AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 8, 1997

REGISTRATION NO. 333-5341

SECURITIES AND EXCHANGE COMMISSION

AMENDMENT NO. 2
TO
FORM S-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VAIL RESORTS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	51-0291762
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

VAIL RESORTS, INC.
137 BENCHMARK ROAD
AVON, COLORADO 81620
(970) 476-5601
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JAMES S. MANDEL, ESQ.
VAIL RESORTS, INC.
POST OFFICE BOX 7
VAIL, COLORADO 81658
(970) 476-5601
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

JAMES J. CLARK, ESQ.	NORMAN BROWNSTEIN, ESQ.	HOWARD A. SOBEL, ESQ.
CAHILL GORDON & REINDEL	BROWNSTEIN HYATT FARBER & STRICKLAND, P.C.	KRAMER, LEVIN, NAFTALIS & FRANKEL
80 PINE STREET	410 SEVENTEENTH STREET, 22ND FLOOR	919 THIRD AVENUE, 39TH FLOOR
NEW YORK, NY 10005	DENVER, CO 80202-4437	NEW YORK, NY 10022-3903
(212) 701-3000	(303) 534-6335	(212) 715-9100

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. [_]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, $.01 par value..............	$210,000,000	$63,636(2)

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.
(2) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus: one to be used in connection with an underwritten public offering in the United States and Canada (the "U.S. Prospectus") and one to be used in a concurrent underwritten public offering outside the United States and Canada (the "International Prospectus"). The two prospectuses are identical except for the front and back cover pages. The form of U.S. Prospectus is included herein and is followed by the alternative pages to be used in the International Prospectus. Each of the alternate pages for the International Prospectus included herein is labeled "International Prospectus--Alternate Pages." Final forms of each Prospectus will be filed with the Securities and Exchange Commission under Rule 424(b) under the Securities Act of 1933.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JANUARY 8, 1997

PROSPECTUS

10,500,000 SHARES

VAIL RESORTS, INC.

LOGO

COMMON STOCK

Of the 10,500,000 shares of Common Stock, $.01 par value per share (the "Common Stock"), offered hereby, 5,000,000 shares will be sold by Vail Resorts, Inc. (the "Company") and 5,500,000 shares will be sold by certain Selling Stockholders. The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholders. See "Principal and Selling Stockholders."

A total of 8,400,000 shares (the "U.S. Shares") are being offered in the United States and Canada (the "U.S. Offering") by the U.S. Underwriters, and 2,100,000 shares (the "International Shares") are being offered outside the United States and Canada (the "International Offering") by the Managers. The initial public offering price and the underwriting discounts and commissions are identical for both the U.S. Offering and the International Offering (collectively, the "Offerings").

The outstanding capital stock of the Company consists of the Common Stock and the Class A Common Stock, $.01 par value per share (the "Class A Common Stock"). The Common Stock and the Class A Common Stock are substantially identical, except that holders of the Class A Common Stock elect a class of directors that constitutes two-thirds of the Board of Directors and holders of the Common Stock elect a class of directors that constitutes one-third of the Board of Directors. See "Description of Capital Stock."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently anticipated that the initial public offering price will be between $19.00 and $21.00 per share. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. Up to 250,000 of the shares (the "Directed Shares") will be reserved for sale at the initial public offering price (less the underwriting discounts and commissions) and offered to persons who are directors, officers or employees of, or are otherwise associated with, the Company. See "Underwriting."

The Common Stock has been approved for listing, subject to official notice of issuance, on The New York Stock Exchange under the symbol "MTN."

SEE "RISK FACTORS" BEGINNING ON PAGE 15 FOR CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS COMPANY(2)	PROCEEDS TO TO SELLING STOCKHOLDERS
Per Share.............	$	$	$	$
Total(3)..............	$	$	$	$

(1) See "Underwriting" for indemnification arrangements with the U.S. Underwriters and the Managers.
(2) Before deducting expenses related to the Offerings estimated at $, all of which will be paid by the Company.
(3) The Selling Stockholders have granted to the U.S. Underwriters and the Managers 30-day options to purchase in the aggregate up to 1,575,000 additional shares of Common Stock solely to cover over-allotments, if any. If the options are exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Selling Stockholders will be $, $ and $, respectively. See "Underwriting." If all of the Directed Shares are purchased by the persons to whom they are offered, the total Price to Public and Underwriting Discounts and Commissions each will be reduced by $.

The U.S. Shares are offered by the several U.S. Underwriters, subject to prior sale, when, as and if delivered to and accepted by them and subject to certain conditions, including the approval of certain legal matters by counsel. The U.S. Underwriters reserve the right to withdraw, cancel or modify the U.S. Offering and to reject orders in whole or in part. It is expected that delivery of the U.S. Shares will be made against payment therefor on or about   , 1997, at the offices of Bear, Stearns & Co. Inc., 245 Park Avenue, New York, New York 10167.

BEAR, STEARNS & CO. INC.
FURMAN SELZ
GOLDMAN, SACHS & CO.
SALOMON BROTHERS INC
SCHRODER WERTHEIM & CO.
SMITH BARNEY INC.

, 1997

[RECREATIONAL PICTURES INSERTED HERE]

IN CONNECTION WITH THE OFFERINGS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, salesperson or other person has been authorized to give any information to make any representation not contained in this Prospectus in connection with the offer contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company, any Selling Stockholder, any Underwriter or any other person. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy, any securities other than the registered securities to which it relates, or an offer to sell or a solicitation of an offer to buy, to anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents heretofore filed by the Company (formerly named Gillett Holdings, Inc.) with the Securities and Exchange Commission (the "Commission") (File No. 1-9614) pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") are incorporated and made a part of this Prospectus by reference, except as superseded or modified herein:

1. The Company's Annual Report on Form 10-K for the year ended September 30, 1996;

2. The Company's Registration Statement on Form 8-A dated July 3, 1996; and

3. The Company's Current Report on Form 8-K dated January 8, 1997.

The Company undertakes to provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon the written or oral request of any such person, a copy of any document described herein (not including exhibits to those documents unless such exhibits are specifically incorporated by reference into the information incorporated into this Prospectus). Requests for such copies should be directed to James S. Mandel, Esq., Senior Vice President and General Counsel, Vail Resorts, Inc., Post Office Box 7, Vail, Colorado 81658, telephone (970) 476-5601.

The Company's mailing address is Post Office Box 7, Vail, Colorado 81658 and its executive offices are located at 137 Benchmark Road, Avon, Colorado 81620. Its telephone number is (970) 476-5601.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and consolidated financial statements (including the notes thereto) appearing elsewhere in, or incorporated by reference into, this Prospectus. Except where otherwise indicated, the information in this Prospectus (i) assumes that the over-allotment options granted to the U.S. Underwriters and the Managers will not be exercised and (ii) gives effect to a 2 for 1 stock split with respect to the Common Stock and Class A Common Stock that will be effected prior to the consummation of the Offerings. Unless the context otherwise requires, the term "Company" refers to (a) Vail Resorts, Inc. (formerly known as Gillett Holdings, Inc., "Vail Resorts") and its subsidiaries, as such entities existed prior to the consummation of the Acquisition (as hereinafter defined) and shall not include the Acquired Resorts (as hereinafter defined) when used with respect to historical information contained herein or (b) Vail Resorts and its subsidiaries, including the Acquired Resorts, as such entities exist following the Acquisition, when used with respect to information about events occurring upon completion of or after the Acquisition or when giving pro forma effect thereto. The Company will divest the Arapahoe Basin mountain resort, an Acquired Resort (as hereinafter defined), pursuant to a Stipulation and Final Judgment (the "Consent Decree") with the United States Department of Justice (the "DOJ"). See "Recent Developments," "The Acquisition" and "Pro Forma Financial Data". Unless otherwise specified, all data contained herein includes the Arapahoe Basin mountain resort, "fiscal" in connection with a year shall mean the 12 months ended September 30, "ski season" shall mean the period from the opening of any of the Company's mountains for skiing to the closing of the Company's last mountain for skiing, typically mid-November to late April, and "skier day" shall mean one guest accessing a ski mountain on any one day. "Beaver Creek" and other designated trademarks are registered trademarks of the Company. As used herein, Resort Cash Flow is defined as revenues from resort operations less resort operating expenses, excluding depreciation and amortization. Resort Cash Flow is not a term that has an established meaning under generally accepted accounting principles. The Company has included information concerning Resort Cash Flow because management believes it is an indicative measure of a resort company's operating performance and is generally used by investors to evaluate companies in the resort industry. Resort Cash Flow does not purport to represent cash provided by operating activities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. For information regarding the Company's historical cash flows from operating, investing and financing activities, see the Company's consolidated financial statements included elsewhere in this Prospectus. Furthermore, Resort Cash Flow is not available for the discretionary use of management and, prior to the payment of dividends, the Company uses Resort Cash Flow to meet its capital expenditure and debt service requirements.

THE COMPANY

Vail Resorts is the premier mountain resort operator in North America. The Company operates Vail Mountain, the largest single ski mountain complex in North America, and Beaver Creek(R) Mountain, one of the world's premier family-oriented mountain resorts (together with Vail Mountain, the "Existing Resorts"). The Company is one of the most profitable resort operators in the ski industry due to its attractive guest demographics, favorable weather and snowfall conditions, ability to attract both destination resort guests and day travelers from local population centers and proximity to both Denver International Airport and Vail/Eagle County Airport. In addition to resort operations, the Company owns substantial real estate from which it derives significant strategic benefits and cash flow. On January 3, 1997, the Company acquired the Breckenridge, Keystone and Arapahoe Basin mountain resorts (the "Acquired Resorts") and significant related real estate interests and developable land (the "Acquisition"). As a result of the Acquisition, the Company is the largest mountain resort company in North America, operating the top three mountain resorts in the United States. The Company has a 9% share of skier days in the United States, which is nearly 40% greater than that of its nearest competitor, and is uniquely positioned to attract a broad range of guests due to its diverse ski terrain, varied price points and numerous activities and services. As the Company's resorts are located within 50 miles of each other, the Company is able to offer guests the opportunity to visit each resort during one vacation stay and participate in common loyalty programs. For fiscal 1996, the Company's revenue from resort operations ("Resort Revenue") and Resort Cash Flow, pro forma for the Acquisition, were $276.0 million and $88.2 million, respectively. Management believes that the Company's Resort Revenue and Resort Cash Flow, pro forma for the Acquisition, are greater than that of any other mountain resort company in the world.

EXISTING RESORTS

Vail Mountain is the largest and most popular single ski mountain complex in North America, offering over 4,100 acres of unique and varied ski terrain spanning approximately 20 square miles. Included in this complex are Vail's world-famous Back Bowls(TM) (the "Back Bowls"), the largest network of high speed quad chairlifts in the world, a top rated ski school and a wide variety of dining and retail venues. Vail Mountain's skier days reached 1.65 million during the 1995-96 ski season, the most of any ski mountain in North America and a new record for Vail Mountain. Vail Mountain has been chosen to host the World Alpine Ski Championships in 1999, the first time a North American ski resort has been selected to host this prestigious event twice. For the last eight years, Vail Mountain has been rated the number one ski resort in the United States by the Snow Country magazine survey.

Beaver Creek Mountain, located ten miles west of Vail Mountain, is one of the world's premier family-oriented mountain resorts, offering its guests a superior level of service in a pristine alpine setting. Since opening in 1980, Beaver Creek Mountain has been one of the fastest growing ski resorts in North America, with annual skier days increasing from 111,746 in the 1980-81 ski season to 576,249 during the 1995-96 ski season, a new record for Beaver Creek Mountain. The Company has recently completed the first step in introducing a European style village-to-village ski experience by connecting (through ski lifts and trails) three distinct ski areas--Beaver Creek, Bachelor Gulch(TM) and Arrowhead(TM). Beaver Creek Mountain, which provides a distinct and varied vacation experience from Vail Mountain, has consistently been rated among the top ten resorts in North America in various industry surveys (it was ranked number four in the 1996 Snow Country magazine survey).

BUSINESS STRATEGY

A key component of the Company's business strategy has been to expand and enhance its core ski operations, while at the same time increasing the scope, diversity and quality of the complementary activities and services offered to its skiing and non-skiing guests throughout the year. This focus has resulted in growth in skier days and lift ticket sales and has also allowed the Company to expand its revenue base beyond its core ski operations. While lift ticket sales (traditionally the largest source of revenues for most ski resorts) have grown each year over the past ten years, revenues from other sources have grown at a much faster rate and, as a result, have increased as a percentage of Resort Revenue from 36% in fiscal 1985 to 51% in fiscal 1996. This trend is expected to continue as the projects outlined in "Growth Initiatives" are completed.

The Company's focus on developing a comprehensive destination resort experience has also allowed it to attract a diverse guest population with an attractive demographic and economic profile, including a significant number of affluent and family-oriented destination guests, who tend to generate higher and more diversified revenues per guest than day skiers from local population centers. While the Company's Resort Revenue per skier day is currently among the highest in the industry, management believes that the Company currently captures less than 20% of the total vacation expenditures of an average destination guest at its resorts. Vail Resorts' business strategy is not only to increase skier days and guest visits but also to increase Resort Revenue per skier day by capturing a higher percentage of the total spending by its year round destination and day guests, by continuing to expand the range and enhance the quality of activities and services offered by the Company. See "Business--Existing Resorts" and "--Acquired Resorts."

The Company's success in implementing its business strategy, high Resort Revenue per skier day and efficient operations have resulted in growth in Resort Cash Flow and in levels of cash flow generation that are among the highest in the industry. Between fiscal 1985 and fiscal 1996, the Company's Resort Cash Flow increased from $7.9 million to $50.4 million. Furthermore, Resort Cash Flow as a percentage of Resort Revenue was 35.9% for fiscal 1996. The Company's high level of Resort Cash Flow has allowed it to reinvest significant capital in its operations. Over the ten years ended December 31, 1995, the Company has invested approximately $125 million in resort improvements, of which approximately $80 million was expansion capital to improve and grow operations. In addition, during calendar year 1996, the Company invested approximately $33 million of expansion capital in its Existing Resorts to further improve and grow resort operations. See "Business--Existing Resorts--Projects Under Construction." Management believes that the quality and scope of its resort facilities and ski operations are unequaled in North America and represent a significant competitive advantage.

GROWTH INITIATIVES

The Company's growth in Resort Revenue and Resort Cash Flow has been and continues to be derived from a variety of factors, including (i) increases in skier days and guest visits due primarily to "new attractions" (major terrain and facility expansions) and the creation of additional resort lodging, (ii) improving industry trends due to growth in snowboarding and advances in ski equipment technology ("fat" skis and specially shaped skis), (iii) increases in Resort Revenue per skier day resulting from new retail and restaurant operations and other activities including expanded activities for nonskiers, (iv) margin increases resulting from price increases and the benefits of operating leverage and (v) increases in the Company's licensing and sponsorship activities. The Existing Resorts have undergone a period of significant expansion as numerous projects under development have been completed. The results of this expansion are:

- A 30% expansion in the contiguous ski terrain on Beaver Creek Mountain with the creation of a European style village-to-village ski experience;

- A greater than 50% increase in high speed access lift capacity on Vail Mountain with the installation of both a new high speed quad lift and a state-of-the-art, high speed, custom-designed gondola;

- The creation of the Company's first major non-ski activity center (reached by Vail's new gondola) at the top of Vail Mountain, offering day and evening ice skating, sledding, tubing, snowboarding attractions, a children's snowpark and evening snowmobile tours; and

- For the 1997-98 ski season, a planned increase in base area retail and restaurant square footage owned by the Company from 86,500 to 140,000 upon the completion of the retail core of Beaver Creek Village, a new base lodge on Vail Mountain and five new themed restaurants available for day, "apres ski" and evening dining.

Furthermore, over the next five years the Company plans to complete several other significant projects at the Existing Resorts, including (i) the opening of Category III, a major terrain expansion which will increase the skiable acreage on Vail Mountain by approximately 50% to 6,000 acres with significant intermediate bowl skiing, (ii) the redevelopment of the Company's property at Lionshead, a primary access point at the base of Vail Mountain, which will provide significant additional resort lodging, skier services, and retail and restaurant facilities and (iii) a significant increase in resort lodging from the completion of Arrowhead Village, Bachelor Gulch Village and Beaver Creek Village. See "Business--Projects Under Construction," "Business--Real Estate" and "Risk Factors--Growth Initiatives."

Historically, the completion of major terrain and facility expansions has resulted in increases in skier days at the Company's resorts. For example, prior to the beginning of the 1988-89 ski season Vail Mountain opened China Bowl(TM), adding 1,633 acres of new open bowl ski terrain to Vail Mountain, including the first intermediate runs in the Back Bowls. Over the two year period following the opening of China Bowl, annual skier days at Vail Mountain increased by 224,000 or 17%. Although management believes that the completion of the terrain and facility expansions discussed above will significantly increase the number of skier days at the Existing Resorts, particularly during non-peak periods, there can be no assurance that such increases will be achieved. See "Business--Existing Resorts--Projects Under Construction." Based on current levels of operations, the Company believes it will be able to fund the growth initiatives identified above with cash flow from operations and borrowings under the New Credit Facilities (as hereinafter defined).

ACQUIRED RESORTS

Breckenridge Mountain, located approximately 85 miles west of Denver and 40 miles east of Vail Mountain, is North America's second most popular ski area, trailing only Vail Mountain in skier days. Breckenridge's skier days reached 1.35 million during the 1995-96 ski season, a new record for Breckenridge Mountain. Breckenridge Mountain offers over 2,000 acres of skiing on four different mountain peaks, including open bowl and excellent beginner and intermediate ski terrain. The ski area is located adjacent to the Town of Breckenridge, a Victorian mining town, which has numerous apres ski activities and an extensive and growing bed base, making Breckenridge Mountain an attractive destination for national and international skiers. The Company believes there are improvements which can be made to Breckenridge Mountain which will contribute to further growth in skier days and Resort Revenue, including (i) an upgrade of certain older lift equipment and the addition of new high speed quads, which will reduce lift lines and improve on-mountain skier circulation, (ii) a significant expansion of the mountain's snowmaking coverage, to ensure a better early and late season ski product and (iii) an expansion of the Company's ski school, food service, retail and rental operations. In addition, Breckenridge owns certain strategic land parcels at the base of the mountain and in the Town of Breckenridge which are currently in the planning stages for significant residential and commercial development.

Keystone Mountain is located 70 miles west of Denver and 15 miles from Breckenridge and offers 1,739 acres of skiable terrain. Keystone Mountain is the third most popular ski area in North America, achieving 1.06 million skier days during the 1995-96 ski season. Keystone Mountain has the largest and most advanced snowmaking capability of any Colorado mountain resort with snowmaking coverage extending over 49% of Keystone's skiable acreage. Keystone Mountain is located within the planned family-oriented community of Keystone Resort, which offers numerous year round activities, the majority of which are operated by the Company, including the Keystone Conference Center, which is the largest convention center in the Colorado Rocky Mountains. Keystone Mountain also provides the largest single-mountain night skiing experience in North America, with 13 lighted trails covering 2,340 vertical feet, offering a 12 1/2 hour ski day. Upgrades to Keystone Mountain include (i) for the 1996-97 ski season, the construction of $5 million of snowboarding related improvements, including a snowboard park, representing the first time snowboarders have been allowed on Keystone Mountain and a significant opportunity for Keystone to capture a share of this growing market and (ii) planned for the 1997-98 ski season, the installation of a new high speed quad access lift from one of the resort's major base areas. In addition, Keystone, through a joint venture (the "Keystone JV"), received approval for and has begun the long term development of up to 3,400 new residential and lodging units and up to 318,000 square feet of new commercial space on land contributed to the Keystone JV. This development will supplement the resort's existing 1,273 residential and lodging units and approximately 144,000 square feet of commercial real estate. In calendar year 1996, 130 residential and lodging units and 33,000 square feet of commercial space were constructed by the Keystone JV. This development, which is expected to be completed over the next 20 years, will create significant new resort lodging and will be a primary factor in skier day growth. The development will also create significant new retail, food service and apres ski activities, which the Company believes will attract destination skiers and increase the Company's Resort Revenue.

Arapahoe Basin is the highest ski area in North America, offering 486 acres of skiing with a summit elevation of 13,050 feet. This high elevation allows for the longest ski season in Colorado, with the mountain remaining open well into June and even as late as August. During the 1995-96 ski season, Arapahoe Basin had 241,435 skier days. Arapahoe Basin has a rustic flavor and offers limited amenities, primarily targeting the skiing enthusiast with advanced intermediate to expert ski terrain. The Company believes there is a possibility of adding snowmaking facilities to Arapahoe Basin, which would improve conditions during the traditional ski season and allow Arapahoe Basin to offer year round skiing, which it believes would be a popular attraction to the numerous summer tourists in Colorado. The Company has agreed to divest Arapahoe Basin pursuant to the Consent Decree. See "Recent Developments," "The Acquisition" and "Risk Factors--Antitrust."

