal 2013

Fiscal 2014 results reflect an increase in Mountain net revenue of \$96.1 million, or 11.1%, compared to Fiscal 2013. This increase was primarily driven by strong pass sales growth for the 2013/2014 ski season, improved results for our Colorado resorts compared to Fiscal 2013, including particularly strong results in the spring break holiday time periods, which resulted in



an increase in visitation of 8.4% for the 2013/2014 ski season compared to the 2012/2013 ski season, combined with an improvement in yields per skier visit in ancillary guest spend in ski school, dining and retail/rental operations at our Colorado resorts and the addition of Canyons (transaction entered into in May 2013). However, our results were negatively impacted by very poor conditions in the Tahoe region during the 2013/2014 ski season. These challenging conditions resulted in a decrease in skier visitation at our Tahoe resorts of 16.2% for the 2013/2014 ski season compared to the 2012/2013 ski season.

Lift revenue for Fiscal 2014 increased \$56.4 million, or 14.4%, compared to Fiscal 2013, resulting from a \$29.6 million, or 20.1%, increase in season pass revenue, as well as a \$26.8 million, or 11.1%, increase in lift revenue excluding season pass revenue. The increase in season pass revenue was driven by a combination of both an increase in units sold and pricing and was favorably impacted by our entry into the Utah ski market with the addition of Canyons and the first full season of pass sales in our Urban ski area markets. The increase in lift revenue excluding season pass revenue was driven by an increase in ETP excluding season pass holders of 7.5%, along with higher visitation excluding season pass holders at our Colorado resorts combined with incremental revenue of \$18.8 million from Canyons. These increases were partially offset by lower lift revenue excluding season pass revenue at our Tahoe resorts which was driven by a decline in visitation excluding season pass holders. Total ETP increased \$2.16, or 3.9%, due primarily to price increases in both our lead/window lift ticket products and season pass products, partially offset by a higher mix of season pass revenue which has a lower associated ETP.

Ski school revenue increased \$14.2 million, or 14.9%, for Fiscal 2014 compared to Fiscal 2013, with ski school revenue at our Colorado resorts increasing \$8.3 million, or 10.6%, and incremental revenue of \$7.1 million from Canyons, partially offset by declines in ski school revenue of \$1.5 million, or 8.6%, at our Tahoe resorts, driven by a decline in skier visitation as discussed above.

Dining revenue for Fiscal 2014 increased \$8.7 million, or 10.7%, compared to Fiscal 2013. This increase was primarily attributable to our Colorado resorts generating a \$6.6 million, or 11.6%, increase in revenue due to increased skier visitation, higher yields per skier visit and improved summer visitation. Additionally, dining revenue was favorably impacted by incremental dining revenue of \$4.5 million at Canyons. Dining revenue at our Tahoe resorts decreased \$4.1 million, or 18.0%, compared to Fiscal 2013 driven by the decrease in skier visitation and fewer on-mountain locations being open during the first half of the 2013/2014 ski season due to limited available ski terrain combined with reduced operations for on-mountain locations during the second half of the 2013/2014 ski season as a result of lower volumes.

Retail/rental revenue increased \$11.0 million, or 5.5%, for Fiscal 2014 compared to Fiscal 2013 as we experienced an increase in both retail sales of \$5.5 million, or 3.6%, and rental revenue of \$5.5 million, or 11.4%. The increase in retail sales was driven by an increase in sales volume at stores proximate to our Colorado resorts, as well as our Colorado front range stores, incremental retail sales generated by Hoigaard's (our mid-west retailer acquired in April 2013) and the addition of Canyons and Urban ski areas. These retail sales increases were partially offset by a decrease in on-line sales due to the shutdown of our on-line retail platform in Fiscal 2014 as we transition to a different approach to on-line sales, and lower sales at stores proximate to our Tahoe resorts and Any Mountain stores located in the San Francisco Bay Area, which were impacted by the poor snowfall in the Tahoe region during the 2013/2014 ski season. The increase in rental revenue was primarily driven by stores proximate to our Colorado resorts, which experienced higher volumes due to increased skier visitation and the addition of Canyons and Urban ski areas, partially offset by revenue declines at stores proximate to our Tahoe resorts and Any Mountain stores, which were negatively impacted by poor snowfall as previously discussed.

Other revenue mainly consists of summer visitation and other mountain activities revenue, employee housing revenue, guest services revenue, commercial leasing revenue, marketing and internet advertising revenue, private club revenue (which includes both club dues and amortization of initiation fees), municipal services revenue and other recreation activity revenue. For Fiscal 2014, other revenue increased \$5.7 million, or 5.7%, compared to Fiscal 2013, primarily due to incremental revenue from Canyons of \$1.7 million, as well as increases in summer activities revenue, guest services revenue, employee housing revenue and private club revenue, partially offset by declines in marketing and internet advertising revenue.

Operating expense for Fiscal 2014 increased \$73.1 million, or 11.4%, compared to Fiscal 2013, which includes incremental operating expense from Canyons of \$36.8 million (including Fiscal 2014 Canyons transaction, integration and Park City litigation expense of \$9.8 million, net of Fiscal 2013 Canyons transaction and integration expense of \$5.5 million). Excluding these expenses, operating expense increased \$36.3 million, or 5.7%. Labor and labor-related benefits (excluding Canyons) increased \$8.9 million, or 3.7%, primarily due to normal wage adjustments, higher bonus expense, higher employee medical costs and increased staffing levels at our Colorado resorts to support higher volumes primarily in mountain operations, ski school, on-mountain dining, summer operations and higher store labor primarily due to new retail stores in Fiscal 2014. Resort related fees (excluding Canyons) increased \$4.3 million, or 10.3%, due to overall increases in revenue upon which those fees are based. General and administrative expense (excluding Canyons) increased \$10.5 million, or 9.7%, primarily due to higher Mountain segment component of allocated corporate costs including increased sales and marketing expense. Other expense (excluding Canyons operating, transaction, integration and Park City litigation expenses from both Fiscal 2014 and 2013)

increased \$14.3 million, or 9.4%, which was driven by higher operating expenses including food and beverage cost of sales, supplies expense and utilities expense. Additionally, retail cost of sales decreased \$1.7 million, or 1.9%, compared to an increase in retail sales of \$5.5 million, or 3.6%, as a result of improvement in the gross profit margin percentage at our retail outlets combined with a decline in on-line sales due to the shutdown of our on-line retail platform (as discussed above) which had associated lower gross profit margins.

Mountain equity investment income, net primarily includes our share of income from the operations of a real estate brokerage joint venture. The increase in equity investment income for Fiscal 2014 is primarily due to increased commissions earned by the brokerage due to a higher level of real estate closures compared to Fiscal 2013.

#### Lodging Segment

Lodging segment operating results for Fiscal 2015, Fiscal 2014 and Fiscal 2013 are presented by category as follows (in thousands, except ADR and RevPAR):

	Year Ended July 31,			Percentage Increase/(Decrease)		
	2015	2014	2013	2015/2014	2014/2013	
<b>Lodging net revenue:</b>						
Owned hotel rooms	\$57,916	\$53,199	\$48,449	8.9	% 9.8	%
Managed condominium rooms	58,936	55,214	44,486	6.7	% 24.1	%
Dining	46,209	44,023	33,809	5.0	% 30.2	%
Transportation	23,079	22,006	19,602	4.9	% 12.3	%
Golf	16,340	15,410	15,237	6.0	% 1.1	%
Other	41,760	42,204	38,562	(1.1)	)% 9.4	%
	244,240	232,056	200,145	5.3	% 15.9	%
Payroll cost reimbursements	10,313	10,231	10,829	0.8	% (5.5)	)%
Total Lodging net revenue	\$254,553	\$242,287	\$210,974	5.1	% 14.8	%
<b>Lodging operating expense:</b>						
Labor and labor-related benefits	\$110,168	\$105,504	\$93,840	4.4	% 12.4	%
General and administrative	32,481	30,022	25,573	8.2	% 17.4	%
Other	79,915	79,806	68,571	0.1	% 16.4	%
	222,564	215,332	187,984	3.4	% 14.5	%
Reimbursed payroll costs	10,313	10,231	10,829	0.8	% (5.5)	)%
Total Lodging operating expense	\$232,877	\$225,563	\$198,813	3.2	% 13.5	%
Lodging Reported EBITDA	\$21,676	\$16,724	\$12,161	29.6	% 37.5	%
<b>Owned hotel statistics:</b>						
ADR	\$216.76	\$205.59	\$198.34	5.4	% 3.7	%
RevPar	\$140.28	\$131.04	\$119.59	7.1	% 9.6	%
<b>Managed condominium statistics:</b>						
ADR	\$316.32	\$301.03	\$313.26	5.1	% (3.9)	)%
RevPar	\$101.19	\$88.60	\$79.29	14.2	% 11.7	%
<b>Owned hotel and managed condominium statistics (combined):</b>						
ADR	\$270.84	\$257.14	\$253.91	5.3	% 1.3	%
RevPar	\$112.67	\$100.57	\$91.76	12.0	% 9.6	%

Certain Lodging segment operating expenses presented above for Fiscal 2014 and Fiscal 2013 have been reclassified to conform to Fiscal 2015 presentation. In addition, the Lodging segment ADR and RevPAR statistics presented above for Fiscal 2014 and Fiscal 2013 have been adjusted to include the managed condominium rooms at Canyons

(assumed in May 2013), and

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exclude resort fee revenue from the calculations for ADR and RevPAR, as stipulated by the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.

Lodging Reported EBITDA includes \$2.6 million, \$2.2 million and \$1.9 million of stock-based compensation expense for Fiscal 2015, Fiscal 2014 and Fiscal 2013, respectively.

Fiscal 2015 compared to Fiscal 2014

Total Lodging net revenue (excluding payroll cost reimbursements) for Fiscal 2015 increased \$12.2 million, or 5.3%, as compared to Fiscal 2014, primarily due to an increase in transient guest visitation to our Colorado lodging properties due to increased skier visitation during the 2014/2015 ski season (discussed in the mountain section); an increase in revenue at our mountain properties from improved summer visitation; and, an increase in revenue at GTLC. Improved results at GTLC for Fiscal 2015 compared to Fiscal 2014 were primarily driven by increased occupancy, ADR and guest spending on ancillary activities and services during the fourth quarter of Fiscal 2015 combined with the improved results for the first quarter of Fiscal 2015 which were partially attributable to reduced operations for the first quarter of Fiscal 2014 due to the government shutdown in October 2013 and the early closure of the Colter Bay Marina in August 2013 due to low water levels.

Revenue from owned hotel rooms increased \$4.7 million, or 8.9%, for Fiscal 2015 compared to Fiscal 2014. Owned room revenue was positively impacted by GTLC and Flag Ranch, which revenue increased \$2.5 million, resulting from increased ADR and group visitation; and, an increase in revenue at our Colorado lodging properties, which revenue increased \$2.2 million, driven by an increase in transient guest visitation attributable to increased skier visits at our Colorado mountain resorts, improved summer visitation and an increase in ADR. Revenue from managed condominium rooms increased \$3.7 million, or 6.7%, for Fiscal 2015 compared to Fiscal 2014, and was attributable to an increase in transient guest visitation at our managed condominium rooms in Colorado due to increased skier visitation and increased summer visitation, and an increase in ADR.

Dining revenue for Fiscal 2015 increased \$2.2 million, or 5.0%, compared to Fiscal 2014, primarily due to increased dining revenue generated at GTLC, Flag Ranch and Canyons. Transportation revenue increased \$1.1 million, or 4.9%, for Fiscal 2015 compared to Fiscal 2014 primarily due to an increase in total passengers of 4.7%. Golf revenue increased \$0.9 million, or 6.0%, compared to Fiscal 2014 primarily due to incremental revenue from reimbursable expenses for managing the Canyons golf course beginning in the summer of 2015. Other revenue for Fiscal 2015 decreased \$0.4 million, or 1.1%, as compared to Fiscal 2014, primarily due to a decrease of revenue from conference services at Canyons and a decrease in other ancillary services revenue.