ACQUISITION STRATEGY

The Company's strategy in effecting the Acquisition is to build on the historical success at the Acquired Resorts by introducing many of the programs currently in effect at the Existing Resorts and to capitalize on the combination of the Company's resorts. The Company believes there are numerous opportunities to increase guest participation in activities operated by the Acquired Resorts by upgrading existing facilities and implementing incentivized selling techniques currently used at the Existing Resorts. For example, revenue from ski school operations for fiscal 1996 at the Acquired Resorts (which had 2.7 million skier days during the 1995-96 ski season) was $9.3 million, versus $23.9 million at the Existing Resorts (which had 2.2 million skier days during the 1995-96 ski season). In addition, for the 1995-96 ski season, Breckenridge Mountain achieved $1.65 in mountain food service revenue per skier day, versus $5.42 in mountain food service revenue per skier day achieved by the Existing Resorts during the same period. Similarly, the Company believes there are opportunities to upgrade infrastructure at the Acquired Resorts, including the addition of new ski lifts, as the Acquired Resorts operate 9 high speed lifts while the Existing Resorts operate 16 high speed lifts. Based on current levels of operations, the Company believes it will be able to fund such improvements with cash flow from operations and borrowings under the New Credit Facilities. The Company has also identified numerous opportunities to reduce costs as a result of the Acquisition, including the consolidation of insurance premiums, professional fees, systems development, purchases of capital equipment, consumables and retail goods and the selective consolidation of administrative functions.

The Company intends to implement a number of strategies to capitalize on the combination of the Company's resorts and to increase Resort Cash Flow throughout its operations, including:

- developing a coordinated marketing and promotional effort for all of the Company's resorts for the local, North American and international markets, using a combined marketing budget of almost $20 million, a level unprecedented in the mountain resort industry;

- offering both the destination guest and the day skier the opportunity to access all of its resorts with one lift ticket and instituting loyalty programs, which will reward guests for participation in activities throughout all of the Company's resorts;

- creating a sophisticated central reservation system, aggressively promoting comprehensive vacation packages to the travel and tour industry and significantly expanding its lodging and property management operations, which will allow the Company to capture a greater percentage of guests' expenditures;

- implementing common upgraded technology throughout the Company's operations to enhance cross-selling opportunities through programs such as resort-wide charging using lift ticket passes;

- extending existing licensing and sponsorship relationships across the brand names of the Acquired Resorts and creating new relationships which leverage the exposure the Company can offer corporate sponsors; and

- maintaining the Company's industry leadership in introducing new guest attractions.

Management believes that the size, scope, location and quality of its operations afford the Company the unique opportunity to continue the transformation of Vail Resorts from a ski area operator to an integrated resort company and a prominent force in the worldwide travel and tourism industry.

REAL ESTATE

The Company also benefits from its extensive holdings of real property at its Existing Resorts and throughout the Vail Valley and from the activities of Vail Associates Real Estate Group, Inc. ("VAREG"), a wholly owned subsidiary of the Company. VAREG manages the Company's real estate operations, including the planning, oversight, marketing, infrastructure improvement and development of Vail Resorts' real property holdings. The Company generated $48.7 million in revenue from real estate operations in fiscal 1996. The Company believes that the current market for the sale of its resort property is strong, as evidenced by the fact that the Company contracted for the sale of 93 single family homesites over the last 16 months in Bachelor Gulch Village at an aggregate sales price of approximately $72 million. These sales occurred through a lottery format because demand significantly exceeded the number of homesites available for sale. In addition to the substantial cash flow generated from real estate sales, these development activities benefit the Company's resort operations through (i) the creation of additional resort lodging which is available to the Company's guests, (ii) the ability to control the architectural theming of its resorts, (iii) the creation of unique facilities and venues (primarily themed restaurant and retail operations) which provide the Company with the opportunity to create new sources of recurring revenue and (iv) the expansion of the Company's property management and brokerage operations, which are the preferred providers of these services for all developments on VAREG's land. In order to facilitate the development and sale of its real estate holdings, VAREG spends significant amounts on mountain improvements, such as ski lifts, snowmaking equipment and trail construction. While these mountain improvements enhance the value of the real estate held for sale (for example, by providing ski-in/ski-out accessibility), they also benefit resort operations. In most cases, VAREG seeks to minimize the Company's exposure to development risks and maximize the long-term value of the Company's real property holdings by selling land to third party developers for cash payments prior to the commencement of construction, while retaining approval of all development plans as well as an interest in the developer's profit. The Company also typically retains the option to purchase, at a price significantly below fair market value, any commercial space created in a development. The Company is able to secure these benefits from third party developers as a result of the high property values and strong demand associated with property in close proximity to its world class mountain resort facilities. See "Risk Factors--Real Estate Development."

The Company will also benefit from the activities of the Keystone JV, which is developing a significant portion of the Keystone Resort. As residential and commercial projects are completed, the Company has a priority right to receive payments of up to approximately $22.6 million for the land which it previously contributed to the Keystone JV. The Company also will receive approximately 50% of the profits generated by the Keystone JV and will have the opportunity to lease commercial space created by the Keystone JV. The Company has approval rights over all major decisions of the Keystone JV. The Company will also own certain strategic land parcels at the base of Breckenridge Mountain and in the Town of Breckenridge which are currently in the planning stages for significant residential and commercial development. In addition to generating cash flow from real estate sales, the development opportunities at both Keystone and Breckenridge are expected to benefit the Company's resort operations by creating significant new resort lodging and guest amenities. See "Business--Real Estate."

RECENT DEVELOPMENTS

On July 29, 1996, Adam Aron was appointed Chairman and Chief Executive Officer of the Company. Mr. Aron has extensive experience in the resort leisure industry, most recently serving as President and Chief Executive Officer of Norwegian Cruise Line Ltd. Mr. Aron previously served as Senior Vice President of Marketing for United Airlines and Senior Vice President of Marketing for Hyatt Hotels. Andrew Daly, currently President and Chief Executive Officer of Vail Associates, Inc., the Company's principal subsidiary, was appointed to the additional position of President of the Company. On October 28, 1996, James Donohue was appointed Senior Vice President and Chief Financial Officer of the Company. Mr. Donohue previously served as Chief Financial Officer of Fibreboard Corporation and Executive Vice President of Continental Illinois Bank, N.A.

On January 3, 1997, the Company acquired 100% of the stock of Ralston Resorts, Inc. ("Ralston Resorts"), a wholly owned subsidiary of Ralston Foods, Inc. ("Foods"), which owns and operates the Acquired Resorts.

In connection with the Acquisition, Foods received 7,554,406 shares of Common Stock (which may be increased as a result of certain post-closing adjustments) and the Company assumed $165.0 million of Ralston Resorts' indebtedness.

The Company will divest the Arapahoe Basin mountain resort pursuant to the Consent Decree. The Company entered into the Consent Decree to resolve certain antitrust concerns of the DOJ raised by the Acquisition. The Consent Decree requires the Company to use its best efforts to complete the divestiture as expeditiously as possible, but in any event, by June 2, 1997 (unless such date is extended by the DOJ). For fiscal 1996, Arapahoe Basin had 241,435 skier days and Resort Revenue, Resort Cash Flow and total assets (at the end of such year) of approximately $6.6 million, $3.0 million, and $5.1 million, respectively. See "The Acquisition" and "Pro Forma Financial Data".

The Company has distributed a right to receive up to $2.44 per share of Common Stock (the "Rights") to all stockholders of record on October 11, 1996, with a maximum aggregate amount payable under the Rights of $50.5 million. The purpose of the Rights is to provide cash to the existing stockholders of the Company as a partial return on their investment in the Company. As of September 30, 1996, the Company had outstanding contracts (the "Real Estate Contracts") for the sale of certain real estate and related amenities. The Company will make payments under the Rights only to the extent it receives sufficient gross proceeds under the Real Estate Contracts to make such payments. As of December 31, 1996, the Company had received sufficient gross proceeds under the Real Estate Contracts to make substantially all of such payments. The Company currently estimates payments under the Rights will be made in fiscal 1997. Stockholders who purchase shares in the Offerings will not be entitled to any payments with respect to the Rights. In addition, the Company has amended certain option agreements held by management of the Company to eliminate their right to receive any portion of the payments made under the Rights. In connection with such amendment, the Company has accrued a payable to such option holders of approximately $4.5 million (the "Option Payment"). The Rights and the Option Payment are hereinafter collectively referred to as the "Distribution." The Company believes that the payment of the Distribution will not have any adverse consequences on the Company's future operations. See "Business--Real Estate," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Certain Transactions."

THE OFFERINGS

Common Stock to be sold by the Company:

U.S. Offering..........	4,000,000 shares
International Offering...............	1,000,000 shares
Total.................	5,000,000 shares

Common Stock to be sold by Selling Stockholders:

U.S. Offering..........	4,400,000 shares
International Offering...............	1,100,000 shares
Total.................	5,500,000 shares

Common Stock to be outstanding after the Offerings:

Common Stock...........	21,570,288 shares (a)
Class A Common Stock...	11,728,600 shares
Total.................	33,298,888 shares

Voting Rights........... The rights of holders of Class A Common Stock and Common Stock are substantially identical, except that holders of Class A Common Stock elect a class of directors that constitutes two-thirds of the Board of Directors and holders of Common Stock elect a class of directors that constitutes one-third of the Board of Directors. The Class A Common Stock is convertible into Common Stock (i) at the option of the holder, (ii) automatically upon transfer to a non-affiliate of the holder and (iii) automatically if less than 5,000,000 shares of Class A Common Stock are outstanding. Upon completion of the Offerings, Apollo Ski Partners, L.P. ("Apollo Ski Partners"), which will hold approximately 99% of the Class A Common Stock, will have approximately 35% of the combined voting power of all outstanding shares of capital stock of the Company. See "Management" and "Principal and Selling Stockholders."

Use of Proceeds......... Approximately $67.7 million of the net proceeds of the Offerings to be received by the Company will be used to redeem all of the Company's outstanding 12 1/4% Senior Subordinated Notes due 2002 (the "Senior Subordinated Notes") (including accrued interest and a contractual redemption premium) with the balance of approximately $22.3 million used to reduce outstanding revolving credit borrowings under the New Credit Facilities and for general corporate purposes. The Company believes that this reduction in indebtedness will give it the flexibility to make additional borrowings in the future to finance internal and external growth initiatives. The Company will not receive any proceeds from the sale of Common Stock by the Selling Stockholders. See "Use of Proceeds."

New York Stock Exchange Symbol................. "MTN"

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(a) Excludes 2,253,300 shares issuable upon exercise of outstanding options with an average exercise price of $10.39 per share and 62,000 shares of unvested restricted stock granted to management. See "Management."

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA
(IN THOUSANDS EXCEPT PER SHARE AND PER SKIER DAY DATA)

The summary consolidated historical financial data presented below have been derived from the Company's and Ralston Resorts' consolidated financial statements and should be read in conjunction with those statements and related notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the other financial information included elsewhere in this Prospectus. The unaudited pro forma summary combined financial data for the fiscal year ended September 30, 1996 give effect to the Acquisition and the Offerings and are derived from the unaudited pro forma financial data presented elsewhere in this Prospectus. The following information includes the results of the Arapahoe Basin mountain resort, which will be divested pursuant to the Consent Decree. See "Pro Forma Financial Data" and "The Acquisition."

THE COMPANY

	PRE-EFFECTIVE DATE(1)		POST-EFFECTIVE DATE(1)				
	YEAR ENDED SEPTEMBER 30, 1991(2)	YEAR ENDED OCTOBER 8, 1992(2)	FISCAL YEAR ENDED SEPTEMBER 30, 1993	1994	1995	1996	PRO FORMA COMBINED FISCAL YEAR ENDED SEPTEMBER 30, 1996
	(UNAUDITED)						(UNAUDITED)
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Resort	$97,048	$105,525	$114,623	$124,982	$126,349	$140,288	$276,038
Real estate	2,601	3,767	4,610	22,203	16,526	48,655	49,569
Total revenues	99,649	109,292	119,233	147,185	142,875	188,943	325,607
Operating expenses:							
Resort	56,680	63,099	69,749	78,365	82,305	89,890	187,878
Real estate	4,282	4,472	5,165	20,341	14,983	40,801	40,801
Corporate expense(3)	7,939	4,151	6,467	7,160	6,701	12,698	12,698
Depreciation and amortization	8,389	7,626	13,404	17,186	17,968	18,148	37,478
	77,290	79,348	94,785	123,052	121,957	161,537	278,855
Operating income from continuing operations	22,359	29,944	24,448	24,133	20,918	27,406	46,752
Income (loss) from continuing operations (after-tax)(4)	NM	NM	(146)	761	3,282	4,735	13,161
Unaudited pro forma earnings per common share(5)							$ .38
OTHER DATA:							
Resort							
Resort Revenue	$97,048	$105,525	$114,623	$124,982	$126,349	$140,288	$276,038
Resort Cash Flow(6)	40,368	42,426	44,874	46,617	44,044	50,398	88,160
Skier days	1,969	1,986	2,059	2,056	2,136	2,228	4,885
Resort Revenue/skier day	$ 49.29	$ 53.13	$ 55.67	$ 60.79	$ 59.15	$ 62.97	$ 56.51
Real estate							
Revenues from real estate sales	$ 2,601	$ 3,767	$ 4,610	$ 22,203	$ 16,526	$ 48,655	$ 49,569
Real estate operating profit(7)	(1,681)	(705)	(555)	1,862	1,543	7,854	8,768
Real estate assets(8)	16,144	13,091	15,673	42,637	54,858	88,665	146,502

RALSTON RESORTS

	FISCAL YEAR ENDED SEPTEMBER 30,			
	1993	1994	1995	1996
STATEMENT OF OPERATIONS DATA:				
Revenues:				
Resort	$83,717	$127,676	$125,816	$135,750
Real estate	2,141	4,979	1,778	914
Total revenues	85,858	132,655	127,594	136,664
Operating expenses:				
Resort	71,330	94,382	94,846	97,988
Real estate	1,619	3,837	1,040	--
Depreciation and amortization	10,754	14,227	14,948	15,780
	83,703	112,446	110,834	113,768
Operating income	2,155	20,209	16,760	22,896
Net income (loss)	(4,090)	8,923	3,927	7,872
OTHER DATA:				
Resort				
Resort Revenue	$83,717	$127,676	$125,816	$135,750
Resort Cash Flow(6)	12,387	33,294	30,970	37,762
Skier days	1,284	2,568	2,532	2,657
Resort Revenue/skier day	$ 65.20	$ 49.72	$ 49.69	$ 51.09
Real estate				
Revenues from real estate sales	$ 2,141	$ 4,979	$ 1,778	$ 914
Real estate operating profit(7)	522	1,142	738	914
Real estate assets(8)	46,275	49,683	50,009	51,352

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(1) In addition to its resort and real estate operations, which are conducted by the Company's wholly owned subsidiary, Vail Holdings, Inc. and its subsidiaries (collectively "Vail Associates"), the Company also previously owned subsidiaries which were engaged in the communications and beef products businesses. In each year from fiscal 1986 through fiscal 1991, the Company's resort operations experienced growth in Resort Cash Flow. In 1991, due to an inability to service debt incurred in connection with the acquisition of certain assets in the communications business, the Company was forced to seek relief under Chapter 11 of the Bankruptcy Code. On October 8, 1992 (the "Effective Date"), the Company emerged from bankruptcy (the "Reorganization") pursuant to a plan of reorganization which contemplated divestitures of the Company's communications and beef products businesses. Such divestitures were completed in fiscal years 1993 and 1994, and accounted for as discontinued operations. As a result of the transactions that took place on the Effective Date and the related accounting treatment, the financial information for the two years presented prior to the Effective Date ("Pre-Effective Date") is not comparable to the financial information for the periods presented after the Effective Date ("Post-Effective Date"). See Note 1 to the Company's consolidated financial statements.

(2) For fiscal 1991, results of operations include only nine months of corporate expense of the Company due to a change in the fiscal year of the Company. The results of Vail Associates for fiscal 1991 and the period ended October 8, 1992 ("fiscal 1992") have been derived from their separately audited financial statements.

(3) Prior to the Offerings, corporate expense included the costs associated with the Company's holding company structure and overseeing multiple lines of business, including the discontinued operations. Following the Offerings, corporate expense will include certain personnel, tax, legal, directors' and officers' insurance and other consulting fees relating solely to the Company's resort and real estate operations. Corporate expense is classified as resort operating expenses in the consolidated financial statements of Ralston Resorts. For the year ended September 30, 1996, corporate expense included the following nonrecurring charges: (i) $4.5 million related to the Option Payment, (ii) $1.9 million of compensation expense related to the exercise of certain options held by the Company's former Chairman and Chief Executive Officer and (iii) $2.1 million related to the termination of an employment agreement with the Company's former Chairman and Chief Executive Officer. In addition, the Company anticipates annual savings of approximately $750,000 related to changes made in corporate management. These anticipated corporate expense savings have not been reflected in the pro forma summary combined financial data.

(4) Due to the Reorganization discussed in Note 1, income from continuing operations and per share information for fiscal 1991 and fiscal 1992 are not comparable to amounts reported in subsequent fiscal years, and therefore, are not considered meaningful.

(5) Due to the Distribution, the Acquisition and the Offerings, the Company's and Ralston Resorts' historical capital structure is not indicative of the Company's capital structure upon the closing of the aforementioned transactions. Accordingly, historical earnings per common share is not considered meaningful and has not been presented herein.

(6) Resort Cash Flow is defined as revenues from resort operations less resort operating expenses, excluding depreciation and amortization. Resort Cash Flow is not a term that has an established meaning under generally accepted accounting principles. The Company has included information concerning Resort Cash Flow because management believes it is an indicative measure of a resort company's operating performance and is generally used by investors to evaluate companies in the resort industry. Resort Cash Flow does not purport to represent cash provided by operating activities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. For information regarding the Company's and Ralston Resorts' historical cash flows from operating, investing and financing activities, see the Company's and Ralston Resorts' consolidated financial statements included elsewhere in this Prospectus. Furthermore, Resort Cash Flow is not available for the discretionary use of management and, prior to the payment of dividends, the Company uses Resort Cash Flow to meet its capital expenditure and debt service requirements.

(7) Real estate operating profit is defined as revenue from real estate operations less real estate costs and expenses, which include (i) selling costs; (ii) holding costs; (iii) operating expenses; and (iv) the allocation of the capitalized land, infrastructure, mountain improvement and other costs relating to property sold. Real estate costs and expenses exclude charges for depreciation and amortization as the Company has determined that the portion of those expenses allocable to real estate are not significant.

(8) Real estate assets include all land, development costs, and other improvements associated with real estate held for sale and classified as such in the Company's consolidated balance sheet. Real estate assets for Ralston Resorts include investments in real estate joint ventures, real estate held for sale and other developable land. See Note (d) to the Pro Forma Financial Data.

RISK FACTORS

Prospective purchasers of the Common Stock should carefully consider the following risk factors, as well as the other information contained, and incorporated by reference, in this Prospectus before making an investment in the Common Stock. Information contained or incorporated by reference in this Prospectus contains "forward-looking statements" which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. See, e.g., "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Projects Under Construction." No assurance can be given that the future results covered by the forward-looking statements will be achieved. The following matters constitute cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to vary materially from the future results covered in such forward-looking statements. Other factors could also cause actual results to vary materially from the future results covered in such forward-looking statements.

RISKS ASSOCIATED WITH SEASONALITY. The business of the Existing and Acquired Resorts is highly seasonal. Over the last five fiscal years, the Existing Resorts on average realized 92% of their Resort Revenue during the period from November to April. The Existing Resorts have negative Resort Cash Flow for the months of May through October and report losses for such period. The Acquired Resorts experience similar seasonality. A substantial majority of the Company's Resort Cash Flow is realized in the second quarter of each fiscal year. To finance its activities and working capital requirements from May to October, the Company has typically relied on borrowings under its revolving credit facilities. The Company's ability to borrow under its revolving credit facilities is subject to certain conditions, including compliance with certain financial covenants. While the Company believes that it will continue to comply with such conditions and that borrowings under the New Credit Facilities will be adequate to support its capital requirements for the May through October periods, to the extent that such borrowings became unavailable, the Company could experience a material adverse impact on its operations. See "Description of Certain Indebtedness--Credit Facilities."

CAPITAL REQUIREMENTS. The operation and development of the Existing and Acquired Resorts is capital intensive. The Company spent approximately $17.4 million, $20.3 million and $13.9 million in its fiscal years ended September 30, 1994, 1995 and 1996, respectively, on resort capital expenditures. The Company typically categorizes approximately $6 million to $7 million a year of total resort capital expenditures as maintenance expenditures. For fiscal years 1994, 1995, and 1996, the Acquired Resorts spent approximately $10.4 million, $11.0 million and $17.8 million, respectively, on resort capital expenditures, a substantial portion of which was categorized as maintenance expenditures. In addition, the Company makes significant investments in connection with its real estate development activities. See "Business--Real Estate." The Company anticipates making significant capital expenditures in the future for maintenance and project development to maintain the competitive position and enhance the operations of its resorts and implement its growth initiatives. See "Business--Existing Resorts" and "--Acquired Resorts."

GROWTH INITIATIVES. The Company is currently engaged in and has plans for a variety of development projects relating to both resort and real estate operations. Although the Company expects that these projects will be completed on schedule and at their respective estimated costs, there can be no assurance (i) that the Company will receive the necessary regulatory approvals for such projects, (ii) as to when such projects will be completed, (iii) that the Company's estimated costs associated with such projects will prove to be accurate or (iv) that the Company will receive the expected benefits from such projects. Based on current levels of operations and anticipated growth and cash availability, the Company believes that it will be able to fund its growth initiatives with cash flow from operations and borrowings under the New Credit Facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

DILUTION. Purchasers of Common Stock offered hereby will experience immediate and substantial dilution in the net tangible book value of the Common Stock. The immediate dilution to purchasers of Common Stock offered hereby (assuming an initial public offering price of $20.00 per share) will be $16.46 or 82% per share of Common Stock. See "Dilution."