Operating expense (excluding reimbursed payroll costs) increased \$7.2 million, or 3.4%, for Fiscal 2015 compared to Fiscal 2014. Labor and labor-related benefits increased \$4.7 million, or 4.4%, resulting from normal wage adjustments, higher staffing levels associated with increased occupancy, and increased bonus expense. General and administrative expense increased \$2.5 million, or 8.2%, for Fiscal 2015 compared to Fiscal 2014 due to higher allocated corporate costs, including increased sales and marketing expense and information and technology expense. Other expense increased \$0.1 million, or 0.1%, for Fiscal 2015 compared with Fiscal 2014, primarily due to higher food and beverage cost of sales, partially offset by lower fuel costs.

Revenue from payroll cost reimbursements and the corresponding reimbursed payroll costs relates to payroll costs at managed hotel properties where we are the employer and all payroll costs are reimbursed by the owners of the properties under contractual arrangements. Since the reimbursements are made based upon the costs incurred with no added margin, the revenue and corresponding expense have no effect on our Lodging Reported EBITDA.

Fiscal 2014 compared to Fiscal 2013

Total Lodging net revenue (excluding payroll cost reimbursements) for Fiscal 2014 increased \$31.9 million, or 15.9%, as compared to Fiscal 2013, including \$16.3 million of incremental revenue from the addition of Canyons. Excluding the operations of Canyons, total Lodging net revenue (before payroll cost reimbursements) increased \$15.6 million, or 7.8%, primarily due to an increase in transient guest visitation to our Colorado lodging properties due to increased

skier visitation (discussed in the mountain section), an increase in revenue at our mountain resort properties from improved summer visitation and increased group business at our Colorado resort properties in Fiscal 2014 compared to Fiscal 2013.

Revenue from owned hotel rooms increased \$4.8 million, or 9.8%, for Fiscal 2014 compared to Fiscal 2013. Owned room revenue was primarily driven by an increase of \$3.7 million from our Colorado lodging properties, resulting from an increase in group business and an increase in transient guest visitation attributable to increased skier visits at our Colorado resorts during the 2013/2014 ski season compared to the 2012/2013 ski season and improved summer visitation at our Colorado resorts. In addition, owned hotel room revenue was favorably impacted by an increase in occupancy and ADR at GTLC in the fourth quarter of Fiscal 2014 compared to Fiscal 2013. Overall, owned occupancy increased by 3.4 percentage points and RevPAR increased 9.6%. Revenue from managed condominium rooms increased \$10.7 million, or 24.1%, for Fiscal 2014 compared to

Fiscal 2013, and was attributable to \$7.1 million of incremental revenue from managed condominium units at Canyons, an increase in transient guest visitation at our managed condominium rooms in Colorado due to increased skier visitation, as well as an increase in group business at our Colorado resort properties.

Dining revenue for Fiscal 2014 increased \$10.2 million, or 30.2%, compared to Fiscal 2013, primarily due to \$7.6 million in incremental Canyons dining revenue, as well as increased dining revenue from our Vail and Breckenridge mountain resort properties and an increase in group business at our Keystone resort. Transportation revenue increased \$2.4 million, or 12.3%, for Fiscal 2014 compared to Fiscal 2013 primarily due to an increase in total passengers of 15.1%. Other revenue for Fiscal 2014 increased \$3.6 million, or 9.4%, as compared to Fiscal 2013, primarily due to an increase in conference services provided to our group business at our Keystone resort and Canyons, increased spa revenue generated by our Colorado mountain properties and Canyons, increased employee housing revenue, an increase in revenue from our central reservations booking services, and increased retail and ancillary revenue from GTLC (during the fourth quarter of Fiscal 2014) and Canyons. These increases were partially offset by a decrease in ancillary revenue at GTLC during the first quarter of Fiscal 2014 due to the early closure in August 2013 of the Colter Bay Marina due to low water levels.

Operating expense (excluding reimbursed payroll costs) increased \$27.3 million, or 14.5%, for Fiscal 2014 compared to Fiscal 2013. Labor and labor-related benefits increased \$11.7 million, or 12.4%, resulting from incremental labor costs associated with the Canyons, normal wage adjustments, higher staffing levels associated with increased occupancy, and increased staffing for conference services provided to our group business. Other expense increased \$11.2 million, or 16.4%, primarily due to incremental expenses associated with Canyons, and higher variable operating costs including food and beverage cost of sales, repairs and maintenance, supplies, travel agent commissions and credit card fees. General and administrative expense increased \$4.4 million, or 17.4%, for Fiscal 2014 compared to Fiscal 2013 due to higher allocated corporate costs, including an increase in expenses from our central reservations booking services, and increased marketing and sales expenses.

Revenue from payroll cost reimbursements and the corresponding reimbursed payroll costs relates to payroll costs at managed hotel properties where we are the employer and all payroll costs are reimbursed by the owners of the properties under contractual arrangements. Since the reimbursements are made based upon the costs incurred with no added margin, the revenue and corresponding expense have no effect on our Lodging Reported EBITDA.

#### Real Estate Segment

Real Estate segment operating results for Fiscal 2015, Fiscal 2014 and Fiscal 2013 are presented by category as follows (in thousands):

	Year Ended July 31,			Percentage Increase/(Decrease)			
	2015	2014	2013	2015/2014	2014/2013		
Total Real Estate net revenue	\$41,342	\$48,786	\$42,309	(15.3	)%	15.3	%
Real Estate operating expense:							
Cost of sales (including sales commissions)	34,765	41,274	35,503	(15.8	)%	16.3	%
Other	13,643	14,552	22,587	(6.2	)%	(35.6	)%
Total Real Estate operating expense	48,408	55,826	58,090	(13.3	)%	(3.9	)%
Gain on sale of real property	151	—	6,675	nm		(100	)%
Real Estate Reported EBITDA	\$(6,915	) \$(7,040	) \$(9,106	) 1.8	%	22.7	%

Real Estate Reported EBITDA includes \$1.3 million, \$1.7 million and \$1.4 million of stock-based compensation expense for Fiscal 2015, Fiscal 2014 and Fiscal 2013, 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.

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#### Fiscal 2015

Real Estate segment net revenue for Fiscal 2015 was driven primarily by the closing of fourteen condominium units at One Ski Hill Place (\$17.1 million of revenue with an average selling price per unit of \$1.2 million and an average price per square foot of \$1,145) and five condominium units at The Ritz-Carlton Residences, Vail (\$13.7 million of revenue with an average selling price per unit of \$2.7 million and an average price per square foot of \$1,438). The average price per square foot for both projects is driven by their premier locations and the comprehensive and exclusive amenities related to these projects. Real Estate net revenue also included \$8.5 million of revenue from the sale of a development land parcel in Vail and \$0.6 million of rental revenue from placing unsold units into our rental program.

Operating expense for Fiscal 2015 included cost of sales of \$32.1 million primarily resulting from the closing of fourteen condominium units at One Ski Hill Place (average cost per square foot of \$927), five condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of \$1,129) and the sale of a development land parcel in Vail. The cost per square foot for the One Ski Hill Place and The Ritz-Carlton Residences, Vail projects is reflective of the high-end features and amenities and high construction costs associated with mountain resort development. Additionally, sales commissions of approximately \$2.1 million were incurred commensurate with revenue recognized. Other operating expense of \$13.6 million (including \$1.3 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate available for sale (including those units that have not yet closed), carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs.

#### Fiscal 2014

Real Estate segment net revenue for Fiscal 2014 was driven primarily by the closing of eight condominium units at The Ritz-Carlton Residences, Vail (\$32.7 million of revenue with an average selling price per unit of \$4.1 million and an average price per square foot of \$1,367) and eleven condominium units at One Ski Hill Place (\$13.9 million of revenue with an average selling price per unit of \$1.3 million and an average price per square foot of \$988). In addition, Real Estate net revenue included \$1.4 million of rental revenue from placing certain of our unsold units into our rental program.

Operating expense for Fiscal 2014 included cost of sales of \$38.5 million resulting from the closing of eight condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of \$1,120) and from the closing of eleven condominium units at One Ski Hill Place (average cost per square foot of \$831). Additionally, sales commissions of approximately \$2.6 million were incurred commensurate with revenue recognized. Other operating expense of \$14.6 million (including \$1.7 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate available for sale (including those units that have not yet closed), carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs. In addition, other segment operating expense includes \$3.8 million (recorded as a credit to other expense) for the recovery of project costs on previously sold units.

#### Fiscal 2013

Real Estate segment net revenue for Fiscal 2013 was driven primarily by the closing of ten condominium units at The Ritz-Carlton Residences, Vail (\$25.7 million of revenue with an average selling price per unit of \$2.6 million and an average price per square foot of \$1,195) and twelve condominium units at One Ski Hill Place (\$12.9 million of revenue with an average selling price per unit of \$1.1 million and an average price per square foot of \$924). Real Estate net revenue also included \$1.5 million of rental revenue from placing certain of our unsold units into our rental program. Additionally, during Fiscal 2013 we recorded a gain on sale of real property of \$6.7 million (net of \$4.4 million in related cost of sales) for a land parcel at the base of Breckenridge's Peak 8 which sold for \$11.1 million.

Operating expense for Fiscal 2013 included cost of sales of \$32.0 million resulting from the closing of ten condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of \$987) and from the closing of twelve condominium units at One Ski Hill Place (average cost per square foot of \$774). Additionally, sales commissions of approximately \$2.4 million were incurred commensurate with revenue recognized. Other operating expense of \$22.6 million (including \$1.4 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate available for sale (including those units that have not yet closed), carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs. In addition, included in other segment operating expense is a \$2.5 million charge recorded in the fourth quarter of Fiscal 2013 related to a legal dispute on a previously completed project.

## 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 both Fiscal 2015 and Fiscal 2014 increased over the applicable prior fiscal year primarily due to an increase in the fixed asset base due to incremental capital expenditures and assets assumed in acquisitions.

**Change in fair value of contingent consideration.** A gain of \$3.6 million was recorded during Fiscal 2015 related to a decrease in the estimated fair value of the participating contingent payments to Talisker under the lease for Canyons. Commensurate with the acquisition of Park City (September 2014), the fair value of contingent consideration includes the resort operations of Park City in the calculation of EBITDA on which participating contingent payments are made, and increases the EBITDA threshold before which participating contingent payments are made by 10% of the purchase price paid by the Company for Park City along with all future capital expenditures associated with Canyons, Park City or the combined resort. A change in fair value of contingent consideration of \$1.4 million was recorded as a charge in Fiscal 2014 and was related to an increase in the estimated fair value of the participating contingent payments to Talisker under the lease for Canyons. The estimated fair value of the contingent consideration was \$6.9 million and \$10.5 million as of July 31, 2015 and 2014, respectively.

**Loss on extinguishment of debt.** In May 2015, we redeemed the remaining \$215.0 million of our 6.50% Notes outstanding and the entire \$41.2 million of our Industrial Development Bonds outstanding. As a result, we recorded a loss on extinguishment of debt of \$11.0 million in Fiscal 2015 in connection with the redemptions. The loss included early redemption premiums of 3.25% for the 6.50% Notes and 4.00% for the Industrial Development Bonds, or \$8.6 million in total, and a \$2.4 million write-off of associated unamortized debt issuance costs. No amounts of the 6.50% Notes or Industrial Development Bonds remained outstanding as of July 31, 2015.