NO ASSURANCE OF SUCCESSFUL INTEGRATION OF ACQUIRED RESORTS/FUTURE ACQUISITIONS. The Company believes it will realize substantial benefits from the successful integration of the Acquired Resorts. However, there can be no assurance that the Company will be able to establish, maintain or increase the profitability of the Acquired Resorts or that the Acquired Resorts will be successfully integrated into the operations of the Company. In addition, there can be no assurance that the Company will be able to realize any of the cost savings it has identified in connection with integrating the operations of the Existing and Acquired Resorts. The Company continually evaluates potential acquisitions and intends to actively pursue acquisition opportunities, some of which could be material. Future acquisitions could be financed by internally generated funds, bank borrowings, public offerings or private placements of equity or debt securities, or a combination of the foregoing. There can be no assurance that the Company will be able to make acquisitions on terms favorable to the Company. If the Company completes acquisitions, it will encounter various associated risks, including the possible inability to integrate an acquired business into the Company's operations, increased goodwill amortization, diversion of management's attention and unanticipated problems or liabilities, some or all of which could have a material adverse effect on the Company's operations and financial performance.

ANTITRUST. The Company has agreed to resolve certain antitrust concerns of the DOJ raised by the Acquisition by entering into the Consent Decree. Under the Consent Decree the Company has agreed to divest the Arapahoe Basin mountain resort as expeditiously as possible, and in any event, by June 2, 1997. If the Company is unable to effect the divestiture of Arapahoe Basin within such time period, and if such time period is not extended by the DOJ, a trustee may be appointed to accomplish the divestiture at the best price then obtainable upon a reasonable effort by the trustee. There can be no assurance regarding the result of such sale, including the price to be received or the terms and conditions of the sale. There can also be no assurance that a sale can be completed within the allotted time frame or that Arapahoe Basin will not be subject to sale by a trustee. Furthermore, the Consent Decree will become final only upon approval by the United States District Court for the District of Colorado (the "District Court"), following a comment period of 60 days. There can be no assurance that the Consent Decree will be approved by the District Court or what action the DOJ may take if the Consent Decree is not approved.

IMPACT OF SIGNIFICANT COMPETITION. The ski industry is highly competitive. The Existing and Acquired Resorts compete with mountain resort areas in the United States, Canada and Europe for destination guests and with numerous ski areas in Colorado for the day skier. The Company also competes with other worldwide recreation resorts, including warm weather resorts, for the vacation guest. The Existing and Acquired Resorts' major U.S. competitors include the Utah ski areas, the Lake Tahoe ski areas in California and Nevada, the New England ski areas and the other major Colorado ski areas, including Copper Mountain, Telluride, Steamboat Springs, Winter Park and the Aspen resorts. Total skier days generated by all United States ski areas have increased by a total of only 4% since the 1985-86 ski season which also has increased competition for the vacation guest. The competitive position of the Existing and Acquired Resorts is dependent upon many diverse factors such as proximity to population centers, availability and cost of transportation to the areas, including direct flight availability by major airlines, pricing, snowmaking facilities, type and quality of skiing offered, duration of the ski season, prevailing weather conditions, the number, quality and price of related services and lodging facilities, and the reputation of the areas. In addition to competition with other mountain and warm weather resorts for the vacation guest, the Existing and Acquired Resorts also face competition for day skiers from nearby population centers from varied alternative leisure activities, such as attendance at movies, sporting events and participation in alternative indoor and outdoor recreational activities.

FOREST SERVICE PERMITS. The Company has been granted the right to use 12,590 acres of federal land adjacent to the Town of Vail and 2,775 acres of federal land adjacent to its Beaver Creek property as the site for most of its ski lifts and trails and related activities under the terms of permits with the United States Forest Service (the "Forest Service"). The Company's ski operations on Arrowhead Mountain and in the Bachelor Gulch area are located on Company-owned property and are thus not subject to permits. Under the terms of the permits the Forest Service has the right to review and comment on the location, design and construction of improvements in the permit area and on many operational matters. The Vail permit is a "unified permit" which expires on October 31, 2031, but can be terminated by the Forest Service if required in the public interest. The Vail permit covers Category III. The Company has received Forest Service approval to begin construction in this area, which approval was appealed. As a result of this appeal, the Forest Service Supervisor was directed to verify that the administrative record includes appropriate information on potential off-site cumulative impacts to traffic/transportation, housing and wildlife. The Forest Service Supervisor was also directed to take certain additional steps to amend the Forest Plan, which is necessary to implement certain elements of the project. While the Company anticipates successfully resolving the issues raised by the appeal in the second quarter of fiscal 1997, there can be no assurance that the Company will receive final approval to begin construction in Category III. The Beaver Creek property is covered by a Term Special Use Permit covering 80 acres and a Special Use Permit covering the remaining 2,695 acres. These permits expire in 2006 but are terminable by the Forest Service at its discretion. In December 1992, the Company exercised its statutory right to convert its dual permits for the Beaver Creek ski area into a unified permit for the maximum period of 40 years and is currently in the process of finalizing the terms of the unified permit. No assurance can be given that the Beaver Creek unified permit will be granted or that it will be granted for the entire 40 year period. With respect to the Acquired Resorts, Ralston Resorts has been granted the right to use 3,156 acres, approximately 5,571 acres and approximately 825 acres of federal land under terms of permits with the Forest Service for Breckenridge, Keystone and Arapahoe Basin, respectively. Both the Breckenridge permit and the Arapahoe Basin permit expire on December 31, 2029, while the Keystone permit expires on December 31, 2032. Like the Vail permit, each of the permits for the Acquired Resorts is terminable by the Forest Service if required in the public interest. While the Company believes that its relationship with the Forest Service is good, and to the Company's knowledge no recreational Special Use Permit or Term Special Use Permit for any major ski resort has ever been terminated by the Forest Service, a termination of any of the Existing or Acquired Resorts' permits would have a material adverse effect on the business and operations of the Company. See "Business--Regulation and Legislation."

POTENTIAL ADVERSE EFFECTS OF UNFAVORABLE WEATHER CONDITIONS. Attracting guests to the Existing and Acquired Resorts depends upon favorable weather conditions and adequate snowfall during the winter ski season. Historically, the Existing and Acquired Resorts have been able to mitigate the adverse effects of unfavorable weather conditions and inadequate snowfall with their snowmaking capabilities and through their broad offering of guest services and activities. However, continuing periods of adverse weather conditions could have a material adverse impact on the Company's operating results.

POTENTIAL ADVERSE EFFECTS OF ECONOMIC SLOWDOWN. Because the Existing and Acquired Resorts derive a significant portion of their revenues from the worldwide leisure market, an economic recession or other significant economic slowdown could adversely affect the Company's business. Although historically economic downturns have not had an adverse impact on the Company's operating results, there can be no assurance that a decrease in the amount of discretionary spending by the public in the future would not have an adverse effect on the Company's business.

CONTROL BY APOLLO SKI PARTNERS. Following the Offerings, Apollo Ski Partners will own approximately 99% of the Company's outstanding shares of Class A Common Stock, giving Apollo Ski Partners approximately 35% of the combined voting power with respect to all matters submitted for a vote of all stockholders. Apollo Advisors, L.P., a Delaware limited partnership ("Apollo Advisors"), indirectly controls Apollo Ski Partners. Accordingly, Apollo Ski Partners and, indirectly, Apollo Advisors will be able to elect two-thirds of the Board of Directors of the Company and control the approval of matters requiring approval by the Board of Directors and significantly influence decisions on matters submitted for stockholder consideration. This concentration of ownership under certain circumstances could have the effect of delaying or preventing a change in control of the Company.

REAL ESTATE DEVELOPMENT. The Company has extensive real estate holdings in the Vail Valley and manages its real estate operations through VAREG. The Company invested approximately $53.6 million, $22.5 million and $40.6 million in fiscal years 1994, 1995 and 1996, respectively, in its real estate operations. The Acquired Resorts have a significant investment in the Keystone JV and have property at Breckenridge which the Company intends to develop. Investments in real property and related development activities are subject to numerous risks. The value of the Company's properties (including those obtained in the Acquisition) and the revenue from related development activities may be adversely affected by a number of factors, including the national and local economic climate, local real estate conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the attractiveness of the properties to prospective purchasers and tenants, competition from other available property or space, the ability of the Company to obtain adequate insurance and to cover other construction costs, government regulations and changes in real estate, zoning or tax laws, interest rate levels, the availability of financing and potential liabilities under environmental and other laws. In addition, acquisitions of new properties entail risks that the investments will fail to perform in accordance with expectations, and the risk that estimates of the costs of improvements for such properties may prove inaccurate. While the Company attempts to mitigate its exposure to these risks by selling multi-family development parcels to third party developers who assume the risk of construction or by pre-selling single-family homesites or condominium residences to individual purchasers prior to the start of construction projects developed by the Company, there can be no assurance that the Company will continue to do so in the future. Although the Company believes that the current market for the sale of its resort property is strong, there can be no assurance that such market conditions will continue. See "Business--Real Estate."

SHARES ELIGIBLE FOR FUTURE SALE. Future sales of shares of Common Stock by the Company or its existing stockholders could adversely affect the prevailing market price of the Common Stock. The Company and each of its officers, directors and the Selling Stockholders have agreed not to, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose (or announce any offer, sale, contract of sale, pledge or other disposition) of any shares of Common Stock or other shares of capital stock of the Company or securities convertible into or exercisable or exchangeable for, or warrants, options or rights to purchase or acquire, shares of Common Stock or other shares of capital stock of the Company or any interest in the Common Stock (including derivative interests), without the prior written consent of Bear, Stearns & Co. Inc. ("Bear Stearns"), for a period of 180 days from the date of this Prospectus. The foregoing does not prohibit the Selling Stockholders from selling shares subject to the Underwriters' over-allotment option or pledging shares under certain circumstances or prohibit the Company from issuing options or shares pursuant to its stock option plans. In connection with the Acquisition, Foods received 7,554,406 shares of Common Stock (which may be increased as a result of certain post-closing adjustments). The ability of Foods to dispose of such shares is restricted pursuant to the terms of a Shareholder Agreement with the Company. Upon consummation of the Offerings, Apollo will own 11,609,086 shares of Class A Common Stock. Apollo and Foods each will have certain demand and piggyback registration rights. See "Acquisition--Shareholder Agreement." No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price of the Common Stock from time to time. Sales of substantial amounts of Common Stock in the public market, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock and could impair the Company's ability to raise additional capital through an offering of its equity securities. See "Shares Eligible for Future Sale."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE. Prior to the Offerings, there has been no public market for the Common Stock. Although the Common Stock has been approved for listing on the New York Stock Exchange (subject to notice of issuance), there can be no assurance that an active public market for the Common Stock will develop or continue after the Offerings. Prices for the Common Stock will be determined in the marketplace and may be influenced by many factors, including quarterly variations in the financial results of the Company, changes in earnings estimates by industry research analysts, investors' perceptions of the Company and general economic, industry and market conditions. The initial public offering price per share of the Common Stock will be determined by negotiations among the Company and the representatives of the Underwriters and may not be indicative of the price at which the Common Stock will trade after completion of the Offerings. The Company believes that there are relatively few comparable companies that have publicly-traded equity securities which may also impact the trading price of the Common Stock after the Offerings. See "Underwriting." In addition, the stock market has from time to time experienced extreme price and volume volatility. These fluctuations may be unrelated to the operating performance of particular companies whose shares are traded. Market fluctuations may adversely affect the market price of the Common Stock. The market price of the Common Stock could be subject to significant fluctuations in response to the Company's operating results and other factors, and there can be no assurance that the market price of the Common Stock will not decline below the initial public offering price.

DIVIDENDS. The Company does not anticipate paying any cash dividends (other than the Distribution) on its shares of Common Stock or Class A Common Stock in the foreseeable future. See "Dividend Policy."

USE OF PROCEEDS

The net proceeds to be received by the Company from the Offerings will be approximately $90.0 million. Approximately $67.7 million of such net proceeds will be used to redeem all of the Company's outstanding Senior Subordinated Notes (including accrued interest and a contractual redemption premium) with the balance of approximately $22.3 million used to reduce outstanding revolving credit borrowings under the New Credit Facilities and for general corporate purposes. The Company believes that this reduction in indebtedness will give it the flexibility to make additional borrowings in the future to finance internal and external growth initiatives. The Company will not receive any of the proceeds from the sale of Common Stock by the Selling Stockholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Description of Certain Indebtedness."

DIVIDEND POLICY

The Company has never paid or declared a cash dividend on its Common Stock or Class A Common Stock (other than the Distribution described under "Certain Transactions"). The declaration of cash dividends in the future will depend on the Company's earnings, financial condition and capital needs and on other factors deemed relevant by the Board of Directors at that time. It is the current policy of the Company's Board of Directors to retain earnings to finance the operations and expansion of the Company's business, and the Company does not anticipate paying any cash dividends (other than the Distribution) on its shares of Common Stock or Class A Common Stock in the foreseeable future.

DILUTION

The net tangible book value of the Company as of September 30, 1996 was approximately $1.87 per share of Common Stock (including Class A Common Stock). "Net tangible book value per share" represents the amount of (a) total tangible assets less total liabilities, divided by (b) the aggregate number of shares of Common Stock (including Class A Common Stock) deemed outstanding on such date (after giving retroactive effect to the 2 for 1 stock split that will be effected prior to the consummation of the Offerings). After taking into account changes in such net tangible book value after September 30, 1996, including the consummation of the Acquisition (see Note (a) to the Pro Forma Financial Data) and the receipt of the estimated net proceeds from the Offerings at an assumed offering price of $20.00 per share (the midpoint of the range set forth on the cover page of this Prospectus), after deduction of the estimated aggregate underwriting discounts and commissions and estimated Offering expenses to be paid by the Company, the Company's pro forma net tangible book value per share at September 30, 1996 would be $3.54, representing an immediate increase in net tangible book value per share of $1.67 to existing stockholders and an immediate dilution of $16.46 per share to new investors. Dilution is determined by subtracting pro forma net tangible book value per share of Common Stock (including Class A Common Stock) after the Offerings and the Acquisition from the public offering price paid by new investors for a share of Common Stock. The following table illustrates this dilution:

	PER SHARE	
Assumed initial public offering price		$20.00
Net tangible book value before the Offerings and the Acquisition	$1.87	
Increase attributable to the sale of shares offered hereby	2.66	
Decrease attributable to the Acquisition	(.99)	
Pro forma net tangible book value after the Offerings		3.54
Dilution of net tangible book value to new investors		$16.46

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of September 30, 1996 (after giving retroactive effect to the 2 for 1 stock split that will be effected prior to the consummation of the Offerings), and as further adjusted to give effect to (i) the Acquisition and (ii) the sale by the Company in the Offerings of 5,000,000 shares of Common Stock at an assumed price of $20.00 per share and the application by the Company of the estimated net proceeds therefrom.

	SEPTEMBER 30, 1996 ACTUAL(1)	PRO FORMA ADJUSTMENTS ACQUISITION	PRO FORMA ADJUSTMENTS OFFERINGS	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)			
Short term debt.........	$ 63	$ 1,774(2)	$ --	$ 1,837
Long term debt..........	144,687	178,226(2)	(87,494)(5)	235,419
Total debt............	144,750	180,000	(87,494)	237,256
Stockholders' equity:				
Preferred Stock, $.01 par value; 25,000,000 shares authorized, no shares issued and outstanding..........	--	--	--	--
Class A Common Stock, $.01 par value; 20,000,000 shares authorized; 12,426,220 shares (actual); 11,728,600 shares (as adjusted) issued and outstanding..........	124	--	--	124
Common Stock, $.01 par value; 80,000,000 shares authorized; 7,573,780 shares (actual); 20,825,806 shares (as adjusted) issued and outstanding..........	76	--	--	76
Additional paid-in capital.............	123,707	151,088(3)	90,000 (4)	363,248
Retained earnings.....	--	--	(1,547)(5)	--
Total stockholders' equity............	123,907	151,088	88,453	363,448
Total capitalization....	$268,657	$331,088	$ 959	$600,704

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(1) Actual retained earnings at September 30, 1996 reflects a reduction of $50.5 million for the distribution of the Rights and a reduction of $4.5 million related to the Option Payment. The aggregate liability of $55 million is included in the Company's balance sheet at September 30, 1996. See the Company's consolidated financial statements. Stockholders' equity at September 30, 1996 does not reflect the issuance of 744,482 shares of Common Stock to the Company's former Chairman and Chief Executive Officer upon the exercise of certain stock options which occurred on October 11, 1996.

(2) Reflects the assumption of $165 million in debt related to the Acquisition and the incurrence of $15 million of Acquisition related fees.

(3) Reflects the issuance of shares of Common Stock to Foods pursuant to the Acquisition.

(4) Assumes the Company will realize approximately $90 million of net proceeds from the sale of Common Stock in the Offerings.

(5) Reflects (i) the redemption of $62.6 million principal amount of the Senior Subordinated Notes and a $1.5 million after-tax reduction to stockholders' equity for the expense associated with the related contractual redemption premium and (ii) the reduction of $24.8 million of outstanding borrowings under the New Credit Facilities.

PRO FORMA FINANCIAL DATA

The following unaudited pro forma financial data (the "Pro Forma Financial Data") is derived from the historical consolidated financial statements of the Company and Ralston Resorts, in each case included elsewhere in this Prospectus, and should be read in conjunction with such financial statements and the notes thereto included elsewhere in this Prospectus. The unaudited pro forma statement of operations data for the year ended September 30, 1996 give effect to the Acquisition and the Offerings as if they had occurred on October 1, 1995. The unaudited pro forma balance sheet data as of September 30, 1996 give effect to the Acquisition and the Offerings as if they had occurred on such date. The Pro Forma Financial Data is not intended to be indicative of either future results of operations or results that might have been achieved had the Acquisition and the Offerings actually occurred on the dates specified. In the opinion of the Company's management, all adjustments necessary to present fairly such unaudited pro forma combined financial data have been made based upon the proposed terms of the Acquisition and the Offerings. No estimates of future cost savings related to administrative consolidations and other efficiencies or economies of scale related to the Acquisition have been reflected in the pro forma statement of operations data. The following information includes the results of the Arapahoe Basin mountain resort, which will be divested pursuant to the Consent Decree. See "Use of Proceeds," "The Acquisition," "Risk Factors--No Assurance of Successful Integration of Acquired Resorts/Future Acquisitions" and Note (f) to the Pro Forma Financial Data.

VAIL RESORTS, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET DATA
AS OF SEPTEMBER 30, 1996

	THE COMPANY	RALSTON RESORTS	ACQUISITION ADJUSTMENTS	OFFERING ADJUSTMENTS	PRO FORMA COMBINED
			(IN THOUSANDS)		
Cash and cash equivalents	$ 12,712	$ 1,274	$	$	$ 13,986
Receivables	5,741	6,325			12,066
Inventories	4,639	3,820			8,459
Deferred income taxes	17,200	111			17,311
Other current assets	5,490	680			6,170
Total current assets	45,782	12,210			57,992
Property and equipment, net	192,669	131,000			323,669
Real estate held for sale	88,665	28,788			117,453
Investment in joint venture	--	22,564	6,485		29,049
Deferred charges and other assets	10,440	271			10,711
Intangible assets	85,056	36,177	124,253		245,486
Total assets	$422,612	$231,010	$130,738	$ --	$784,360
Accounts payable and accrued expenses	$ 48,096	$ 17,447	$ (1,079)	$	$ 64,464
Income taxes payable	325	--			325
Payable under Rights	50,513	--			50,513
Long term debt due within one year	63	141,806	(140,032)		1,837
Total current liabilities	98,997	159,253	(141,111)		117,139
Long term debt	144,687	26,522	151,704	(87,494)	235,419
Other long term liabilities	15,521	1,998			17,519
Deferred income taxes	39,500	12,294		(959)	50,835
Total liabilities	298,705	200,067	10,593	(88,453)	420,912
Stockholders' equity	123,907	30,943	120,145	88,453	363,448
Total liabilities and stockholders' equity	$422,612	$231,010	$130,738	$ --	$784,360

VAIL RESORTS, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET DATA
SUMMARY OF PRO FORMA ADJUSTMENTS--BALANCE SHEET DATA

BALANCE SHEET ACCOUNT	NOTE	ADJUSTMENT	SEPTEMBER 30, 1996 (IN THOUSANDS)
ACQUISITION ADJUSTMENTS			
Investment in joint venture....................	(d)	Loan to Keystone JV by Foods	6,485
Intangible assets........	(a)	Allocation of purchase price	124,253
Effect on total assets..			130,738
Accounts payable and accrued expenses..........		Ralston Resorts' pension liability which was not assumed in the Acquisition	(1,079)
Long-term debt due within one year................		Refinancing of Ralston Resorts' line of credit borrowings under the New Credit Facilities	(140,032)
Long-term debt...........		Refinancing of Ralston Resorts' line of credit borrowings under the New Credit Facilities	140,032
		Ralston Resorts' debt in excess of that assumed in the Acquisition	(3,328)
	(b)	Transaction costs related to the Acquisition	15,000
			151,704
Effect on total liabilities...................			10,593
Stockholders' equity.....		Elimination of Ralston Resorts stockholder's equity	(30,943)
		Issuance of shares of Common Stock to Foods	151,088
			120,145
OFFERINGS ADJUSTMENTS			
Cash.....................		Net proceeds of the Offerings	90,000
		Application of net proceeds of the Offerings to redeem the Senior Subordinated Notes	(62,647)
		Payment of premium on early redemption of the Senior Subordinated Notes	(2,506)
		Application of net proceeds of the Offerings to reduce revolving credit borrowings under the New Credit Facilities	(24,847)
			--
Long-term debt...........		Application of net proceeds of the Offerings to redeem the Senior Subordinated Notes	(62,647)
		Application of net proceeds of the Offerings to reduce revolving credit borrowings under the New Credit Facilities	(24,847)
			(87,494)
Deferred income taxes....	(e)	Tax effect of premium on early redemption of the Senior Subordinated Notes	(959)
Effect on total liabilities...................			(88,453)
Stockholders' equity.....		Net proceeds of the Offerings	90,000
	(e)	Premium on early redemption of the Senior Subordinated Notes (after-tax)	(1,547)
			88,453

VAIL RESORTS, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS DATA
FOR THE YEAR ENDED SEPTEMBER 30, 1996

	HISTORICAL				
	THE COMPANY	RALSTON RESORTS	ACQUISITION ADJUSTMENTS	OFFERINGS ADJUSTMENTS	PRO FORMA COMBINED
			(IN THOUSANDS)		
Revenues:					
Resort	$140,288	$135,750	$	$	$276,038
Real estate	48,655	914			49,569
Total revenues	188,943	136,664			325,607
Operating expenses:					
Resort	89,890	97,988			187,878
Real estate	40,801	--			40,801
Corporate expense	12,698	--			12,698
Depreciation and amortization	18,148	15,780	3,550		37,478
	161,537	113,768	3,550		278,855
Operating income	27,406	22,876	(3,550)		46,752
Investment income	586	--			586
Interest expense	(14,904)	(9,200)	(2,640)	9,286	(17,458)
Gain (loss) on the disposal of fixed assets	(2,630)	--			(2,630)
Other	(1,500)	--			(1,500)
Income (loss) from operations before income taxes	8,958	13,696	(6,190)	9,286	25,750
(Provision) benefit for income taxes	(4,223)	(5,824)	1,010	(3,552)	(12,589)
Net income	$ 4,735	$ 7,872	$(5,180)	$ 5,734	$ 13,161
Earnings per common share					$ .38
Weighted average common shares outstanding					34,382

VAIL RESORTS, INC.
UNAUDITED PRO FORMA COMBINED FINANCIAL DATA
SUMMARY OF PRO FORMA ADJUSTMENTS--STATEMENT OF OPERATIONS DATA

STATEMENT OF OPERATIONS ITEM	NOTE	ADJUSTMENT	YEAR ENDED SEPTEMBER 30, 1996
ACQUISITION ADJUSTMENTS			
Depreciation and amortization..	(a)	Amortization of goodwill................	$(3,550)
Interest expense...............	(c)	Interest expense on debt assumed in the Acquisition............	(2,640)
Provision for income taxes.....	(e)	Tax effect of pro forma adjustments............	1,010
Effect on net income..........			$(5,180)
OFFERINGS ADJUSTMENTS			
Interest expense...............	(c)	Reduction of interest expense attributable to redemption of the Senior Subordinated Notes..................	$(7,674)
	(c)	Reduction of interest expense attributable to reduction of revolving credit borrowings under the New Credit Facilities.............	(1,612)
			(9,286)
Provision for income taxes.....	(e)	Tax effect of pro forma adjustments............	3,552
Effect on net income..........			$ 5,734

NOTES TO THE PRO FORMA COMBINED FINANCIAL DATA

(a) The Acquisition of Ralston Resorts by the Company will result in the assets of Ralston Resorts being written up to reflect the purchase price of the transaction. The purchase price of Ralston Resorts will be calculated as the sum of (i) the fair value of the Company's Common Stock that will be issued to Foods, the sole stockholder of Ralston Resorts, (ii) the fair value of any liabilities of Ralston Resorts assumed, and (iii) the transaction costs incurred by the Company. Under the purchase accounting method, the acquisition cost is allocated to the assets and liabilities acquired based on their relative fair values. The Company has not yet received the results of appraisals and other valuation studies, nor has it made a final determination of the useful lives of the assets acquired. The Company's preliminary allocation of acquisition cost resulted in an excess of purchase price over the historical basis of net assets acquired of approximately $124.3 million. For purposes of the pro forma combined financial data, this excess has been allocated to various intangible assets, including goodwill. Amortization expense in the pro forma financial statements has been calculated assuming an amortization period of 35 years.

When the final purchase price is computed as of the closing date and an actual allocation of the purchase price to the underlying assets acquired is completed, some portion of the excess of purchase price over the historical basis of the net assets acquired may be allocated to specific tangible and intangible assets. Only after the final purchase price has been allocated and the estimated remaining useful lives of the tangible and intangible assets are determined by management will the actual amortization charge associated with the acquired assets of Ralston Resorts become available. The actual allocation of purchase cost and the resulting effect on operating income may differ significantly from the pro forma amounts included herein.

The following table summarizes the preliminary purchase price allocation:

Stock to be issued	$151,088,100
Debt assumed	165,000,000
Transaction costs	15,000,000
Total purchase price	$331,088,100
Purchase price allocation:	
Historical cost basis of acquired net assets	$206,835,000
Purchase price in excess of historical cost basis	124,253,100
	$331,088,100

(b) The Company incurred various direct costs and professional fees in connection with the Acquisition which will be paid from borrowings under the New Credit Facilities.

(c) The Senior Subordinated Notes accrue interest at a rate of 12.25%. The average rate of interest under the New Credit Facilities is assumed to be 6.5%.

(d) As of September 30, 1996, Foods had made loans to the Keystone JV in the aggregate amount of $6 million. Under the terms of the Acquisition, these loans and an accrued interest receivable of $485,000 as of September 30, 1996 were assigned to Ralston Resorts upon the closing of the Acquisition.

(e) All adjustments to the unaudited Pro Forma Combined Statement of Operations Data have been tax-effected using the expected statutory rate.

(f) The pro forma financial data set forth above includes the results of the Arapahoe Basin mountain resort, which the Company will divest pursuant to the Consent Decree. See "Recent Developments" and "The Acquisition--Consent Decree." The following table summarizes certain financial and operating data for Arapahoe Basin for fiscal 1996. This presentation is not intended to be indicative of the operations or financial position of Arapahoe Basin on a stand alone basis, but rather to isolate its impact on the combined pro forma financial data of the Company after giving effect to the Acquisition and the Offerings. Resort Cash Flow for Arapahoe Basin includes $300,000 of certain operating expenses of Ralston Resorts which have been allocated to Arapahoe Basin.

	ARAPAHOE BASIN FISCAL YEAR ENDED SEPTEMBER 30, 1996
Revenues	$6,554,000
Resort cash flow	3,004,000
Total assets	5,060,000
Property & equipment, net	4,910,000
Skier days	241,435

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA
(IN THOUSANDS EXCEPT PER SHARE AND PER SKIER DAY DATA)

The selected consolidated historical financial data presented below have been derived from the Company's and Ralston Resorts' consolidated financial statements and should be read in conjunction with those statements and related notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the other financial information included elsewhere in this Prospectus. The unaudited pro forma summary combined financial data for the fiscal year ended September 30, 1996 give effect to the Acquisition and the Offerings and are derived from the unaudited pro forma financial data presented elsewhere in this Prospectus. The following information includes the results of the Arapahoe Basin mountain resort, which will be divested pursuant to the Consent Decree. See "Pro Forma Financial Data" and "The Acquisition."

THE COMPANY

	PRE-EFFECTIVE DATE (1)		POST-EFFECTIVE DATE (1)				PRO FORMA COMBINED FISCAL
	YEAR ENDED SEPTEMBER 30, 1991(2)	YEAR ENDED OCTOBER 8, 1992(2)	FISCAL YEAR ENDED SEPTEMBER 30, 1993	1994	1995	1996	YEAR ENDED SEPTEMBER 30, 1996
	(UNAUDITED)						(UNAUDITED)
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Resort	$ 97,048	$105,525	$114,623	$124,982	$126,349	$140,288	$276,038
Real estate	2,601	3,767	4,610	22,203	16,526	48,655	49,569
Total revenues	99,649	109,292	119,233	147,185	142,875	188,943	325,607
Operating expenses:							
Resort	56,680	63,099	69,749	78,365	82,305	89,890	187,878
Real estate	4,282	4,472	5,165	20,341	14,983	40,801	40,801
Corporate expense (3)	7,939	4,151	6,467	7,160	6,701	12,698	12,698
Depreciation and amortization	8,389	7,626	13,404	17,186	17,968	18,148	37,478
	77,290	79,348	94,785	123,052	121,957	161,537	278,855
Operating income from continuing operations	22,359	29,944	24,448	24,133	20,918	27,406	46,752
Income (loss) from continuing operations (after-tax) (4)	NM	NM	(146)	761	3,282	4,735	13,161
Unaudited pro forma earnings per common share(5)							$ .38
Weighted average shares outstanding (5)							34,382
OTHER DATA:							
Resort							
Resort Revenue	$ 97,048	$105,525	$114,623	$124,982	$126,349	$140,288	$276,038
Resort Cash Flow (6)	40,368	42,426	44,874	46,617	44,044	50,398	88,160
Skier days	1,969	1,986	2,059	2,056	2,136	2,228	4,885
Resort Revenue/skier day	$ 49.29	$ 53.13	$ 55.67	$ 60.79	$ 59.15	$ 62.97	$ 56.51
Real estate							
Revenues from real estate sales	$ 2,601	$ 3,767	$ 4,610	$ 22,203	$ 16,526	$ 48,655	$ 49,569
Real estate operating profit (7)	(1,681)	(705)	(555)	1,862	1,543	7,854	8,768
Real estate assets (8)	16,144	13,091	15,673	42,637	54,858	88,665	146,502
BALANCE SHEET DATA (AT PERIOD END):							
Total assets	$ 569,319	$805,881	$459,131	$450,018	$429,628	$415,322	$784,360
Long term debt	1,009,759	376,718	250,566	225,654	191,313	144,750	235,419
Total stockholders' equity (deficit)	(578,007)	132,102	131,973	162,494	167,694	123,907	363,448

RALSTON RESORTS

	FISCAL YEAR ENDED SEPTEMBER 30,			
	1993	1994	1995	1996
STATEMENT OF OPERATIONS DATA:				
Revenues:				
Resort	$ 83,717	$127,676	$125,816	$135,750
Real estate	2,141	4,979	1,778	914
Total revenues	85,858	132,655	127,594	136,664
Operating expenses:				
Resort	71,330	94,382	94,846	97,988
Real estate	1,619	3,837	1,040	--
Depreciation and amortization	10,754	14,227	14,948	15,780
	83,703	112,446	110,834	113,768
Operating income	2,155	20,209	16,760	22,896
Net income (loss)	(4,090)	8,923	3,927	7,872
OTHER DATA:				
Resort				
Resort Revenue	$ 83,717	$127,676	$125,816	$135,750
Resort Cash Flow(6)	12,387	33,294	30,970	37,762
Skier days	1,284	2,568	2,532	2,657
Resort Revenue/skier day	$ 65.20	$ 49.72	$ 49.69	$ 51.09
Real estate				
Revenues from real estate sales	$ 2,141	$ 4,979	$ 1,778	$ 914
Real estate operating profit(7)	522	1,142	738	914
Real estate assets(8)	46,275	49,683	50,009	51,352
BALANCE SHEET DATA:				
Total assets	$235,611	$231,362	$226,240	$231,010
Long term debt	30,522	130,295	130,053	168,328
Total stockholder's equity	178,477	71,787	67,033	30,943

(1) In addition to its resort and real estate operations, which are conducted by Vail Associates, the Company also previously owned subsidiaries which were engaged in the communications and beef products businesses. In each year from fiscal 1986 through fiscal 1991, the Company's resort operations experienced growth in Resort Cash Flow. In 1991, due to an inability to service debt incurred in connection with the acquisition of certain assets in the communications business, the Company was forced to seek relief under Chapter 11 of the Bankruptcy Code. On the Effective Date, the Company emerged from bankruptcy pursuant to the Reorganization, which contemplated divestitures of the Company's communications and beef products businesses. Such divestitures were completed in fiscal years 1993 and 1994 and accounted for as discontinued operations. As a result of the transactions that took place on the Effective Date and the related accounting treatment, the Pre-Effective Date financial information is not comparable to the Post-Effective Date financial information. See Note 1 to the Company's consolidated financial statements.

(2) For fiscal 1991, results of operations include only nine months of corporate expense of the Company due to a change in the fiscal year of the Company. The results of Vail Associates for fiscal 1991 and fiscal 1992 have been derived from their separately audited financial statements.

(3) Prior to the Offerings, corporate expense included the costs associated with the Company's holding company structure and overseeing multiple lines of business, including the discontinued operations. Following the Offerings, corporate expense will include certain personnel, tax, legal, directors' and officers' insurance and other consulting fees relating solely to the Company's resort and real estate operations. Corporate expense is classified as resort operating expenses in the consolidated financial statements of Ralston Resorts. For the year ended September 30, 1996, corporate expense included the following nonrecurring charges: (i) $4.5 million related to the Option Payment, (ii) $1.9 million of compensation expense related to the exercise of certain options held by the Company's former Chairman and Chief Executive Officer and (iii) $2.1 million related to the termination of the employment agreement with the Company's former Chairman and Chief Executive Officer. In addition, the Company anticipates annual savings of approximately $750,000 related to changes made in corporate management. These anticipated corporate expense savings have not been reflected in the pro forma summary combined financial data.

(4) Due to the Reorganization discussed in Note 1, income from continuing operations and per share information for fiscal 1991 and fiscal 1992 are not comparable to amounts reported in subsequent fiscal years, and therefore, are not considered meaningful.

(5) Due to the Distribution, the Acquisition and the Offerings, the Company's and Ralston Resorts' historical capital structure is not indicative of the Company's capital structure upon the closing of the aforementioned transactions. Accordingly, historical earnings per common share is not considered meaningful and has not been presented herein.

(6) Resort Cash Flow is defined as revenues from resort operations less resort operating expenses, excluding depreciation and amortization. Resort Cash Flow is not a term that has an established meaning under generally accepted accounting principles. The Company has included information concerning Resort Cash Flow because management believes it is an indicative measure of a resort company's operating performance and is generally used by investors to evaluate companies in the resort industry. Resort Cash Flow does not purport to represent cash provided by operating activities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. For information regarding the Company's and Ralston Resorts' historical cash flows from operating, investing and financing activities, see the Company's and Ralston Resorts' consolidated financial statements included elsewhere in this Prospectus. Furthermore, Resort Cash Flow is not available for the discretionary use of management and, prior to the payment of dividends, the Company uses Resort Cash Flow to meet its capital expenditure and debt service requirements.

(7) Real estate operating profit is defined as revenues from real estate operations less real estate costs and expenses, which include (i) selling costs, (ii) holding costs, (iii) operating expenses and (iv) the allocation of the capitalized land, infrastructure, mountain improvement and other costs relating to property sold. Real estate costs and expenses exclude charges for depreciation and amortization as the Company has determined that the portion of those expenses allocable to real estate are not significant.

(8) Real estate assets include all land, development costs, and other improvements associated with real estate held for sale and classified as such in the Company's consolidated balance sheet. Real estate assets of Ralston Resorts include investments in real estate joint ventures, real estate held for sale and other developable land. See Note (d) to the Pro Forma Financial Data.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 1996 ("FISCAL 1996") VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 1995 ("FISCAL 1995")

Resort Revenue. Resort Revenue for fiscal 1996 was $140.3 million, an increase of $13.9 million, or 11.0%, compared to fiscal 1995. The increase was attributable primarily to (i) an 8.4% increase in lift ticket revenue due to a 4.3% increase in skier days (a 5.3% increase at Vail Mountain and a 1.5% increase at Beaver Creek Mountain) and an increase in effective ticket price (defined as total lift ticket revenue divided by total skier days) ("ETP") from $29.96 to $31.12, or 3.9%, (ii) a 9.6% increase in ski school revenue due to increases in lesson prices and increases in lesson volume driven primarily by snowboarding and children's lessons, (iii) a 9.8% increase in food service revenues due to price increases and the increase in skier days, (iv) a 19.1% increase in retail and rental revenues due to favorable changes in product mix, the growth in popularity of snowboarding and new ski technology, and the increase in skier days and (v) a 17.2% increase in hospitality revenues due primarily to enhanced marketing efforts for the Company's property management activities.

Resort Operating Expenses. Operating expenses from resort operations ("Resort Operating Expenses") were $89.9 million for fiscal 1996, representing an increase of $7.6 million, or 9.2%, as compared to fiscal 1995. As a percentage of Resort Revenue, Resort Operating Expenses declined from 65.1% to 64.1% in fiscal 1996. The increase in Resort Operating Expenses is primarily attributable to (i) increased variable expenses resulting from the increased level of Resort Revenue and skier days in fiscal 1996, (ii) a $1.6 million increase in the accrual for long term incentive compensation associated with the improvement in the operating results of the resorts segment during fiscal 1996 and (iii) a $1.1 million increase in labor related expenses due to expanded operations.

Resort Cash Flow. Resort Cash Flow for fiscal 1996 was $50.4 million, an increase of $6.4 million, or 14.4%, compared to fiscal 1995. Resort Cash Flow as a percentage of Resort Revenue increased to 35.9% for fiscal 1996 as compared to 34.9% for fiscal 1995. The increase in Resort Cash Flow is primarily due to the increase in skier days and ETP as discussed above.

Real Estate Revenues. Revenues from real estate operations for fiscal 1996 were $48.7 million, an increase of $32.1 million, compared to fiscal 1995. The increase is due primarily to the closings of sales of 30 single family lots in the Strawberry Park development at Beaver Creek Resort in December 1995 and February 1996, which generated $30.9 million in gross proceeds.

Real Estate Operating Expenses. Real estate operating expenses for fiscal 1996 were $40.8 million, an increase of $25.8 million, compared to fiscal 1995. The increase resulted primarily from the cost of sales and commissions associated with the sale of the Strawberry Park lots which totaled $24.7 million.

Corporate Expense. Corporate expense was $12.7 million for fiscal 1996, an increase of $6.0 million as compared to fiscal 1995. Corporate expense for fiscal 1996 includes the following nonrecurring charges: (i) $2.1 million related to the termination of an employment agreement with the Company's former Chairman and Chief Executive Officer, (ii) $4.5 million related to the Option Payments and (iii) $1.9 million of compensation expense related to the exercise of stock options by the Company's former Chairman and Chief Executive Officer. Excluding the effect of those items, corporate expense decreased $2.5 million. This decrease was primarily due to the inclusion in fiscal 1995, of $1.6 million of compensation expense related to shares of Common Stock granted to the Company's former Chairman and Chief Executive Officer pursuant to an employment agreement dated October 8, 1992. Those shares were earned over the three year period beginning on the date of the employment agreement and ending on October 8, 1995. Accordingly, compensation expense was charged to corporate expense ratably over that period. The remaining decrease was attributable to reductions in payroll expense and other office expenses related to the partial closure of the Company's Denver office as of December 31, 1995.

Depreciation and Amortization. Depreciation and amortization expense increased by $180,000 for fiscal 1996 over fiscal 1995, primarily due to capital expenditures made in fiscal 1995.

Interest Expense. During fiscal 1996 and fiscal 1995, the Company recorded interest expense of $14.9 million and $19.5 million, respectively, which relates primarily to the Company's Senior Subordinated Notes, the Industrial Development Bonds, and the Company's credit facilities. The decrease in interest expense from fiscal 1995 to fiscal 1996, is attributable to the redemptions of $30 million and $24.5 million in principal amount of Senior Subordinated Notes on December 11, 1995 and February 2, 1996, respectively, offset by call premiums paid in connection with those redemptions. See "Liquidity and Capital Resources."

Gain (loss) on disposal of fixed assets. The loss on disposal of fixed assets for fiscal 1996 was $2.6 million compared to $849,000 for fiscal 1995. The loss for fiscal 1996 consists primarily of a $2.3 million loss on the retirement of the Lionshead gondola and a $340,000 loss on the retirement of the Golden Peak chairlift. Both lifts have been replaced with upgraded equipment. The loss for fiscal 1995 consists primarily of a $600,000 loss on the write off of lift equipment which was replaced during an upgrade of a Vail Mountain chairlift.

Other income (expense). The significant components of other income (expense) for fiscal 1996 are (i) a $725,000 increase in the reserves related to the Company's indemnity to the purchaser of a former subsidiary of the Company, (ii) a $690,000 increase in the estimate of the pension liability related to three founders of the Company, (iii) a $600,000 increase in reserves related to a change in the estimate of the Company's obligation to a medical research foundation, and (iv) $373,000 in income related to a favorable retrospective adjustment on a worker's compensation insurance policy of a former subsidiary of the Company. The significant components of other income (expense) for fiscal 1995 are (i) a $1.2 million gain on the sale of securities, (ii) income of $687,000 related to the elimination of reserves for pre-petition bankruptcy claims and (iii) $1.6 million in income related to a change in the estimate of the Company's obligation to a medical research foundation.