In Fiscal 2014 we redeemed \$175.0 million of our 6.50% Notes outstanding. As a result, we recorded a loss on extinguishment of debt of \$10.8 million in Fiscal 2014 in connection with the redemption. The loss included an early redemption premium of 4.875%, or \$8.5 million, for the portion of the principal redeemed, and a \$2.3 million write-off of associated unamortized debt issuance costs.

**Interest expense.** Interest expense for Fiscal 2015 decreased from Fiscal 2014 primarily due to the redemption of \$175.0 million of our 6.50% Notes outstanding in July 2014; redemption of the remaining \$215.0 million of our 6.50% Notes outstanding in May 2015; and, redemption of the entire \$41.2 million of our Industrial Development Bonds outstanding in May 2015; partially offset by interest expense on the borrowings incurred under the Credit Agreement to fund the Park City and Perisher acquisitions and the \$250.0 million term loan facility used to fund the redemption of the 6.50% Notes and Industrial Development Bonds in May 2015. Interest expense for Fiscal 2014 increased over Fiscal 2013 primarily due to \$25.3 million of incremental interest expense related to the Canyons obligation recorded in conjunction with the Canyons transaction entered into in May 2013.

**Income taxes.** Our effective tax rate was 23.2%, 36.0% and 36.5% in Fiscal 2015, Fiscal 2014 and Fiscal 2013, respectively. 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) and taxable income generated by state jurisdictions that varies from the consolidated pre-tax income. The income tax provision recorded for Fiscal 2015 reflects \$23.8 million of income tax benefits due to the reversal of income tax contingencies, including accrued interest and penalties, resulting from a settlement with the Internal Revenue Service ("IRS") on the utilization of certain net operating losses ("NOLs"), as discussed below.

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 of 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 reduced our Federal tax liability in the amount of \$19.6 million in subsequent tax returns. In 2006, the Internal Revenue Service ("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 disagreed 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. On July 1, 2011, the District Court granted us summary judgment, concluding that the IRS's decision disallowing the utilization of the NOLs was inappropriate. The District Court proceedings were stayed pending settlement discussions between the parties. We also filed two related tax proceedings in the United States Tax Court regarding calculation of NOL carryover deductions for tax years 2006, 2007 and 2008. The two proceedings involve substantially the same issues as the

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litigation in the District Court wherein we disagreed with the IRS as to the utilization of NOLs. The Tax Court proceedings were continued pending settlement discussions between the parties.

In January 2015, the parties completed the execution of a comprehensive settlement agreement resolving all issues and computations in the above mentioned pending proceedings, which allowed us to utilize a significant portion of the NOLs. As a result, we reversed \$27.7 million of other long-term liabilities related to uncertain tax benefits, and recorded income tax benefits of \$23.8 million for the utilization of the NOLs, including the reversal of accrued interest and penalties, within our Consolidated Statements of Operations for Fiscal 2015.

#### 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,		
	2015	2014	2013
Mountain Reported EBITDA	\$344,104	\$252,050	\$228,699
Lodging Reported EBITDA	21,676	16,724	12,161
Resort Reported EBITDA	365,780	268,774	240,860
Real Estate Reported EBITDA	(6,915)	(7,040)	(9,106)
Total Reported EBITDA	358,865	261,734	231,754
Depreciation and amortization	(149,123)	(140,601)	(132,688)
Loss on disposal of fixed assets and other, net	(2,057)	(1,208)	(1,222)
Change in fair value of contingent consideration	3,650	(1,400)	—
Investment income, net	246	375	351
Interest expense	(51,241)	(63,997)	(38,966)
Loss on extinguishment of debt	(11,012)	(10,831)	—
Income before provision for income taxes	149,328	44,072	59,229
Provision for income taxes	(34,718)	(15,866)	(21,619)
Net income	114,610	28,206	37,610
Net loss attributable to noncontrolling interests	144	272	133
Net income attributable to Vail Resorts, Inc.	\$114,754	\$28,478	\$37,743

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,	
	2015	2014
Long-term debt	\$806,676	\$625,600
Long-term debt due within one year	10,154	1,022
Total debt	816,830	626,622
Less: cash and cash equivalents	35,459	44,406
Net Debt	\$781,371	\$582,216

#### 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 quarter-ends primarily due to the seasonality of our Mountain segment operations. Additionally, cash provided by operating activities can be impacted by the timing or mix of closings on and investment in real estate development projects. We had \$35.5 million of cash and cash equivalents as

of July 31, 2015, compared to \$44.4 million

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as of July 31, 2014. We generated \$303.7 million of cash from operating activities during Fiscal 2015 compared to \$245.9 million and \$222.4 million generated during Fiscal 2014 and Fiscal 2013, respectively. We currently anticipate that our Mountain and Lodging segment operating results will continue to provide a significant source of future operating cash flows (primarily those generated in our second and third fiscal quarters) combined with proceeds from the sale of remaining inventory of real estate available for sale from the completed Ritz-Carlton Residences, Vail and One Ski Hill Place at Breckenridge projects, and occasional land sales.

In addition to our \$35.5 million of cash and cash equivalents at July 31, 2015, we have \$141.8 million available under our Credit Agreement (which represents the total commitment of \$400.0 million less outstanding borrowing of \$185.0 million and certain letters of credit outstanding of \$73.2 million). We believe the Credit Agreement, which matures in 2020, provides adequate flexibility and is priced favorably with any new borrowings currently being priced at LIBOR plus 1.25%.