YEAR ENDED SEPTEMBER 30, 1995 ("FISCAL 1995") VERSUS YEAR ENDED SEPTEMBER 30, 1994 ("FISCAL 1994")

Resort Revenue. Resort Revenue for fiscal 1995 was $126.3 million, an increase of $1.4 million, or 1.1%, compared to fiscal 1994. The increase was attributable primarily to (i) a 1.1% decrease in lift ticket revenue due to a 3.9% increase in skier days (a 2.7% increase at Vail Mountain and a 7.4% increase at Beaver Creek Mountain) offset by a decline in ETP from $31.29 to $29.96, or 4.3%, (ii) a 4.4% increase in ski school revenue due primarily to increases in corporate group sales at Vail Mountain and private lesson sales at Beaver Creek Mountain, (iii) a 0.7% increase in food service revenue attributable to slight growth in winter food and beverage sales offset by significant decreases in summer sales due to poor weather conditions during June which delayed the opening of certain mountain facilities, (iv) a 20.8% increase in retail and rental sales due to the opening of two new retail outlets in fiscal 1995, (v) a 3.2% increase in hospitality revenue due to property management revenues from four properties which were managed by the Company for a full year in fiscal 1995 and (vi) increases in revenue from brokerage, commercial leasing, and licensing and sponsorship activities. The decline in ETP in fiscal 1995 resulted from increased skier days in the early and late season which have lower ETPs than those in the peak season. The increase in early and late season skiers was due to incentive programs targeted to attract increased corporate groups and skiers from the Denver metropolitan area. In addition, skier days in the peak season, which have higher ETPs, were adversely affected by a number of factors, including (i) an unusually high number of closings of Interstate 70 (the main highway from Denver to Vail) due to adverse weather conditions and (ii) the December 1994 financial crisis in Mexico, the country of origin of a significant portion of the Company's international guests who typically visit the Company's resorts during the peak season. Following the 1994-95 ski season, the Company, working with state and local agencies, took steps designed to improve snow removal operations on Interstate 70. As a result of these steps, the number and duration of highway closings were significantly reduced during the 1995-96 ski season.

Resort Operating Expenses. Resort Operating Expenses were $82.3 million for fiscal 1995, representing an increase of $3.9 million, or 5.0%, as compared to fiscal 1994. As a percentage of Resort Revenue, Resort Operating Expenses increased from 62.7% in fiscal 1994 to 65.1% in fiscal 1995. The increase in Resort Operating Expenses is primarily attributable to (i) a $2.1 million increase in marketing expenditures primarily related to increased direct advertising expenditures, (ii) an increase of $1.3 million in expenses related to an expansion of the Company's retail operations, write-downs of obsolete inventory purchased in prior seasons, and costs associated with the implementation of new point of sale inventory system, (iii) an increase of $740,000 in rent and occupancy costs due to the relocation of certain of Vail Associates' offices from Company-owned space in the Town of Vail to leased office space in the Town of Avon and (iv) increased expenses resulting from the increased level of Resort Revenue in fiscal 1995.

Resort Cash Flow. Resort Cash Flow for fiscal 1995 was $44.0 million, a decrease of $2.6 million, or 5.5%, compared to fiscal 1994. Resort Cash Flow as a percentage of Resort Revenue decreased to 34.9% in fiscal 1995 as compared to 37.3% in fiscal 1994. The decrease in Resort Cash Flow was due to the decline in ETP and increase in Resort Operating Expenses as discussed above.

Real Estate Revenues. Revenues from real estate operations for fiscal 1995 were $16.5 million, a decrease of $5.7 million, compared to fiscal 1994. The decrease is due primarily to a reduction in the number of closings of residential lot sales in Beaver Creek Resort due to the Company not having significant lots available for sale during the period.

Real Estate Operating Expenses. Real estate operating costs and expenses for fiscal 1995 were $15.0 million, a decrease of $5.4 million, compared to fiscal 1994 due to lower costs of sales associated with the reduced amount of lot sales activity.

Corporate Expense. Corporate expense decreased $459,000 in fiscal 1995 as compared to fiscal 1994 due primarily to lower salary and service costs.

Depreciation and Amortization. Depreciation and amortization expense from continuing operations increased $782,000 in fiscal 1995 as compared to fiscal 1994, primarily as a result of the capital expenditures made during fiscal 1994.

Interest Expense. During fiscal 1995, the Company recorded interest expense of $19.5 million, which relates primarily to the interest on the Company's Senior Subordinated Notes and the Industrial Development Bonds and revolving credit facilities of Vail Associates. See "--Liquidity and Capital Resources." The decrease in interest expense from $22.5 million during fiscal 1994 to $19.5 million during fiscal 1995 relates primarily to the redemption of the Company's Senior Secured Notes on September 29, 1994 and the redemption of $24.9 million principal amount of Senior Subordinated Notes on December 15, 1994.

Other Income (Expense). The significant components of other income (expense) for fiscal 1995 are (i) income of $1.6 million related to a reduction in the estimate of a liability related to the Company's obligation to a medical research foundation, (ii) a $1.2 million gain on the sale of securities and (iii) income of $687,000 related to the elimination of reserves for pre-petition bankruptcy claims.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically provided funds for debt service, capital expenditures and acquisitions through a combination of cash flow from operations, short term and long term borrowings and sales of real estate.

At September 30, 1995, the Company had outstanding $117.2 million of Senior Subordinated Notes maturing on June 30, 2002. On December 11, 1995 and February 2, 1996, the Company redeemed principal amounts of $30.0 million and $24.5 million, respectively, of the Senior Subordinated Notes. At September 30, 1996, the outstanding principal amount of Senior Subordinated Notes was $62.6 million. The Company will use a portion of the net proceeds from the Offerings to redeem all of the remaining outstanding Senior Subordinated Notes.

The Company has $41.2 million of outstanding Industrial Development Bonds issued by Eagle County, Colorado which accrue interest at 8% per annum and mature on August 1, 2009. Interest is payable semi-annually on February 1 and August 1. The Company has provided the holder of these bonds a debt service reserve fund of $3.3 million, which has been netted against the principal amount for financial reporting purposes.

In connection with the Acquisition, the Company entered into certain credit facilities with NationsBank of Texas, N.A., as agent (the "Agent"), to provide financing for the Acquisition and the working capital needs of the Company (the "New Credit Facilities"). The New Credit Facilities provide for debt financing up to an aggregate principal amount of $340 million. The New Credit Facilities are comprised of (i) a $175 million Revolving Credit Facility ("Revolving Credit Facility"), (ii) a $115 million Tranche A Term Loan Facility ("Tranche A") and (iii) a $50 million Tranche B Term Loan Facility (together with Tranche A, the "Term Loan Facilities"). The Term Loan Facilities were used to refinance $139.7 million of the $165 million of debt assumed in connection with the Acquisition and the balance of the Term Loan Facilities was used to repay borrowings under the Company's former credit facilities. The Revolving Credit Facility matures on April 15, 2003. The minimum amortization under the Term Loan Facilities will be $11.5 million, $14.0 million, $19.0 million, $21.5 million, $26.5 million, $31.5 million, and $41.0 million during fiscal years ending September 30, 1998, 1999, 2000, 2001, 2002, 2003, and 2004, respectively. The Company is also required to make mandatory amortization payments under the Term Loan Facilities with excess cash flow, proceeds from asset sales, and proceeds from equity and debt offerings.

The New Credit Facilities require that no more than $125.0 million in the aggregate be outstanding under the Revolving Credit Facility for a period of 30 consecutive days during each fiscal year, such period to include April 15. The proceeds of the loans made under the Revolving Credit Facilities may be used to fund the Company's working capital needs, capital expenditures and other general corporate purposes, including the issuance of letters of credit. See "Description of Certain Indebtedness--Credit Facilities."

Resort capital expenditures for fiscal 1996 were $13.9 million. Investments in real estate for fiscal 1996 were $40.6 million, which included $9.1 million of mountain improvements (such as ski lifts and snowmaking equipment) which are related to real estate development but will also benefit resort operations. The primary projects included in resort capital expenditures for fiscal 1996 are (i) the new Lionshead gondola, (ii) the creation of the Eagles Nest non-ski activity center and (iii) the allocated cost of the new retail, restaurant and skier service facilities to be created in the renovated Golden Peak base facility. The primary projects included in investments in real estate for fiscal 1996 are (i) the renovation of the Golden Peak base facility, including a new high speed quad chairlift, (ii) infrastructure related to Bachelor Gulch Village, including a new high speed quad chairlift and related snowmaking equipment, (iii) construction related to the Beaver Creek Village Center, the majority of the related expenses of which was recouped during fiscal 1996 from the third party developer of the project and certain homeowner, community and governmental organizations, (iv) infrastructure related to Arrowhead Village and (v) infrastructure related to the Strawberry Park development in Beaver Creek Resort.

The Company estimates that it will make resort capital expenditures at the Existing Resorts and the Acquired Resorts totaling approximately $72 million in fiscal 1997. The primary projects at the Existing Resorts include (i) infrastructure for the Category III expansion, (ii) expansion of snowmaking at Beaver Creek Mountain, (iii) upgrades to and expansions of food service operations at Beaver Creek Resort and (iv) the purchase of retail space at Beaver Creek Resort. The primary projects at the Acquired Resorts include (i) lift upgrades at Breckenridge Mountain and Keystone Mountain, (ii) the expansion of snowmaking at Breckenridge Mountain and (iii) trail and infrastructure improvement at Breckenridge Mountain and Keystone Mountain. Investments in real estate at the Existing Resorts and Acquired Resorts are expected to total approximately $60 million during fiscal 1997. The primary projects included in these investments are (i) the completion of the Golden Peak base facility, (ii) infrastructure related to Bachelor Gulch Village and Arrowhead Village and (iii) completion of the Beaver Creek Village retail and parking facilities.

In connection with the Distribution, the Company will make payments aggregating $55 million, which it estimates will be made in fiscal 1997. The Company will fund payments made under the Distribution from proceeds of the Real Estate Contracts.

Based on current levels of operations and cash availability, the Company believes that it will be able to satisfy its debt service, capital expenditure requirements and investments in real estate from cash flow from operations and borrowings under the New Credit Facilities.

The Company believes that inflation during the past three years has had little effect on its results of operations and that any impact on costs has been largely offset by increased pricing.

BUSINESS

GENERAL

Vail Resorts is the premier mountain resort operator in North America. The Company operates Vail Mountain, the largest single ski mountain complex in North America, and Beaver Creek(R) Mountain, one of the world's premier family-oriented mountain resorts (together with Vail Mountain, the "Existing Resorts"). The Company is one of the most profitable resort operators in the ski industry due to its attractive guest demographics, favorable weather and snowfall conditions, ability to attract both destination resort guests and day travelers from local population centers and proximity to both Denver International Airport and Vail/Eagle County Airport. In addition to resort operations, the Company owns substantial real estate from which it derives significant strategic benefits and cash flow. On January 3, 1997, the Company acquired the Breckenridge, Keystone and Arapahoe Basin mountain resorts (the "Acquired Resorts") and significant related real estate interests and developable land (the "Acquisition"). As a result of the Acquisition, the Company is the largest mountain resort company in North America, operating the top three mountain resorts in the United States. The Company has a 9% share of skier days in the United States, which is nearly 40% greater than that of its nearest competitor, and is uniquely positioned to attract a broad range of guests due to its diverse ski terrain, varied price points and numerous activities and services. As the Company's resorts are located within 50 miles of each other, the Company is able to offer guests the opportunity to visit each resort during one vacation stay and participate in common loyalty programs. For fiscal 1996, the Company's Resort Revenue and Resort Cash Flow, pro forma for the Acquisition, were $276.0 million and $88.2 million, respectively. Management believes that the Company's Resort Revenue and Resort Cash Flow, pro forma for the Acquisition, are greater than that of any other mountain resort company in the world.

The Company will divest the Arapahoe Basin mountain resort pursuant to the Consent Decree. See "Recent Developments" and "The Acquisition--Consent Decree."

INDUSTRY

There are approximately 800 ski areas in North America, which during the 1995-96 ski season generated a total of approximately 71 million skier days. There are approximately 519 ski areas in the U.S., which during the 1995-96 ski season generated approximately 54 million skier days. These resorts range from small ski resort operations, which cater primarily to day skiers from nearby population centers, to larger resorts which, given the scope of their operations and their accessibility, are able to attract both day skiers and destination resort guests who are seeking a comprehensive vacation experience. While the day skier tends to focus primarily on lift ticket price and round-trip travel time, destination travelers tend to make their choices based on the number of amenities and activities offered, as well as the perceived overall quality of the vacation experience. As a result, destination guests generate significantly higher Resort Revenue per skier day than day skiers. Management believes that the Company is one of a relatively small number of ski areas in North America able to attract both the day skier and the destination guest and provide a comprehensive vacation experience.

Within the United States, regional distribution of skier days during the 1995-96 ski season is estimated to have been as follows: Northeast (13.8 million); Southeast (5.7 million); Midwest (7.3 million); Rocky Mountain (18.1 million); and Pacific West (9.0 million). The 29 ski areas located in Colorado currently account for over 21% of total skier days in the United States, up from approximately 18% in 1985-86. While total skier days generated by all United States resorts have increased by a total of 4.0% since the 1985-86 ski season, skier days generated by Colorado ski areas have grown by approximately 25% during the same period. During the same time period, skier days at the Existing and Acquired Resorts increased by 39% and 29%, respectively. The Company believes that the primary reasons for Colorado's growth relative to the rest of the United States include the quality of the ski areas located in the state, the accessibility of its resorts from major transportation centers and the relatively favorable climate of the Rocky Mountains. The Existing Resorts' share of the total skier days generated by mountain resorts located in Colorado has grown from 18% in 1986 to 20% in 1996.

The Company believes that it will benefit from certain trends and developments which should favorably impact the North American ski industry, including (i) advances in ski equipment technology ("fat" skis and specially shaped skis) which facilitate learning and make the sport easier to enjoy, thereby increasing an individual's days skied per year and overall years of skiing, (ii) the rapid growth of snowboarding, which is increasing youth participation in "on-snow" sports, (iii) a greater focus on leisure and fitness and (iv) a growing interest among affluent families in purchasing second homes in mountain resort communities. There can be no assurance, however, that such trends and developments will have a favorable impact on the ski industry.

Snowboarding has energized interest in "on-snow" sports, primarily among males between the ages of 13 and 24. According to the National Sporting Goods Association (the "NSGA"), the number of snowboarders in the U.S. has increased from 1.5 million in 1990 to 2.3 million in 1995, an increase of 9% per year. U.S. skier days attributable to snowboarders have increased an average of 19% per year over the past three years and snowboarders are currently estimated to represent 14% of all U.S. skier days. With international markets believed to be experiencing similar growth rates, snowboarding is among the fastest growing sports in the world. Recently, the International Olympic Committee designated snowboarding as a demonstration event at the 1998 Winter Olympic Games. Management believes that the growth in snowboarding has had a positive impact on the ski industry and will continue to be an important source of lift ticket, ski school, retail and rental revenue growth for the Company. Management believes that the growth in snowboarding among children and teens, who influence family vacation decisions, will allow the Company to attract additional family-oriented destination guests. Consequently, the Company intends to position itself as an industry leader in the creation of snowboard attractions, programs and events.

The mountain resort industry is in a period of consolidation as the cost of the infrastructure required to maintain competitiveness has increased, thereby enhancing the position of larger and better capitalized resort owners. The number of U.S. ski resorts has declined from approximately 709 in 1986 to 519 in 1996 and, based on industry estimates, the number of mountain resorts is expected to decline further, as the majority of mountain resorts lack the infrastructure, capital and management capability to compete in this multi-dimensional and service-intensive industry. At the same time, the high cost of mountain resort development and environmental restrictions have prevented new resorts from being created. Since Beaver Creek Mountain opened in 1980, only one other major ski facility has opened in the United States. Despite this consolidation, the ski industry remains highly fragmented, with no one resort operator accounting for more than 10% of the United States' 54 million skier days. The Company believes that the consolidation trend in the mountain resort industry will continue, and the Company intends to actively pursue acquisition opportunities which provide attractive investment returns.

EXISTING RESORTS

VAIL MOUNTAIN

Opened in 1962, Vail Mountain is the largest and most popular single ski mountain complex in North America, offering over 4,100 acres of unique and varied ski terrain, spanning approximately 20 square miles. Included in this complex is the largest network of high speed lifts in the world, a top-rated ski school and a wide variety of dining and retailing establishments. Vail Mountain is ideally suited for all levels of skiers as it has a balanced distribution of beginner, intermediate and advanced terrain. Perhaps no single physical attribute defines Vail Mountain better than the Back Bowls. More than seven miles wide, the Back Bowls are one of the most distinctive terrain features found at any ski mountain in North America and offer some of the finest skiing in the world. Along with comprehensive snowmaking capabilities, Vail Mountain receives "dry," dependable snowfall due to its central Rocky Mountain location and, in its 34th season, attracted over 1.65 million skier days, the highest number of skier days of any North American ski mountain and a new record for Vail Mountain. For the last eight years, Vail Mountain has been rated the number one ski resort in United States by the Snow Country magazine survey.

While Vail Mountain provides the largest and most varied ski terrain of any North American mountain resort, the Company has received approval (subject to a pending appeal) from the Forest Service for infrastructure development of bowl skiing terrain within its current permit area known as Category III. Category

III will add approximately 2,000 additional acres of ski terrain to the Back Bowls, including 850 acres of new trails and an additional 1,150 acres of undisturbed gladed skiing, increasing the ski terrain on Vail Mountain by approximately 50%. The terrain's high, north facing location typically yields extremely reliable snow conditions and should allow for earlier and later ski season operations than Vail's existing Back Bowls which face south. Although management believes that the completion of this terrain expansion will significantly increase the number of skier days at Vail Mountain, particularly in the early and late season non-peak periods, there can be no assurance that such an increase will be achieved. See "Business--Projects Under Construction" and "Risk Factors--Forest Service Permits."

Vail Mountain has a total of 29 lifts, including ten high speed quads and a new high speed custom-designed gondola, constituting the largest network of high speed lifts in the world. Based on Vail Mountain's existing terrain and lift network, the theoretical capacity on the mountain is 19,900 skiers at one time. During the 1995-96 ski season, the average skiers per day on Vail Mountain was approximately 9,500, with only three days out of a 173 day ski season having over 16,000 skiers.

The Company has also consistently improved and expanded guest amenities on Vail Mountain. The Company currently owns and operates 15 on-mountain food service establishments as well as 21,650 square feet of retail and commercial space located throughout the mountain and at the three primary access points--Golden Peak, Vail Village and Lionshead. While Vail Mountain is already viewed as one of the premier destination mountain resorts in North America, the Company has commenced several projects which will continue to improve mountain operations, expand guest services and provide the Company with additional retail and restaurant venues. See "Business--Projects Under Construction" and "Business--Resort Operations--Food Service."

BEAVER CREEK MOUNTAIN

Beaver Creek Mountain, located ten miles west of Vail Mountain, consists of the Beaver Creek, Arrowhead and Bachelor Gulch ski areas, and includes 1,530 acres of ski terrain. The Company acquired Beaver Creek Mountain in 1972 and opened the ski facilities during the 1980-81 ski season. In 1993, the Company expanded Beaver Creek Mountain by acquiring significant privately owned ski terrain and development property at Arrowhead and Bachelor Gulch. This purchase allowed the Company to (i) begin development of a European style village-to-village ski experience which interconnects, through ski lifts and ski trails, the three distinct ski areas, (ii) add significant intermediate terrain, (iii) improve skier distribution patterns across Beaver Creek Mountain and (iv) add mountain infrastructure capable of supporting anticipated skier growth. Like Vail Mountain, Beaver Creek Mountain benefits from "dry" dependable snowfall in addition to excellent snowmaking capabilities. Since its opening, Beaver Creek Mountain has increased its skier days from 111,746 in 1980-81 to 576,249 in the 1995-96 ski season, making it one of the fastest growing mountain resorts in North America. Despite achieving rapid growth over a sustained period of time, Beaver Creek Mountain currently operates at 38% of its theoretical skier capacity. Prior to the completion of the interconnect referred to above, the theoretical skier capacity on Beaver Creek Mountain was 9,800 skiers at one time. During the 1995-96 ski season, the average skiers per day on Beaver Creek Mountain was approximately 3,900, with only six days out of a 148 day ski season having over 7,000 skiers. Management believes that the success of Beaver Creek Mountain has resulted from its unique combination of ambience, architecture and a variety of groomed and natural terrain providing world-class skiing which appeals to Beaver Creek Mountain's family-oriented destination guests. Beaver Creek Mountain operates 14 lifts, including five high speed quads. The Company also owns and operates seven on-mountain restaurants, as well as 15,650 square feet of retail/commercial space strategically located on and at the base of Beaver Creek Mountain. The Company has commenced several projects that will continue to improve mountain operations, expand guest services and provide the Company with additional owned retail and restaurant venues. See "Business--Projects Under Construction" and "Business--Resort Operations--Food Service."

One of the primary factors in the growth of Beaver Creek Mountain has been an increase in resort lodging. Beaver Creek Resort has grown from only 500 residential units and no hotels in 1985 to nearly 1,480 residential units and private homes and 471 hotel rooms as of January 1, 1996. In addition to the significant growth taking place in Beaver Creek Resort, there has been substantial development in the surrounding communities of Avon, Edwards, Eagle and Gypsum, providing substantial additional, moderately-priced, resort lodging. The Company anticipates the substantial resort lodging growth to continue from the buildout of the Bachelor Gulch Village and Arrowhead Village resort communities, both of which offer unique slopeside development opportunities due to the Company's fee simple ownership of the mountain land, and from the significant development taking place in the surrounding communities. See "Business--Real Estate."

PROJECTS UNDER CONSTRUCTION AND IN DEVELOPMENT

The following represents depictions and renderings of certain projects under construction and in development. Descriptions of the projects follow such depictions and renderings.

[DEPICTION AND RENDERING OF CERTAIN PROJECTS UNDER CONSTRUCTION AND IN DEVELOPMENT BY VAIL RESORTS, INC.]

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PROJECTS UNDER CONSTRUCTION

During the next 24 months, the Company's Existing Resort operations will undergo a period of significant expansion as numerous projects under construction are completed.

Village-to-Village Skiing--For the 1996-97 ski season, Vail Resorts completed the first step in introducing a European style village-to-village ski experience by connecting (through ski lifts and ski trails) three distinct ski areas--Beaver Creek, Bachelor Gulch and Arrowhead. The interconnect of these three areas has increased the contiguous ski terrain on Beaver Creek Mountain by 330 acres or 30%. The Company has incorporated architectural, food and retail themes in the development plans of Bachelor Gulch Village and Arrowhead Village which are distinct from Beaver Creek Village and from each other.

Golden Peak(TM)--Construction is underway on the redevelopment of Golden Peak, which will revitalize and replace the base facility at one of Vail Mountain's primary access points. Improvements include the construction of a new 83,000 square foot base lodge which will include approximately 21,000 square feet of restaurant and retail space, including the Company's first restaurant offering apres ski and evening dining proximate to Vail Village, and approximately 22,000 square feet of ski school, ticketing and skier service facilities. As part of the redevelopment, the Company replaced the existing Golden Peak lift with an extended high speed quad lift with more than double the capacity of the existing lift, which will balance skier flow at the base of Vail Mountain and provide a direct connection to the Back Bowls. Other components of the Golden Peak project include six luxury condominiums, a private 148 space parking garage and club facility and substantial site and transportation improvements. Due to their convenient location adjacent to both the Vail Village and the Ford Park Amphitheater, the Company believes that, following the redevelopment, Golden Peak's retail and restaurant facilities will generate significant revenues both in the evening and throughout the year. Construction on Golden Peak is scheduled to be completed during fiscal 1997 at a total cost anticipated to be approximately $33 million. The Company has executed contracts for the sale of the six condominiums for an aggregate sales price of $24.2 million (representing an average price per saleable square foot of $1,000). In addition, the Company expects to generate an additional $6 million (approximately $4.9 million of which is already under contract) from the sale of private parking privileges and access to club facilities.

One Beaver Creek--Construction has begun and is expected to be completed during 1997 on a new mixed use retail, restaurant, skier service and condominium project at the base of the primary access lift to Beaver Creek Mountain. The Company was involved in the planning and design of this project, which is being developed by a third party. The project will include 18 condominium units, 17,260 square feet of retail and restaurant space, and 10,847 square feet of ski school, ticketing and skier service facilities. The Company has contracted to purchase all the retail, restaurant, ski school, ticketing and skier service facilities from the developer at a price approximating cost, which is significantly below fair market value. The cost of this purchase will be financed primarily from proceeds the Company received from the sale of the land to the developer. The One Beaver Creek project will include substantial improvements in pedestrian access to Beaver Creek Mountain through the installation of outdoor escalators integrated with the new retail, restaurant and skier service facilities and will constitute a substantial step toward the completion of Beaver Creek Village. Due to its convenient location within Beaver Creek Village, the Company believes that, following its development, One Beaver Creek will generate significant revenues both in the evening and throughout the year.

Beaver Creek Village Center--Construction has begun on this multi-phase, multi-year project that will be completed in stages beginning in 1997. The completion of the Village Center development will add significantly to the ambiance, character and amenities of Beaver Creek Resort. The project is expected to include a year-round outdoor ice skating rink surrounded by 13,000 square feet of retail and restaurant space, a 518 seat performing arts center, a new transportation center, a 423 space parking garage and additional resort lodging, including approximately 78 condominium and townhouse units and a 45 unit timeshare project to be developed by a major international hotel operator. The Company was involved in the planning and design of this project, which is being developed by a third party. A substantial portion of the common improvements are being paid for by homeowner, community and governmental organizations. The Company has contracted to purchase all of the retail and restaurant space from the developer at a price approximating cost, which is significantly below fair market value. The cost of this purchase will be financed primarily from proceeds the Company received from the sale of the land to the developer. After development, the Company will also own 166 parking spaces in the newly created parking garage. The Village Center development will complete the retail core of Beaver Creek Village and is expected to result in a substantial increase in pedestrian traffic throughout Beaver Creek Village, which also should benefit the Company's existing restaurant and retail operations. Due to its convenient location within Beaver Creek Village and adjacent to the performing arts center and ice rink, the Company believes that, following its development, the restaurant and retail operations in the Village Center development will generate significant revenues for the Company in the evening and throughout the year.

Lionshead/Eagle's Nest(TM) Gondola--In the fall of 1996, the Company replaced the Lionshead gondola with a new state-of-the-art, custom-designed gondola. Lionshead is one of three primary access points to Vail Mountain. The gondola travels from Lionshead to the Eagle's Nest mountain facility, which is located at the top of the western side of Vail Mountain. The capacity of the new gondola is 2.5 times that of the replaced gondola. The cabins are oversized for twelve passengers and include amenities such as cushioned seating, heat and lights. The new gondola allows for nighttime operation and provides evening access to Eagle's Nest and Game Creek Club(TM). This gondola improvement, in conjunction with the new high speed chairlift installed at Golden Peak, has increased high speed access lift capacity to Vail Mountain by over 50%.

Eagle's Nest Improvements--The first major non-ski activity center on Vail Mountain opened for the 1996-97 ski season at Eagle's Nest Ridge at the top of the new Lionshead gondola. Activities offered include (i) snowboard parks and related attractions, (ii) sledding and tubing with lifts for uphill transport, (iii) ice skating, (iv) snowmobile tours and (v) a children's snowpark. New facilities at Eagle's Nest include an 80 seat bar, a 130 seat pizzeria and a 300 seat outdoor sundeck serviced by both the bar and an outdoor kitchen. Management believes that the improvements to Eagle's Nest will allow the Company to offer its guests a more diversified vacation experience and increase Resort Revenue per skier day.

Game Creek Club--In addition to evening dining options at Eagle's Nest, the Company now offers gourmet dinners at the Game Creek Club. Built in 1996 at a cost of approximately $7 million, Game Creek Club is the premier dining facility on Vail Mountain, available to members for lunch during the ski season and open to the general public for dinners throughout the year. A similar dinner operation at Beano's Cabin(TM) on Beaver Creek Mountain generated revenues of $3.7 million in fiscal 1996. The construction cost of Game Creek Club is being financed primarily by the sale of club memberships. As of December 31, 1996, 227 out of a total of 395 available memberships in Game Creek Club have been sold for total proceeds of $7.1 million.

Bachelor Gulch Village(TM)--The Company is currently completing its master plan for the development of 725 dwelling units in Bachelor Gulch Village. In addition, zoning for Bachelor Gulch Village includes approximately 68,000 square feet of retail, restaurant and commercial space. Infrastructure development commenced in 1994 and is expected to be substantially completed by 1998. During the summer of 1995 and the winter of 1996, 93 single-family homesites (averaging approximately two acres each) were contracted for sale at prices aggregating approximately $72 million (an average of approximately $776,000 per homesite). All 93 homesites were sold in a lottery format because demand significantly exceeded the number of homesites available for sale. The Company is in discussions with developers regarding the sale of multi-family and cluster homesite parcels. See "Business--Real Estate."

Arrowhead Village--The Company's current development activities in Arrowhead are focused on the development of Arrowhead Village, a 218-unit staged development centered around an alpine club. The proposed Arrowhead Alpine Club is expected to be a 79,000 square foot facility containing 23 condominiums, 14,500 square feet of spa and athletic training space and 5,800 square feet of restaurant, retail and skier service facilities. In Arrowhead Village, developers have commenced construction on 44 residential units on land purchased from the Company. In addition, multi-family parcels zoned for an additional 13 residential units have been sold to developers with construction scheduled to begin in the Spring of 1997. See "Business--Real Estate."

PROJECTS IN DEVELOPMENT

Category III--The Company has received approval (subject to a pending appeal) to begin construction to expand its renowned Back Bowls by approximately 2,000 additional acres into an area known as Category III. Category III is expected, at completion, to include three lifts, numerous trails and mountain infrastructure and two restaurants. The opening of Category III will increase the ski terrain on Vail Mountain by approximately 50%, including significant terrain offering intermediate and advanced bowl and gladed skiing, which will further improve skier distribution on Vail Mountain. With nearly 50% of the guests at Vail Mountain classified as intermediate skiers, Category III represents a significant expansion in non-expert bowl skiing for these skiers. Category III will also offer better snow conditions in the early and late season due to its northern exposure. See "Risk Factors--Forest Service Permits."

Lionshead Redevelopment--The Company is currently planning the redevelopment of its owned property in Lionshead, together with related properties owned by third parties. Current plans contemplate more than 200 luxury hotel rooms, a significant number of condominiums and timeshare units, significant additions to restaurant and retail space, an employee housing complex, an office facility (intended to be used for Vail Mountain's administrative and operations functions) and a convention center. The redevelopment of Lionshead will require certain approvals from, and a cooperative partnership with, the Town of Vail and there can be no assurance that the Company will receive such approvals or cooperation.

ACQUIRED RESORTS

BRECKENRIDGE

Breckenridge Mountain, located approximately 85 miles west of Denver and 40 miles east of Vail Mountain, is North America's second most popular ski area, trailing only Vail Mountain in skier days. Breckenridge's skier days reached 1.35 million during the 1995-96 ski season, a new record for Breckenridge Mountain. Breckenridge offers over 2,000 acres of skiing on four different mountain peaks, including open bowl skiing and excellent beginner and intermediate ski terrain. Breckenridge's mountains are interconnected by a network of 18 lifts, including four high speed quad chairlifts. Breckenridge currently operates four on-mountain food service establishments and 3,030 square feet of on-mountain retail and commercial space, a relatively modest scope of operations in comparison to the Existing Resorts. The Company believes there are improvements which can be made to Breckenridge Mountain which will contribute to further growth in skier days and Resort Revenue, including (i) an upgrade of certain older lift equipment and the addition of new high speed quads, which will reduce lift lines and improve on-mountain skier circulation, (ii) a significant expansion of the mountain's snowmaking coverage to ensure a better early and late season ski product and (iii) an expansion of the Company's ski school, food service, retail and rental operations. The Company owns certain strategic land parcels at the base of Breckenridge Mountain and in the Town of Breckenridge which are currently in the planning stages for significant residential and commercial development.

The Breckenridge mountain resort benefits significantly from its location adjacent to the Town of Breckenridge, a restored 140 year old Victorian mining town which has over 20,000 beds, over 70 restaurants and bars and over 130 shops. Significant apres ski activities and extensive bed base have made Breckenridge an attractive destination to national and international destination guests. The Company anticipates significant additional resort lodging growth will be fueled by third party developers as well as by the development of the Company's owned properties, (see "Business--Real Estate").

KEYSTONE

Keystone Mountain, located approximately 70 miles west of Denver and 15 miles from Breckenridge, is North America's third most popular mountain resort, achieving 1.06 million skier days during the 1995-96 ski season. Comprised of three mountains and interconnected by a network of 19 lifts, including two high speed gondolas and three high speed quad chairlifts, Keystone provides 1,739 skiable acres suited to a wide variety of skier ability levels. Keystone has the largest and most advanced snowmaking capability of any Colorado mountain resort with snowmaking coverage extending over 49% of Keystone's skiable acreage. As a result, Keystone is typically among the first mountain resorts in the nation to open each season and is one of the last to close. Keystone also provides the largest single-mountain night skiing experience in North America. With 13 lighted trails covering 2,340 vertical feet from the summit to the base, Keystone offers a 12 1/2 hour ski day allowing day guests to customize their ski day and providing destination guests the opportunity to ski on arrival days. Keystone is a planned family-oriented community which offers a variety of year round activities, the majority of which are operated by the Company, including 20 on-mountain and in-valley restaurants and 24,522 feet of on-mountain and in-valley retail and rental stores. Upgrades to Keystone Mountain include (i) for the 1996-97 ski season, the construction of $5 million of snowboarding related improvements, including a snowboard park, representing the first time snowboarders have been allowed on Keystone Mountain and a significant opportunity for Keystone to capture a share of this growing market and (ii) planned for the 1997-98 ski season, the installation of a new high speed quad access lift from one of the resort's major base areas.

The Keystone JV is developing a significant portion of the Keystone Resort, and expects to add up to 3,400 residential and lodging units and up to 318,000 square feet of retail and restaurant space over the next 20 years. The Company believes that the build-out of this real estate will result in increased skier days and Resort Revenue per skier day and will significantly increase the number of higher revenue destination guests at Keystone Resort (see "Business--Real Estate").

ARAPAHOE BASIN

Arapahoe Basin is the highest ski area in North America, offering 486 acres of skiing with a summit elevation of 13,050 feet. This high elevation allows for the longest ski season in Colorado, with the mountain remaining open well into June and even as late as August. During the 1995-96 ski season, Arapahoe Basin had 241,435 skier days. Arapahoe Basin has a rustic flavor and offers limited amenities, primarily targeting the skiing enthusiast with advanced intermediate to expert ski terrain. The Company believes there is a possibility of adding snowmaking facilities to Arapahoe Basin, which would improve conditions during the traditional ski season and allow Arapahoe Basin to offer year round skiing, which it believes would be a popular attraction to the numerous summer tourists in Colorado. The Company has agreed to divest Arapahoe Basin pursuant to the Consent Decree. See "Recent Developments," "The Acquisition" and "Risk Factors--Antitrust."

ACCESSIBILITY

Given their close proximity to Vail/Eagle County Airport ("Vail/Eagle Airport") and the recently-completed Denver International Airport ("DIA"), all of the Company's resorts are easily accessible to national and international destination resort guests, as well as to day travelers from the Denver metropolitan area. The Vail/Eagle Airport is located within 25 miles of Beaver Creek and reasonably accessible to the Acquired Resorts and can accommodate large jet aircraft from major metropolitan areas. Nearly 30% of the destination guests who traveled by air to ski at the Existing Resorts during the 1995-96 ski season arrived through Vail/Eagle Airport, up from only 9% in 1990. The Company estimates that approximately 70% of the destination guests flying to the Existing Resorts and a similar percentage of the destination guests traveling to the Acquired Resorts arrive through DIA.

Over the last six years, the Company has worked closely with the nation's major airlines to significantly improve accessibility to its resorts through Vail/Eagle Airport. As a result of these efforts, the number of daily non-stop flights, total seats, major airlines and cities served by Vail/Eagle Airport have increased significantly. The Company expects that Vail/Eagle Airport will continue to expand its operations and offer more direct flights to more North American cities. In the spring of 1996, American Airlines announced plans to add four daily flights to the Vail/Eagle Airport, as well as two additional flights per week from Miami International Airport, representing a total of approximately 73,000 additional annual seats, an 83% increase in total American Airlines seats from the 1995-96 ski season. Furthermore, the Company continues to work with the major airlines to increase both direct and connecting international flights into Vail/Eagle Airport. Presently, guests from major cities located in Europe, South America, Mexico, New Zealand, Australia and the Pacific Rim can conveniently fly to the Vail Valley with only a single stopover or connection through a major U.S. city. The Company believes that its proximity to Vail/Eagle Airport provides it with a significant competitive advantage relative to other North American destination ski resorts. In order to induce major air carriers to offer flights from selected new cities to the Vail/Eagle Airport, the Company has entered into agreements guaranteeing the carriers minimum seasonal revenue associated with such flights. The Company made no payments under these agreements during fiscal 1995 and 1996 and has made no material payments with respect to winter flights during the last four years.

As of December 31, 1996, scheduled flights to the Vail/Eagle Airport for the 1996-97 ski season were as follows:

CARRIER	CITY	NUMBER OF FLIGHTS PER WEEK	NUMBER OF SEATS PER SEASON
American	Dallas/Fort Worth	23	63,920
American	Chicago	15	42,864
American	Miami	3	8,084
American	New York	1	2,820
American	Newark	7	21,244
American	Los Angeles	7	21,244
Delta	Atlanta	7	20,520
Northwest	Minneapolis/St. Paul	9	28,310
Northwest	Detroit	2	6,080
United	Denver	31	52,536
United	Los Angeles	7	9,592
		112	277,214*

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* Compares to approximately 164,000 seats during the 1995-96 ski season.

WEATHER, SNOWMAKING AND GROOMING

Given their location in the Colorado Rocky Mountains, Vail Mountain and Beaver Creek Mountain receive some of the most reliable snowfall experienced anywhere in the world, averaging approximately 340 inches of annual snowfall over the last 20 years, which is significantly in excess of the average for all ski resorts in the Rocky Mountains for such period.

Despite the natural snowfall described above, the Company continues to invest in the latest technology in snowmaking systems and actively acquires additional water rights, which has allowed it to offer its guests more predictable and consistent conditions, particularly during the early and late ski season. During 1995, the Company doubled its snowmaking capacity on Vail Mountain and purchased water rights sufficient to enable a further doubling of snowmaking capacity in the future. For the 1996-97 ski season, the Company increased snowmaking capacity on Beaver Creek Mountain by 60% and, with the addition of a new reservoir planned for completion in 1997, will further increase snowmaking capacity on Beaver Creek Mountain by an additional 100%. Approximately 800 acres of the Company's ski terrain are covered by snowmaking. In addition, the Company has extensive snowgrooming equipment, including the largest fleet of snowcats in the world.

The Acquired Resorts are also located in the Colorado Rocky Mountains and receive consistent and reliable natural snowfall which has averaged in excess of 255 inches over the last 20 years. In addition to abundant natural snowfall, the Acquired Resorts have made a significant investment in snowmaking technology and equipment. Keystone Resort currently has the largest and most advanced snowmaking system in Colorado, enabling it to manufacture snow using less water and at warmer temperatures than other mountain resorts. With the ability to cover approximately 49% of the mountain, including trails accessible from each lift, with snow, Keystone has consistently been one of the first resorts in Colorado to open each ski season. Breckenridge's snowmaking system currently has the capacity to cover 360 acres and management plans to upgrade the existing snowmaking system and increase capacity to cover an additional 180 acres for the 1997-98 season. While Arapahoe Basin does not currently possess snowmaking capability, as the highest lift-served mountain in the United States, Arapahoe Basin enjoys abundant natural snowfall and a favorable climate which typically allows Arapahoe Basin to offer a longer ski season than any other mountain resort in Colorado.

The Company's snowmaking capabilities and diversity of activities and services has mitigated the effects of fluctuations in yearly snowfall. The chart below illustrates the Company's historical ability to increase Resort Revenue at the Existing Resorts despite fluctuations in annual snowfall.

[CHART]

CUSTOMERS

The Company's customers are primarily comprised of worldwide resort destination guests and, to a lesser extent, day skiers from the Front Range, the Vail Valley and Summit County. For the 1995-96 ski season, the Company believes that destination guests represented 73% of total skier days at the Existing Resorts and 61% of total skier days at the Acquired Resorts.

By offering diverse vacation experiences and services at a variety of price points, the Existing and Acquired Resorts attract a broad guest population with complementary demographic profiles, allowing the Company to compete for a wide array of potential customers. The following chart highlights that while the Existing Resorts attract a more affluent guest with a higher relative concentration from the Northeast and Western United States, the Acquired Resorts attract a more price sensitive consumer with a relative higher concentration from the Southern and Midwestern United States. In addition, while international guests at the Existing Resorts have a higher relative concentration from Mexico and South America, international guests at the Acquired Resorts have a higher relative concentration from Europe (particularly the United Kingdom) and Australia/New Zealand.

COMPARISON OF CUSTOMER DEMOGRAPHICS

ANNUAL INCOME OF SKIERS*

	EXISTING RESORTS	ACQUIRED RESORTS
Less than $50,000	29.0%	41.1%
$50,000 - $100,000	23.2%	35.1%
Less than $100,000	52.2%	76.2%
$100,000 - $200,000	24.0%	16.5%
Greater than $200,000	23.8%	7.3%
Greater than $100,000	47.8%	23.8%
Total	100.0%	100.0%

GEOGRAPHIC ORIGIN OF DESTINATION SKIERS**

	EXISTING RESORTS	ACQUIRED RESORTS
South	26.6%	28.4%
Northeast	24.5%	17.0%
Midwest	22.8%	33.2%
International	12.7%	12.5%
West	11.7%	6.4%
Non-Colorado Rocky Mountains	1.7%	2.5%
	100.0%	100.0%

GEOGRAPHIC ORIGIN OF INTERNATIONAL SKIERS**

	EXISTING RESORTS	ACQUIRED RESORTS
United Kingdom	34.1%	44.1%
Mexico/South America	22.9%	3.1%
Canada	15.2%	12.1%
Europe	16.2%	22.9%
Australia/New Zealand	8.2%	13.0%
Other	3.5%	4.8%
	100.0%	100.0%

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*Based upon mountain surveys conducted by RRC Associates at the Existing and Acquired Resorts during the 1995-96 ski season.