#### Fiscal 2015 compared to Fiscal 2014

We generated \$303.7 million of cash from operating activities in Fiscal 2015, an increase of \$57.8 million when compared to the \$245.9 million of cash generated in Fiscal 2014. The increase in operating cash flows was primarily a result of improved Mountain (including Park City and Perisher) and Lodging segment operating results in Fiscal 2015 compared to Fiscal 2014, excluding the non-cash gain on litigation settlement of \$16.4 million recorded in Fiscal 2015; receipt of a \$12.5 million legal settlement during Fiscal 2015; and, lower interest payments of \$10.7 million primarily as a result from the pay-down and refinancing of our 6.50% Notes. These operating cash inflows were partially offset by a \$10.0 million Park City litigation payment to Talisker during Fiscal 2015 and a decrease in the growth of accounts payable. Additionally, we generated \$40.3 million in proceeds from real estate development project closings (net of sales commissions and deposits previously received) in Fiscal 2015 compared to \$42.9 million in proceeds (net of sales commissions and deposits previously received) from real estate development project closings that occurred in Fiscal 2014.

Cash used in investing activities increased by \$309.2 million in Fiscal 2015 compared to Fiscal 2014, due to the acquisition of Park City for \$182.5 million and Perisher for \$124.6 million (net of cash acquired) during Fiscal 2015 and a \$5.6 million increase in resort capital expenditures during Fiscal 2015 compared to Fiscal 2014, partially offset by cash received from the sale of real property.

Cash provided by financing activities increased \$337.5 million in Fiscal 2015 compared to Fiscal 2014, primarily due to \$185.0 million of net borrowings under the revolving portion of our credit facility to fund the Perisher acquisition and off-season Mountain and Lodging operations, the early redemption of \$175.0 million of principal under our 6.50% Notes in Fiscal 2014, an increase in the tax benefit realized for the exercise of stock appreciation rights and options of \$8.3 million and a decrease in payments for commitments in conjunction with the Canyons transaction of \$5.7 million. These net inflows were partially offset by an increase in the amount of cash dividends paid on our common stock of \$30.5 million during Fiscal 2015 compared to Fiscal 2014.

#### Fiscal 2014 compared to Fiscal 2013

We generated \$245.9 million of cash from operating activities in Fiscal 2014, an increase of \$23.5 million when compared to the \$222.4 million of cash generated in Fiscal 2013. The increase in operating cash flows was primarily a result of improved Mountain and Lodging segment operating results in Fiscal 2014 compared to Fiscal 2013. Additionally, we generated \$42.9 million in proceeds from real estate development project closings (net of sales commissions and deposits previously received) in Fiscal 2014 compared to \$37.4 million in proceeds (net of sales commissions and deposits previously received) from real estate development project closings that occurred in Fiscal 2013. Additionally impacting cash flow from operating activities in Fiscal 2014 compared to Fiscal 2013 was an income tax refund of \$6.8 million, payment of \$10.6 million for the early redemption tender premium plus accrued

interest on \$175.0 million of principal redeemed under our 6.5% Notes, and an increase in accounts receivable.

Cash used in investing activities increased by \$9.7 million in Fiscal 2014 compared to Fiscal 2013, primarily due to a \$23.4 million increase in resort capital expenditures during Fiscal 2014 compared to Fiscal 2013 and the cash receipt of \$11.1 million related to the sale of real estate development land at the base of Breckenridge's Peak 8 in Fiscal 2013, partially offset by the acquisition of the Urban ski areas for a combined \$20.0 million in Fiscal 2013 and a decrease in payments for commitments in conjunction with the Canyons transaction of \$4.2 million.

Cash used in financing activities increased \$200.4 million in Fiscal 2014 compared to Fiscal 2013, primarily due to the early redemption of \$175.0 million of principal under our 6.50% Notes in Fiscal 2014, an increase in the amount of cash dividends paid on our common stock of \$16.7 million during Fiscal 2014 compared to Fiscal 2013, payments for commitments in



conjunction with the Canyons transaction of \$5.7 million in Fiscal 2014, the payment of financing costs associated with the amended and restated Credit Agreement of \$2.0 million in Fiscal 2014, as well as a decrease in proceeds from the exercise of stock options of \$1.1 million in Fiscal 2014 compared to Fiscal 2013.

#### Significant Uses of Cash

Our cash uses include providing for working capital needs and capital expenditures for assets to be used in resort operations.

We have historically invested significant cash in capital expenditures for our resort operations, and we expect to continue to make significant investments in the future subject to operating performance particularly as it relates to discretionary projects. Current planned capital expenditures primarily include investments that will allow us to maintain our high quality standards, as well as certain incremental discretionary improvements at our mountain resorts and Urban ski areas 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 \$110 million to \$115 million in resort capital expenditures for calendar year 2015, which excludes any capital expenditures for new summer activities. This capital plan includes approximately \$50 million of capital expenditures for Park City and Canyons including the installation of an eight-passenger gondola connecting Park City and Canyons creating the largest ski resort by acreage in the United States, installing a new six-passenger high-speed chairlift and upgrading a fixed-grip triple chairlift to a four-passenger high-speed detachable chairlift, significantly expanding restaurant capacity with a new restaurant and renovations of existing on-mountain facilities and an expanded maintenance capital plan. Excluding investments in summer activities and the one-time \$50 million investment in Park City and Canyons, we expect to invest approximately \$60 million to \$65 million in ongoing maintenance capital expenditures and discretionary capital expenditures that include, among other projects, upgrading Vail Mountain's Avanti Chair (Chair 2) to a six-passenger high-speed chairlift, expanding the "refreshing" snowmaking system at Beaver Creek, adding new snowmaking on Peak 6 terrain at Breckenridge, renovating rooms at the Keystone Lodge, and investing in technology and marketing systems. In addition, we expect to spend approximately \$17 million on new summer activities related to our Epic Discovery program at Vail, Breckenridge and Heavenly. Approximately \$55 million was spent for capital expenditures in calendar year 2015 as of July 31, 2015, leaving approximately \$72 million to \$77 million to spend in the remainder of calendar year 2015. We currently plan to utilize cash on hand, borrowings available under our Credit Agreement and/or cash flow generated from future operations to provide the cash necessary to complete our capital plans.