**Based upon mountain surveys conducted by RRC Associates at the Existing Resorts and Breckenridge during the 1995-96 ski season and at Keystone and Arapahoe Basin during the 1994-95 ski season.

Although the Company's resorts accommodate a wide range of budgets and attract guests from different regions of the country and the world, both the Existing Resorts and the Acquired Resorts attract family-oriented guests who tend to generate higher and more diversified revenues per guest than day skiers from local population centers. Over 40% of the destination guests at the Existing Resorts visited with their families during the 1995-96 ski season.

International guests, who tend to have longer average stays and higher vacation expenditures than other destination guests, accounted for approximately 13% of the Existing Resorts' destination skier days during the 1995-96 ski season, an increase from 8% in fiscal 1988. The Company believes that this growth was partially attributable to the prestige gained by, and the promotional opportunities resulting from, the Existing Resorts' hosting of the 1989 World Alpine Ski Championships, which had an estimated worldwide television viewership of over 300 million people. The Company anticipates a further increase in international visits will result when it hosts the 1999 World Alpine Ski Championships. As the first North American site to host the event twice, the Company will use the occasion to promote both the Existing Resorts and the Acquired Resorts to further increase its penetration of the international market. Breckenridge Mountain has excellent relationships with European tour operators, a primary factor behind the Acquired Resorts' international guests representing 13% of its destination skier days. The Company intends to expand these relationships to further promote the Existing Resorts throughout Europe.

Consistent with the trends in the overall ski market, snowboarders represent the fastest growing segment of the Company's guest demographic. The Company is committed to promoting snowboarding as an exciting outgrowth of traditional skiing. As an example of this commitment, the Company has upgraded the snowboard facilities at the Existing Resorts, published trail maps for the convenience of snowboarders and created additional trails, half-pipes and other varied terrain to attract snowboarders. For the 1996-97 ski season, Keystone Mountain completed construction of $5 million in snowboarding related improvements, including a snowboarding park. Furthermore, the ski schools at the Acquired Resorts have added extensive snowboarding instruction to their schedules, and these classes have become one of the fastest growing lesson products offered in the industry. The Company believes that snowboarding, which is easier to learn and excel at than skiing, will continue to increase the Company's skier days.

The Company believes that the Existing and Acquired Resorts are well positioned to respond to the needs presented by the industry trends toward family vacationers, conference attendees, international travelers and snowboarders, while at the same time attracting guests from differing economic and geographic backgrounds. By marketing to different economic and geographic consumers, the Company intends to minimize competition among the resorts for the same guest dollar while providing the opportunity to cross-market the Existing and Acquired Resorts. The Company believes that it has been successful at providing an exceptional vacation experience to its guests as evidenced by the fact that for the 1995-96 ski season over 70% of the destination guests at the Existing Resorts and approximately 64% of the destination guests at the Acquired Resorts, were return visitors.

RESORT OPERATIONS

The Company derives Resort Revenue from a wide variety of sources, including lift ticket sales, ski school, equipment rental, retail stores, restaurants, travel reservation services, lodging, property, club and conference management, real estate brokerage, licensing and sponsorship activities, recreational activities (including golf and tennis facilities) and property, club and conference management.

The Company's ability to appeal to a broad spectrum of guests and offer a wide selection of activities and services has enabled the Company to generate Resort Revenue per skier day at the Existing Resorts that is among the highest in the industry and approximately 57% greater than the average Resort Revenue per skier day of all ski areas in the United States. Set forth below is a chart outlining the Resort Revenue per skier day at both the Existing and Acquired Resorts for fiscal 1996, including a comparison to industry averages for the 1995-96 ski season.

[CHART]

Lift ticket revenue represents the single largest revenue source at both the Existing and Acquired Resorts. While lift ticket revenue at the Existing Resorts increased 22.6% over the last five years, non-lift ticket revenue increased 75.2% over the same time period and currently represents over 50% of Resort Revenue. The Company expects non-lift ticket revenue will continue to grow at a greater rate than lift ticket revenue as a result of the ongoing expansion of the activities and services it provides.

REVENUES FOR FISCAL 1996 ($ IN THOUSANDS)	EXISTING RESORTS	ACQUIRED RESORTS	TOTAL
Lift Ticket Revenue	$ 69,341	$ 64,374	$133,715
Non-Lift Ticket Revenue	70,947	71,376	142,343
Total Resort Revenue	$140,288	$135,750	$276,038

The Company believes there are selected opportunities to increase non-lift ticket revenue at the Acquired Resorts. While overall non-lift ticket revenue represents 50% of total Resort Revenue at the Acquired Resorts due to the extensive hospitality operation at Keystone Resort, activities such as ski school are far less developed than they are at the Existing Resorts, and operations such as retail and food service at Breckenridge Mountain are very modest. In addition to creating new activities at the Acquired Resorts, the Company intends to implement a number of the operating strategies currently in place at the Existing Resorts, such as incentivized selling techniques and cross marketing programs, to increase guest participation in Company operated activities.

Lift Ticket Revenue ($133.7 million of revenue for fiscal 1996, pro forma for the Acquisition ("Pro Forma 1996 Revenue")). The Existing Resorts' favorable demographics and world class resort facilities have enabled the Company to achieve premium ticket pricing. The adult single-day lift ticket price at the Existing Resorts, which for the 1995-96 ski season was $48 a day, is among the highest in the industry. To maximize skier volume during non-peak periods and attract certain segments of the market, the Company also offers a wide variety of incentive ticket programs, including season passes, student rates, group discounts and senior discounts. Depending upon anticipated levels of skier demand at various times throughout the ski season, the Company sells lift tickets at reduced prices. The Company engages in sophisticated yield management analysis to maximize its ETP which was $31.12 for the 1995-96 ski season, and among the highest in the industry. Over the past ten fiscal years, the Company has been able to increase its ETP at an average of 4.1% per year.

The Acquired Resorts ETP for the 1995-96 season was $24.23. The Company believes that while the differential in ETP between the Acquired Resorts and the Existing Resorts is largely a result of different guest demographics, there is a substantial opportunity to increase ticket yield at the Acquired Resorts through more effective targeting and distribution of incentive ticket programs. The Company intends to introduce a "combined mountain pass" allowing guests to ski at any one of the Company's resorts which the Company believes will increase the perceived value of its lift tickets.

Ski School ($33.2 million of Pro Forma 1996 Revenue). The Company believes that the Vail/Beaver Creek Ski School(TM) is the largest (1,288 instructors), most profitable ski school in the world and has a higher guest participation rate than any other ski school in the world. The Vail/Beaver Creek Ski School has achieved revenue growth of 53% since 1991. Future growth is expected to stem in part from the significant growth in the sport of snowboarding, for which the ski school has qualified instructors, and technological advances currently taking place in alpine skiing equipment.

The success of the ski school comes from (i) personalizing and enhancing the guest vacation experience, (ii) creating new teaching and learning systems (many of which have historically been purchased from the Company by the Professional Ski Instructors of America and adopted as the standard for the industry), (iii) introducing innovative teaching methods for children, including separate children's centers, mountain-wide attractions, themed entertainment and teaching systems geared toward specific age groups and (iv) continually creating new techniques to react to technological advances in ski/snowboard equipment.

Another differentiating characteristic of the Vail/Beaver Creek Ski School is its commitment to instructor training procedures and customer service. In addition to ski technique, instructors are trained to match teaching methodologies to individual learning styles. Each instructor is trained in sports psychology and the latest sports performance enhancement techniques. Customer service is continually reviewed and improved as the result of feedback from customers. The Company has adopted a pay incentive program to reward instructors based on guest satisfaction and repeat students.

Breckenridge and Keystone also have significant ski school operations which on a combined basis include more than 900 full and part-time instructors. During the 1995-96 ski season, the Breckenridge and Keystone ski schools achieved a 8.0% guest participation rate versus a rate of 11.8% at the Company's Existing Resorts. The Company believes that by implementing strategies similar to those utilized at its Existing Resorts, such as incentive compensation programs and new lesson products, it can increase ski school participation rates at the Acquired Resorts.

Food Service ($39.1 million of Pro Forma 1996 Revenue). Food service is a key component in providing a satisfying guest experience and has been an important source of revenue growth for the Company. The Company believes that by owning and operating both on-mountain and base area restaurants, it can better ensure the quality of products and services offered to its guests, as well as capture a greater percentage of the guest's vacation expenditures. The strategies with respect to its food service operations include (i) focusing growth in venues which allow for food service throughout the day and throughout the year, including breakfast, lunch, apres-ski, dinner, evening entertainment, group functions and summer/non-ski season operations, (ii) creating unique themed environments to maximize guest enjoyment and revenue opportunities, (iii) further expanding on-mountain seating, (iv) offering affordable family lunchtime and evening dining and entertainment, (v) continuing to create additional private clubs and restaurants which are financed through memberships and the sale of related real estate and (vi) continuing affiliations with institutions such as Johnson and Wales, one of the largest culinary and restaurant management schools in the world. The large number of food service facilities operated by the Company allows it to improve margins through large quantity purchasing agreements and sponsorship relationships.

The Company's restaurant operations range from full service sit-down restaurants to trailside express food outlets and offer a wide variety of cuisine. The Company operates 19 restaurants on Vail Mountain and 11 restaurants on Beaver Creek Mountain and in Beaver Creek Village. The Company currently has indoor seating capacity on Vail Mountain of 3,693. On Beaver Creek Mountain the Company currently has 1,449 indoor seats.

Over the next 24 months, the Company intends to open a number of new food service facilities, each of which will be themed and provide apres ski, nighttime and off-season dining. These facilities are as follows:

RESTAURANT	INDOOR SEATS	OUTDOOR SEATS	LOCATION	DESCRIPTION
Vail Mountain				
Blue Moon Bar and Talons Deck*............	120	290	Eagle's Nest	Mountain top setting with exceptional views; accessed by Vail's new high speed gondola; serving drinks and barbecue and rotisserie foods as well as salads; open for lunch, dinner, apres ski and evening entertainment.
Terminal Pizza*........	130	0	Eagle's Nest	Mountain top setting with exceptional views; accessed by Vail's new high speed gondola; seating amid vintage ski equipment; serving pizza; open for lunch, dinner, apres ski.
BellaRiva*.............	232	100	Golden Peak	Slope-side northern Italian dining featuring a display kitchen and located within easy walking distance of Vail Village; open year round for breakfast, lunch, dinner, apres ski.
Wreck Room*............	116	0	Golden Peak	Located on the lower level of the Golden Peak base lodge; designed to accommodate children and ski groups; offering casual dining in a relaxed setting; open for breakfast, lunch, dinner and apres ski.
Game Creek Club*.......	191	76	Game Creek Bowl	Set amid Vail's Game Creek Bowl, this nighttime adventure restaurant is accessed by sleigh or snowcat from a pick-up point at the top of Vail's new gondola. Already open for lunch, this facility will now also be open for dinner and special events.
Beaver Creek Mountain				
One Beaver Creek**.....	--	--	Base of Centennial Lift	Slope-side dining with significant outdoor seating located adjacent to large retail plaza, Beaver Creek Village and the Hyatt hotel; open for breakfast, lunch, dinner and apres ski.
Village Center**.......	--	--	Beaver Creek Village	Located adjacent to the ice rink and Beaver Creek performing arts center; open for breakfast, lunch, dinner, apres ski.

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* New for 1996-97 ski season
** New for 1997-98 ski season. Seating to be determined.

Keystone operates almost all of the food service facilities available to guests at the Keystone Resort, with 12 on-mountain and base restaurants totaling 3,200 indoors seats in addition to eight in-valley restaurants. Keystone has the only two AAA Four Diamond fine dining restaurants in Summit County, including the highest on-mountain dining facility in North America. Open for dinner year round, these establishments are popular among resort guests and have a significant following among residents and visitors to the greater Summit County as well. As a popular year round resort, Keystone generates significant food service revenues throughout the non-ski season, including substantial banquet revenues from groups utilizing Keystone's conference center facility. The Company expects to further expand its food service operations, including the addition of a number of new restaurants, as the Company exercises its option to lease commercial space developed by the Keystone JV (see "Business--Real Estate").

Breckenridge owns and operates four on-mountain restaurants totaling only 1,090 indoor seats and as a result achieved only $1.65 in mountain food service revenue per skier day during the 1995-96 season. This compares to $5.42 in mountain food service revenue per skier day achieved by the Existing Resorts during the same season. Due to Breckenridge's lack of on-mountain dining options, most Breckenridge guests dine at food establishments located in the town of Breckenridge which are owned and operated by third parties. Management believes there is a substantial opportunity to expand dining operations at Breckenridge and capture a significantly greater percentage of its guest food expenditures.

Arapahoe Basin owns a 700 seat cafeteria style restaurant located at the base of the mountain and a 260 seat limited service lunch facility located at the mountain's mid-station.

Hospitality ($32.1 million of Pro Forma 1996 Revenue). The Company's hospitality operations are designed to offer the Company's guests a full complement of quality resort services and provide the Company with additional sources of revenue and profitability. These operations include reservations, tour and travel operations, lodging and property, club and conference center management.

The Existing Resort's reservation center provides the Company's guests with information and access to the full complement of the resorts' services and activities. The center handles over 211,000 calls per year and is capable of booking and selling airline and ground transportation, lodging, lift tickets, ski school and most other Vail Valley activities, earning commissions on each third party sale. The Acquired Resorts operate two full service reservations operations, Keystone Reservations and "Reservations for the Summit". Keystone Reservations handles approximately 330,000 calls per year and is capable of booking and selling discounted airline tickets, rental cars, ground transportation, condominium/hotel accommodations, lift tickets, ski lessons, ski rentals, dinner reservations and recreation activities prior to a guest's arrival at the resort. "Reservations for the Summit" provides a similar range of services for Summit County as a whole, handling over 47,000 calls per year. The Company believes that 97% of Keystone's overnight guests use these reservation services.

Both the Existing Resorts' reservation center and "Reservations for the Summit" are relatively new operations, which the Company believes will continue to grow as the operations mature. The Company believes that, as a result of the Acquisition, a significant opportunity exists to expand the Company's central reservation operations, by (a) creating preferred relationships with major travel companies, (b) increasing purchases of bulk air and large blocks of room nights, (c) capitalizing on the growth of the Company's customer database, (d) expanding the variety of activities and services offered and (e) improving cross-selling of the Company's activities and services, particularly prior to the guest's arrival at the resort.

The Company's property management operation seeks to utilize the Company's hospitality expertise through the first class management of lodging properties owned by both the Company and third parties. The Company currently manages 13 properties, including hotels, timeshare projects and condominiums. The Company believes that its substantial historical investment in this operation will allow for growth at attractive margins as new properties are brought under management. One source of new properties for this operation will be the continued development of the Company's real estate throughout the Vail Valley. In certain situations, such as the Pines Lodge in Beaver Creek Resort (a 60 room luxury hotel), the Company will purchase properties whose financial performance can be improved through the Company's property management operation.

The Acquired Resorts' property management operations are primarily conducted at Keystone Resort where the Acquired Resorts have property management contracts representing approximately 85% of the Keystone Resort bed base. Property management services performed by the Acquired Resorts includes rental management of approximately 860 condominiums and homes and 103 lodge rooms, maintenance services to non-renting unit owners, and association management services to condominium associations. In fiscal 1996, property management activities generated more than 137,000 room nights at Keystone Resort. The Company believes the scope of property management operations at Keystone provides a number of important advantages including the ability to set quality standards for rental unit participants, ensuring guests receive a consistent lodging product and providing the reservation operations with significant lodging inventory. The Company expects the property management operations to continue to expand as it secures contracts on the additional condominiums and homes developed by the Keystone JV and third party developers. See "Business--Real Estate."

The Company owns and operates the Keystone Conference Center, which is the largest convention center in the Colorado Rocky Mountains. With meeting facilities totaling 32,500 square feet and capable of accommodating groups of up to 1,800, the Keystone Conference Center draws groups throughout the year and is typically sold-out during the non-ski season. In fiscal 1996, the Keystone Conference Center hosted over 500 groups, generating more than $3 million of banquet food service revenues over 88,000 room nights at the resort. Additionally, the Company believes that over 90% of the conference center attendees utilize the Acquired Resorts' recreational facilities and activities, including skiing, golf, tennis and horseback riding. The Company is presently reviewing plans to add 25,000 square feet of exhibit space to the Keystone Conference Center, which would allow it to accommodate the significant excess demand which it currently experiences. In addition to the Keystone Conference Center, the Company owns and operates the 152 room Keystone Lodge, a member of Preferred Hotels & Resorts Worldwide, and operates The Inn, a hotel, meeting and banquet facility located at Keystone, under a management contract.

The Company is also active in the creation and management of private membership clubs, which allows the Company to provide high-end services and amenities to its upper income guest, and evening dining options and other services and activities to its overall guest population. The Company's current clubs include (i) the Beaver Creek Club, which offers members luncheon privileges at Beano's Cabin (which is open to the general public for dinner) and certain golf, tennis and skiing amenities, (ii) Game Creek Club, which offers members luncheon privileges and is open to the general public for dinner and (iii) the Passport Clubhouse at Golden Peak(TM), which, when completed, will provide members with a reserved parking space, concierge services, a private dining facility and locker and club facilities at the base of Vail Mountain. In addition to using membership sales to defray and in some cases entirely pay for the cost of construction, the Company earns management fees for overseeing club operations. The Company intends to create selected additional clubs over the next five years, including the Arrowhead Alpine Club at Arrowhead Village and a mountain club to be located in Bachelor Gulch Village similar to Beano's Cabin. These clubs allow the Company to add to its restaurant operations and related skier service and retail operations, at a relatively modest capital cost.

Retail/Rental Operations ($14.1 million in Pro Forma 1996 Revenue). The Company's retail division owns and operates all on-mountain locations and selected base area locations. Over the last six months, the Company has taken several steps to significantly expand the scope of its retail and rental operations in order to maximize Resort Revenue and Resort Cash Flow derived from these activities. This expansion will increase retail space from 29,320 square feet in fiscal 1996 to 33,658 for fiscal 1997 and 42,275 square feet for fiscal 1998.

The Company's on-mountain retail locations offer ski accessories (i.e., hats, gloves, sunglasses, goggles, warmers), snack food and selected logo merchandise, all in locations which are conveniently located for skiers. Off-mountain, the Company operates both ski equipment rental and retail locations. The Company's retail operations typically feature Company or resort-related logo merchandise and products of the Company's sponsors. The Company's rental operations offer a wide variety of ski and snowboard equipment for daily and weekly use. The Company intends to utilize certain locations within the Company's newly created leasable space as new retail and rental operations, while continuing to maintain a significant presence of third party tenants.

The Acquired Resorts have significant retail and rental operations at Keystone Resort, both in the base area and on-mountain. Base area operations include seven venues covering 24,522 square feet with a mix of ski/snowboard retail and rental products. For the 1996-97 ski season, the Acquired Resorts will operate one retail shop at Breckenridge Mountain and one at Arapahoe Basin. The Company intends to significantly expand on- mountain and base area retail operations at Breckenridge.

Commercial Leasing Operations. The Company owns significant on-mountain and base area restaurant, retail and commercial space at both Vail Mountain and Beaver Creek Mountain. The Company operates all on-mountain space and leases a portion of its base area space to third parties. The strategy of the Company's leasing operation is to secure the commercial locations adjacent to its resorts for retail, restaurant and entertainment venues and carefully select the appropriate tenant mix for these locations to provide a high quality and diverse selection of retailers and restauranteurs. The Company anticipates a significant expansion in its owned commercial space over the next two years. Upon the completion of One Beaver Creek and Beaver Creek Village Center, the Company's leasable restaurant and retail space will increase from 39,179 square feet to 69,435 square feet. These projects will also include the creation of a "Rockefeller Center" style year-round ice skating rink and a 518 seat performing arts theater in the center of Beaver Creek Village which management believes, in combination with the additional square footage, will bring the entire village to the critical mass necessary to serve as a new destination for shopping in the Vail Valley. The Company currently owns 23,973 square feet of retail and restaurant space at the base of Vail Mountain and has 20,889 square feet of additional space under construction and expected to be completed during fiscal 1997. The information set forth above excludes the Company's on-mountain retail, restaurant and commercial space. See "Business--Projects Under Construction."

The Acquired Resorts currently have limited commercial leasing operations. The Company, through the Keystone JV, will significantly expand its commercial leasing operations (which currently leases 18,500 square feet of commercial space to third parties) through its development activities at Keystone Resort. In addition, the Company intends to retain commercial space created by the Company's development activities at Breckenridge Mountain.