Principal payments on the vast majority of our long-term debt (\$766.5 million of the total \$816.8 million debt outstanding as of July 31, 2015) are not due until fiscal 2020 and beyond. As of July 31, 2015 and 2014, total long-term debt (including long-term debt due within one year) was \$816.8 million and \$626.6 million, respectively. Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents) increased from \$582.2 million as of July 31, 2014 to \$781.4 million as of July 31, 2015, primarily due to borrowings under the revolving portion of senior credit facility to fund the Perisher acquisition.

Our debt service requirements can be impacted by changing interest rates as we had \$487.6 million of variable-rate debt outstanding as of July 31, 2015. A 100-basis point change in LIBOR would cause our annual interest payments to change by approximately \$4.9 million. Additionally, the annual payments associated with the financing of the Canyons transaction increase by the greater of CPI less 1%, or 2%. The fluctuation in our debt service requirements, in addition to interest rate and inflation changes, may be impacted by future borrowings under our Credit Agreement or other alternative financing arrangements we may enter into. Our long term liquidity needs depend upon operating results that impact the borrowing capacity under the Credit Agreement, 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 share repurchase program is conducted under authorizations made from time to time by our Board of Directors. The Board of Directors initially authorized the repurchase of up to 3,000,000 shares of common stock (March 9, 2006) and later authorized additional repurchases of up to 3,000,000 additional shares (July 16, 2008). During the year ended

July 31, 2015, we did not repurchase any shares of common stock. Since inception of this stock repurchase program through July 31, 2015, we have repurchased 4,949,111 shares at a cost of approximately \$193.2 million. As of July 31, 2015, 1,050,889 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 the Company's employee share award plan. Repurchases under these authorizations 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 Credit Agreement, prevailing prices of our common stock and the number of shares that become available for sale at prices that we believe are attractive. These authorizations have no expiration date.

In fiscal 2011, our Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate of \$0.60 per share, subject to quarterly declaration. Since the initial commencement of a regular quarterly cash dividend, our Board of Directors has annually approved an increase to our cash dividend on our common stock and on March 11, 2015, our Board of Directors approved a 50% increase to our quarterly cash dividend to \$0.6225 per share (or approximately \$22.7 million quarterly based upon shares outstanding as of July 31, 2015). For the year ended July 31, 2015, we paid cash dividends of \$2.075 per share (\$75.5 million in the aggregate). Our dividends were funded through available cash on hand and borrowing under the revolving portion of our senior credit facility. Subject to the discretion of our Board of Directors, applicable law and contractual restrictions, we anticipate paying regular quarterly cash dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our available cash on hand, anticipated cash needs, overall financial condition, restrictions contained in our Credit Agreement, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

#### Covenants and Limitations

We must abide by certain restrictive financial covenants under our Credit Agreement. The most restrictive of those covenants include the following Credit Agreement covenants: Net Funded Debt to Adjusted EBITDA ratio and the Interest Coverage ratio (each as defined in the Credit Agreement). In addition, our Credit Agreement limits 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 Agreement 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, 2015. We expect that we will continue to 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, 2016. However, there can be no assurance that we will continue to meet such financial covenants. If such covenants are not met, we would be required to seek a waiver or amendment from the banks who are parties to the Credit Agreement. 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, lease agreements and construction agreements in conjunction with our resort capital expenditures. Debt obligations, which total \$816.8 million as of July 31, 2015, are recognized as liabilities in our Consolidated Balance Sheet. 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 \$302.3 million as of July 31, 2015, 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, 2015 is presented below (in thousands):

	Total	Payments Due by Period			
		Fiscal 2016	2-3 years	4-5 years	More than 5 years
Contractual Obligations					
Long-Term Debt (Outstanding Principal) <sup>(1)</sup>	\$816,830	\$10,154	\$26,751	\$402,596	\$377,329
Fixed Rate Interest <sup>(1)</sup>	2,246	269	497	438	1,042
Canyons Obligation <sup>(2)</sup>	1,742,201	26,109	53,796	55,969	1,606,327
Operating Leases and Service Contracts <sup>(3)</sup>	302,294	43,738	61,661	48,145	148,750
Purchase Obligations and Other <sup>(4)</sup>	356,973	277,099	66,492	5,118	8,264
Total Contractual Cash Obligations	\$3,220,544	\$357,369	\$209,197	\$512,266	\$2,141,712

(1)

The fixed-rate interest payments, as well as long-term debt payments, included in the table above assume that all debt outstanding as of July 31, 2015 will be held to maturity. Interest payments associated with variable-rate debt have not been included in the table. Assuming that our \$487.6 million of variable-rate long-term debt as of July 31, 2015 is held to maturity, and utilizing interest rates in effect at July 31, 2015, our annual interest payments (including commitment fees and letter of credit fees) on variable rate long-term debt as of July 31, 2015 is anticipated to be approximately \$6.8 million for Fiscal 2016, \$6.6 million for Fiscal 2017 and \$6.3 million for at least each of the next three years subsequent to Fiscal 2017. The future annual interest obligations noted herein are estimated only in relation to debt outstanding as of July 31, 2015, and do not reflect interest obligations on potential future debt.

- Reflects interest expense payments associated with the remaining initial 50 year lease term of the Canyons
- (2) obligation assuming a 2% per annum (floor) increase in payments. Any potential increases to the annual fixed payment above the 2% floor due to inflation linked index of CPI less 1% have been excluded.
- (3) The payments under noncancelable operating leases included in the table above reflect the applicable minimum lease payments and exclude any potential contingent rent payments.
- Purchase obligations and other primarily include amounts which are classified as trade payables, accrued payroll and benefits, accrued fees and assessments, contingent consideration liability, accrued taxes (including taxes for (4) uncertain tax positions) on our Consolidated Balance Sheet as of July 31, 2015; and, other commitments for goods and services not yet received, including construction contracts, not included on our Consolidated Balance Sheet as of July 31, 2015 in accordance with GAAP.

#### 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.

#### 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 only when there is evidence that events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. We 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 general economic conditions on our business, 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 or indefinite-lived intangible asset. We evaluate our reporting units on an annual basis and

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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 tested for impairment at least annually as of May 1<sup>st</sup>. Based upon our annual impairment test performed during the fourth fiscal quarter of Fiscal 2015 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.

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 our reporting units may include such items as: (1) prolonged adverse weather conditions resulting in a sustained decline in guest visitation; (2) a prolonged weakness in the general economic conditions in which guest visitation and spending is adversely impacted; and, (3) 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 our reporting units 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.

As of July 31, 2015, we have \$500.4 million of goodwill and \$80.4 million of indefinite-lived intangible assets recorded on our Consolidated Balance Sheets. There can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment tests for goodwill will prove to be an accurate prediction of the future.

#### 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 largest tax benefit that is cumulatively greater 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, interpretation of 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

We believe the estimates and judgments discussed herein are reasonable and we have adequate reserves for our tax contingencies for uncertain tax positions. Our reserves for uncertain tax positions, including any income tax related interest and penalties (\$39.1 million as of July 31, 2015), relate to the treatment of the Talisker lease payments as payments of debt obligations and that the tax basis in Canyons goodwill is deductible. 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 increased tax expense and effective tax rate and/or adjustments to our deferred tax assets and deferred tax liabilities 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 and deferred tax liabilities in the year of settlement or in future years.

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## 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 estimates 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 \$10.4 million for Fiscal 2015.

## Business Combinations

### Description

A component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. We account for business combinations in accordance with the guidance for business combinations and related literature. Accordingly, we allocate the purchase price of acquired businesses to the identifiable tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The difference between the purchase price and the fair value of the net assets acquired or the excess of the aggregate fair values of assets acquired and liabilities assumed is recorded as goodwill. In determining the fair values of assets acquired and liabilities assumed in a business combination, we use various recognized valuation methods including present value modeling and referenced market values (where available). Valuations are performed by management or independent valuation specialists under management's supervision, where appropriate.

### Judgments and Uncertainties

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the intangible assets we have acquired include but are not limited to determination of weighted average cost of capital, market participant assumptions, royalty rates, terminal multiples, and estimates of future cash flows to be generated by the acquired assets. In addition to the estimates and assumptions applied to valuing intangible assets acquired, the determination of the fair value of contingent consideration, including estimating the likelihood and timing of achieving the relevant thresholds for contingent consideration payments, requires the use of subjective judgments. We estimate the fair value of the Canyons contingent consideration payments using an option pricing valuation model which incorporates, among other factors, projected achievement of specified financial performance measures, discounts rates, volatility, credit risk and estimation of the long-term rate of growth for the respective business.

### Effect if Actual Results Differ From Assumptions

We believe that the estimated fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions that a marketplace participant would use. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded in our Consolidated Statements of Operations.

We recognize the fair value of contingent consideration at the date of acquisition as part of the consideration transferred to acquire a business. The liability associated with contingent consideration is remeasured to fair value at each reporting period

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subsequent to the date of acquisition taking into consideration changes in financial projections and long-term growth rates, among other factors, that may impact the timing and amount of contingent consideration payments until the term of the agreement has expired or the contingency is resolved. Increases in the fair value of contingent consideration are recorded as losses in our Consolidated Statements of Operations, while decreases in fair value are recorded as gains.

#### 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.

In May 2013, we entered into a long-term lease pursuant to which we assumed the operations of Canyons which includes the ski terrain and related amenities. The lease has an initial term of 50 years with six 50-year renewal options. The lease provides for \$25 million in annual payments, which increase each year by an inflation linked index of CPI less 1%, with a floor of 2% per annum. As lease payments increase annually, there can be no assurance that these increases will be off-set by increased cash flow generated from operations at Canyons.

#### Seasonality and Quarterly Results

Our mountain and lodging operations are seasonal in nature. In particular, revenue and profits for our U.S. 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 our NPS concessionaire properties, our mountain resort golf courses and Perisher's ski season occur during the U.S. summer months while the U.S. winter months result in operating losses. Revenue and profits generated by NPS concessionaire properties summer operations, golf operations and Perisher's ski operations are not sufficient to fully offset our off-season losses from our U.S. mountain and other lodging operations. During Fiscal 2015, 80% of total combined Mountain and Lodging segment net revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) 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 (unaudited), 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, 2015, we had \$487.6 million of variable rate indebtedness, representing approximately 59.7% of our total debt outstanding, at an average interest rate during Fiscal 2015 of 0.5%. Based on variable-rate borrowings outstanding as of July 31, 2015, a 100-basis point (or 1.0%) change in LIBOR would result in our annual interest payments changing by \$4.9 million. Our market risk exposure fluctuates based on changes in underlying interest rates.

**Foreign Currency Exchange Rate Risk.** We are exposed to currency translation risk because the results of our international entities are reported in local currency, which we then translate to U.S. dollars for inclusion in our consolidated financial statements. As a result, changes between the foreign exchange rates, in particular the Australian dollar and the U.S. dollar, affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. We currently do not enter into hedging arrangements to minimize the impact of foreign currency fluctuations.

The following table summarizes the amounts of foreign currency translation income (losses) (in thousands):

Year Ended July 31,	
2015	2014

Foreign currency translation adjustments, net of tax	\$ (4,714	) \$(132	)
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ITEM 8. FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA.

Vail Resorts, Inc.

Consolidated Financial Statements for the Years Ended July 31, 2015, 2014 and 2013

Management's Report on Internal Control Over Financial Reporting F- 2

Report of Independent Registered Public Accounting Firm F- 3

Consolidated Financial Statements

Consolidated Balance Sheets F- 4

Consolidated Statements of Operations F- 5

Consolidated Statements of Comprehensive Income F- 6

Consolidated Statements of Stockholders' Equity F- 7

Consolidated Statements of Cash Flows F- 8

Notes to Consolidated Financial Statements F- 9

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:

Schedule II - Valuation and Qualifying Accounts and Reserves 65

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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