Licensing and Sponsorship. An important part of the Company's business strategy is to leverage its brand name by (i) entering into sponsorship relationships and strategic alliances with world-class business partners, (ii) building its logo and licensing business and (iii) gaining national and international exposure through the hosting of special events. The Company's leading industry position coupled with the demographics of its customer base make it an attractive partner. Examples of the Company's sponsors include (i) FILA, which is supplying the Company's employee ski uniforms over a six-year period and has launched a line of clothing using the Vail name and logo, (ii) Chevy Trucks, which provides the Company with mountain vehicles and national marketing exposure, (iii) Pepsi, which provides substantial marketing benefits, (iv) Sprint, which provides funding for the construction and operation of a mountain-top business center, (v) Tag Heuer, which provides funding for the operation and promotion of snowboarding activities at Vail and Beaver Creek Mountains, and (vi) Coors, which provides the Company with access to certain national marketing promotions. The Company's sponsorship arrangements typically have a three to five year term and provide benefits in the form of cash payments, expense reductions, capital improvements and/or marketing exposure. The Company has licensed the use of its trademarks to over one hundred companies for a variety of products such as apparel and sunglasses. While the terms of each license agreement vary, such agreements generally are for a two-year term and provide for the payment by the licensee of quarterly royalty payments ranging from 6% to 8% of the gross wholesale price of the licensed goods.

The Acquired Resorts do not currently have significant revenues from licensing and sponsorship activities. The Company plans to extend existing licensing and sponsorship relationships across the brand names of the Acquired Resorts and create new relationships which leverage the exposure the Company can offer corporate sponsors to almost five million winter skier days and numerous summer visitors.

Vail and Beaver Creek Mountains are frequently the sites of special events and promotions. In addition to hosting annual World Cup Skiing and World Cup Biking events, Vail Mountain and Beaver Creek Mountain have collectively been chosen as the site for the 1997 World Cup Skiing Finals and the 1999 World Alpine

Skiing Championships, an event previously hosted by Vail in 1989, marking the first time a North American site has been selected twice. These events give the Company significant international exposure. TV viewership in Europe for World Cup Skiing and the World Alpine Skiing Championships is estimated to be in excess of 250 million viewers. These events will be organized by and co-hosted with the Vail Valley Foundation, a non-profit foundation whose mandate is to bring international sporting and cultural events to the Vail Valley. The Foundation provides significant funding, volunteers and liability assumption in conjunction with such events. The Company's facilities are also the site of numerous skiing, snowboarding and music events sponsored by corporations. These events generate revenue for the Company through sponsorship fees and increased skier traffic, as well as provide national and international brand exposure through television and advertising campaigns. The Company also owns an interest in an events production company, Eclipse Television and Sports Marketing, LLC, which creates and produces made-for-TV events.

Brokerage

The Company's real estate brokerage operations are conducted through a joint venture in which the Company has a 50% interest. The joint venture was created in June 1994 to facilitate the merger of the Company's brokerage operations, Vail Associates Real Estate, Inc., with the brokerage operations of Slifer, Smith and Frampton, which combined the two largest brokerage operations in the Vail Valley. The joint venture has a large share of both first time developer sales and resales throughout the Vail Valley, creating both a significant source of profitability and a valuable source of information in planning and marketing the Company's real estate projects. The joint venture will continue to benefit from its position as the preferred provider of brokerage services to all of the Company's future development projects. In addition to profit distributions from the joint venture, the Company will directly receive certain override payments on all brokerage revenue from sales of its own property. Brokerage operations at Keystone are operated by the Keystone JV.

Other Revenue Sources

The Company also derives revenue during the non-ski season by offering guests a variety of activities and services, including (i) gondola and chairlift rides, (ii) on-mountain and base area bike rentals, (iii) on-mountain lunch operations, (iv) wedding and group functions at mountain and village restaurants, (v) golf and tennis, (vi) horseback riding, fly fishing, hiking and barbecues at Piney River Ranch(TM) and (vii) shopping at the Company's retail locations. Management expects summer revenues to increase in the future due to the expansion of the Company's restaurant, retail and group event operations.

SYSTEMS AND TECHNOLOGY

New information systems are helping the Company improve its guest communications and enhance guest service and convenience. The Company has consistently invested in new technology and is currently in the implementation phase of a comprehensive systems and technology plan which was developed in 1995 and includes: (i) bar code lift ticket scanning systems that provide more accurate tracking, control and information on all ticket and pass products, (ii) a Direct-To-Lift access system that allows skiers to bypass the ticket window and proceed directly to the lift with a photo ID that is linked to their credit cards, (iii) a ski school reservation system that allows guests to book a specific ski instructor, enabling the Company to optimize the utilization of its 1,288 instructors, (iv) an equipment rental system that tracks guest preferences, allows for resort-wide exchanges, and incorporates state-of-the-art ski tuning technology, making it more convenient for a guest to rent ski equipment, (v) an integrated customer database that tracks information about Vail Resorts' guests which will be readily retrievable at all points of sale, providing guest history, guest preferences and spending patterns, functioning as both a source of information for "front-line" guest service systems, as well as a "back-end" tool for the Company's direct marketing and promotion activities, (vi) a resort-wide guest charging system whereby a lift ticket or I.D. card can be used to charge goods or services at any of the Company's facilities, eliminating the need for cash or credit cards to make purchases, and (vii) an extensive data communications network which links all on-mountain and off-mountain sales locations back to a central data center.

Following the Acquisition, the Company intends to integrate systems which exist at each resort, expanding the most advanced systems and replacing older equipment. This will enable the Company to utilize common technology throughout all of its resorts, allowing the Company to successfully implement programs such as joint lift ticket passes and loyalty programs. The Company believes it will realize significant synergies by leveraging its information technology development costs over all of its resorts, ensuring the Company's industry leadership in this crucial aspect of guest service, marketing and operations.

MARKETING AND SALES

The primary objectives of the Company's marketing efforts include (i) continuing to increase the recognition and goodwill associated with the Company's brand names and trademarks, (ii) building demand during both peak and non-peak periods, (iii) increasing overall sales through targeted promotional programs in national and international markets and (iv) capturing a larger share of an individual vacationer's total out-of-pocket spending at the Company's resorts. The Company's total marketing expenses for fiscal 1996 were $8.9 million for the Existing Resorts. The Company anticipates that, as a result of the Acquisition, its total marketing budget will approach $20 million, a level unprecedented in the mountain resort industry. A major focus of this combined marketing program will be to reinforce the image of a "family" of resorts, each with its distinct personality, theming and character, but all providing an exciting, service-oriented vacation experience with superior infrastructure and amenities.

Mountain resorts generally do not sell significant numbers of vacation packages to travel agents or wholesale tour operators even though such agents and operators control the vast majority of air travel vacations in the United States and Canada. The Company believes that, as a result of the Acquisition, it will be able to supply sufficient lodging nights, air transportation and other complementary activities and services to develop and aggressively distribute vacation packages through this segment of the tourism industry.

The Company's primary marketing method is direct print media advertising in ski industry publications such as SKI and Snow Country and lifestyle publications such as Conde Nast Traveler and Bon Appetit, whose readership reflects the demographic profile of the Company's clientele. The Company is also very active in a number of promotional programs such as discount programs offered through local retailers designed to attract day skiers from local population centers. In an effort to target destination guests, a newspaper and radio advertising campaign is used in markets which have direct air service to the Vail/Eagle Airport.

In addition to advertisements directed at the vacation guest, an important part of the Company's marketing activities is focused on attracting ski groups, corporate meetings and convention business. During the 1995-96 ski season, the Existing and Acquired Resorts hosted over 1,100 groups, ranging in size from 10 to 2,100 people. The Company is constantly attracting new conference business due to its excellence in providing professional planning services, recreational activities, and superior dining and lodging facilities. The Existing Resorts typically capture a large share of the high-end professional conferences, particularly from the legal, medical, computer and insurance communities due to the Company's world class facilities and amenities.

The Company has intensified its use of sophisticated direct mail and direct marketing techniques, including maintaining a sizable database of past customers. In 1996, the Company sent directly or through third party marketing arrangements over seven million pieces of direct mail to past and potential customers.

REAL ESTATE

The Company benefits from its extensive holdings of real property at its Existing Resorts and throughout the Vail Valley and from the activities of VAREG, a wholly owned subsidiary of the Company. VAREG manages the Company's real estate operations, including the planning, oversight, marketing, infrastructure improvement and development of Vail Resorts' real property holdings. In addition to the substantial cash flow generated from real estate sales, these development activities benefit the Company's resort operations through (i) the creation of additional resort lodging which is available to the Company's guests, (ii) the ability to control the architectural theming of its resorts, (iii) the creation of unique facilities and venues (primarily themed restaurant and retail operations) which provide the Company with the opportunity to create new sources of recurring revenue and (iv) the expansion of the Company's property management and brokerage operations, which are the preferred providers of these services for all developments on VAREG's land. In order to facilitate the development and sale of its real estate holdings, VAREG spends significant amounts on mountain improvements, such as ski lifts, snowmaking equipment and trail construction. While these mountain improvements enhance the value of the real estate held for sale (for example, by providing ski-in/ski-out accessibility), they also benefit resort operations. In most cases, VAREG seeks to minimize the Company's exposure to development risks and maximize the long-term value of the Company's real property holdings by selling land to third party developers for cash payments prior to the commencement of construction, while retaining approval of all development plans as well as an interest in the developer's profit. The Company also typically retains the option to purchase, at a price significantly below fair market value, any retail/commercial space created in a development. The Company is able to secure these benefits from third-party developers as a result of the high property values and strong demand associated with property in close proximity to its mountain resort facilities.

VAREG's principal activities include (i) the sale of single family homesites to individual purchasers, (ii) the sale of certain land parcels to third party developers for condominium, townhome, cluster home, lodge and mixed use developments, (iii) the zoning, planning and marketing of new resort communities (such as Beaver Creek Resort, Bachelor Gulch Village and Arrowhead), (iv) arranging for the construction of the necessary roads, utilities and mountain infrastructure for new resort communities, (v) the development of certain mixed use condominium projects which are integral to resort operations (such as the base facility at Golden Peak) and (vi) the purchase of selected strategic land parcels, which the Company believes can augment its existing land holdings or resort operations. The Company's current development activities are focused on (i) the completion of its three resort communities, Beaver Creek Resort, Bachelor Gulch Village and Arrowhead, (ii) preparing for the redevelopment of the Lionshead base area and adjacent land holdings and (iii) the long-term planning of the Company's significant real estate holdings in and around Avon and at the entrance to Beaver Creek Resort.

In developing its real estate holdings, VAREG typically contracts to sell multi-family sites to third party developers who undertake the construction and sale of these projects. In this case, the Company typically receives an upfront cash payment and a residual interest in the profit realized by such developers. In connection with the sale of single-family homesites and VAREG's development of certain mixed use condominium projects, VAREG often seeks to sell such homesites or condominium residences to individual purchasers in advance of significant infrastructure investments. As a result, the Company is able to forecast a large portion of its real estate revenues 12 to 18 months in advance and reduce development risk prior to making significant expenditures.

The Company's expenses associated with its real estate operations consist primarily of: (i) selling costs, which include brokerage fees and direct marketing costs, (ii) holding costs, which include property taxes and insurance, (iii) operating expenses, which include VAREG's general and administration expense and (iv) the amortization of the capitalized land and other costs relating to the property sold.

The Company has been able to have a substantial portion of the infrastructure costs (primarily related to road and utility costs), in connection with certain of its developments, funded by quasi-municipal entities ("Metro Districts"). These Metro Districts raise funds through the sale of tax-exempt municipal bonds supported by the assessed valuation of a particular real estate development or district. The Company may guarantee bond issuances by a Metro District during the early stages of a development until the assessed valuation is sufficient to support the district's infrastructure and other costs. A letter of credit has been issued under the credit facilities on behalf of the Company in the amount of $27.6 million to secure the Metro District bonds issued in connection with infrastructure and other costs in Bachelor Gulch Village. In addition, the Company is obligated to pay capital improvement fees to one of the Metro Districts. The Company estimates that such payments will not exceed $5.7 million, payable over the three years ending April 30, 2000.

In addition to the costs and expenses set forth above, VAREG spends significant amounts on mountain improvements, such as ski lifts, snowmaking equipment and trail construction. While these mountain improvements enhance the value of the real estate held for sale (for example, by providing ski-in/ski-out accessibility), they also benefit resort operations. VAREG expenses all on mountain improvements undertaken in conjunction with its real estate development activities as the related real estate is sold.

A summary of the Company's historical real estate revenues and real estate expenses are as follows:

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Revenues:			
Multi-family parcels	$ 2,559,000	$ 7,494,000	$14,650,000
Single family lots	12,803,000	270,000	32,644,000
Other	6,841,000	8,762,000	1,361,000
Total revenues	22,203,000	16,526,000	48,655,000
Expenses:			
Selling expenses	1,900,000	613,000	3,011,000
Operating expenses	4,464,000	5,163,000	5,397,000
Allocated land, infrastructure and other costs	13,977,000	9,207,000	24,683,000
Allocated mountain improvement costs	--	--	7,710,000
Total expenses	20,341,000	14,983,000	40,801,000
Real estate operating income	$ 1,862,000	$ 1,543,000	$ 7,854,000

The Company currently owns 574 acres of developable real estate, including land zoned for 1,144 residential units and 152,000 square feet of commercial space. The majority of the Company's undeveloped land holdings and current development activities are located in Beaver Creek Resort, Bachelor Gulch Village and Arrowhead. A summary of each of these resort communities is set forth below.

Beaver Creek Resort

Since its opening in 1980, Beaver Creek Resort has emerged as one of the world's premier resort communities. Beaver Creek Resort offers a wide array of shopping, dining, lodging and entertainment options in addition to being the primary skiing access point to Beaver Creek Mountain.

Over the past 12 months, VAREG has completed extensive development planning to complete the Beaver Creek Resort village core. VAREG has sold the One Beaver Creek and Beaver Creek Village Center development sites to third party developers. These projects will be adjacent to the Company's existing retail operations and will contain the majority of the Company's retail and restaurant operations in Beaver Creek Resort. See "Business--Existing Resorts--Beaver Creek Mountain."

In addition to the completion of the Beaver Creek Resort village core, the Company is engaged in the development of its residential property in Beaver Creek Resort. In 1994, the Company sold 30 single-family ski-in-ski-out homesites (averaging approximately two acres each), in an area known as Strawberry Park on Beaver Creek Mountain. All 30 lots were sold by VAREG in one day in a lottery format because demand significantly exceeded the number of homesites available for purchase. Gross proceeds of this sale were approximately $31 million, or an average of over $1.0 million per homesite.

The Company's remaining land holdings in Beaver Creek Resort consist of one single-family homesite as well as zoned multi-family sites (requiring limited additional infrastructure expenditures) expected to contain approximately 200 multi-family residences located at the entrances to Beaver Creek Resort. The Company expects to sell these remaining land holdings over the next five years.

Bachelor Gulch Village

The Bachelor Gulch Village development, which will be the newest village on Beaver Creek Mountain, is comprised of 1,410 acres of Company-owned land located in a valley between Arrowhead and Beaver Creek Resort. A private residential resort community set in a natural ski mountain environment, Bachelor Gulch Village will combine a skiing gateway to Beaver Creek Mountain, an intimate mountain village and private, upscale real estate enclaves with ski-in/ski-out access to a substantial portion of the homesites, and architecture modeled after the grand lodges of the U.S. National Parks. In addition, plans for Bachelor Gulch Village incorporate 67,880 square feet of retail, restaurant and commercial space. Commencing with the 1996-97 ski season, Bachelor Gulch Village features a high speed quad chairlift and approximately 150 acres of mostly intermediate ski terrain contiguous with Beaver Creek Mountain.

The Company is currently completing its master plan for the development of 725 residential units in Bachelor Gulch Village. Infrastructure development commenced in 1994 and is expected to be substantially complete in 1998. A significant portion of the infrastructure costs have already been incurred, including the majority of the mountain improvements. A substantial portion of these costs have been financed by a Metro District bond issue as described above.

During the summer of 1995 and the winter and summer of 1996, 93 single-family homesites (averaging approximately two acres per lot) were contracted for by purchasers at prices aggregating $72.2 million (an average of $776,000 per lot). All 93 homesites were sold in a lottery format because demand significantly exceeded the number of homesites available for purchase. Of these sales, $46.6 million closed in 1996 with $25.6 million expected to close in 1997. The Company is in discussions with developers regarding the sale of multifamily parcels in Bachelor Gulch Village.

The Company's current unsold inventory in Bachelor Gulch Village consists of 18 single-family homesites, 48 cluster homesites, 31 townhome sites and development parcels zoned for 535 condominium, timeshare and lodge units. The Company expects to complete the sale of these parcels over the next five to ten years.

Arrowhead

Arrowhead, known as "Vail's Private Address," is comprised of over 1,500 acres of Company-owned land and is recognized for its country club approach to residential and resort amenities. Home of the Country Club of the Rockies, a private golf club designed by Jack Nicklaus, Arrowhead features swimming, clay tennis courts, hiking, mountain biking, private fly-fishing on the Eagle River and privacy gates that assure controlled access 24 hours a day. Arrowhead contains the westernmost skiing access point to Beaver Creek Mountain.

The Company's current development activities are focused on the development of Arrowhead Village, a 218 unit staged development centered around an alpine club. The proposed Arrowhead Alpine Club is expected to serve as the social and athletic activity center of Arrowhead. The Arrowhead Alpine Club is expected to be a 79,000 square foot facility consisting of 23 residential condominiums and 14,500 square feet of spa and athletic training space and 5,800 square feet of restaurant, retail and skier service facilities. The Company's plans to build the Arrowhead Alpine Club are contingent upon the pre-sale of a sufficient number of condominium residences and Arrowhead Alpine Club memberships.

In Arrowhead Village, developers have commenced construction of 44 multi-family units on land purchased from the Company. Multi-family parcels planned for 13 additional units have been sold to developers and construction is expected to begin in the Spring of 1997. In addition to the remaining multi-family parcels in Arrowhead Village, the Company has extensive land holdings in Arrowhead, including land zoned for 28 single-family homesites, 34 cluster homesites and 45 townhomes, as well as land for 150 multi-family units which are planned but not yet zoned.

In addition to the Company's extensive land holdings contained in the resort communities discussed above, the Company has substantial land holdings in Lionshead (located in the Town of Vail), Avon (located at the base of Beaver Creek Mountain) and elsewhere in the Vail Valley.

Real Estate Contracts

As of September 30, 1996 the Company had entered into Real Estate Contracts for the sale of certain real estate and related amenities for gross proceeds of approximately $106.9 million. The Company estimates that subsequent to September 30, 1996, it will incur additional selling, holding and infrastructure costs of $24.5 million in connection with the sale of the properties subject to the Real Estate Contracts. The Company will utilize $55 million of the gross proceeds from the Real Estate Contracts to fund the Distribution. As a result, assuming all the sales under the Real Estate Contracts are closed, after taking into account the additional expenses to be incurred by the Company to complete the projects and the payments under the Distribution, the Company will realize net pre-tax cash proceeds of $27.4 million. In addition, the Company expects that subsequent to September 30, 1996 it will make mountain improvements of $17.2 million (a portion of which will be completed in connection with the sale of the properties subject to the Real Estate Contracts), which will consist primarily of a high speed quad chairlift, base area improvements and snowmaking equipment and will benefit the properties subject to the Real Estate Contracts as well as the Company's remaining real estate holdings in Bachelor Gulch Village and Arrowhead. See "Certain Transactions." As of December 31, 1996, the Company received $47.7 million of gross proceeds from the closing of Real Estate Contracts and had $58.5 million receivable under remaining Real Estate Contracts as set forth below.

PROJECT	AMOUNTS RECEIVABLE UNDER REAL ESTATE CONTRACTS AS OF 12/31/96 (IN MILLIONS)	DESCRIPTION
Beaver Creek Resort		
Village Center.........	$ 1.5	Three multi-family sites and related parking
Art's Center Parking...	1.6	Private parking spaces
Elkhorn Lodge..........	1.8	Residual developer interest
The Aspens Townhomes ..	0.8	Residual developer interest
One Beaver Creek	2.5	Deferred purchase price
Market Square	0.5	Deferred purchase price
Subtotal.............	8.7	
Bachelor Gulch Village..	25.6	Single family lots
Arrowhead		
Cresta.................	3.6	Cluster homes
Vail		
Golden Peak Condominiums...................	20.6	Six condominium residences
Total..................	$58.5	

KEYSTONE

In 1994, the Acquired Resorts contributed over 500 acres of land at Keystone Resort to the Keystone JV. With the benefit of extensive market research, community input and government involvement, the Keystone JV created and has received approval for an over $500 million master development plan which the Keystone JV expects to develop over the next 20 years. The plan calls for the creation of six separate neighborhoods, each featuring distinctive amenities and architecture based on the area's colorful mining, ranching and railroad history. At full buildout there will be an estimated 4,600 residential homes and lodging units and 382,000 square feet of commercial space as well as more than 300 acres of open space at Keystone Resort. A network of pedestrian trails and a shuttle bus system are planned to link the resort neighborhoods and amenities.

The long term development plan for Keystone Resort is expected to benefit the Company, by (i) creating significant additional resort lodging which will contribute to future skier day growth and the growth of the Company's property management operations and (ii) creating new facilities, venues and activities which create new sources of recurring revenue. As residential and commercial projects are completed the Company has a priority right to receive payments of up to $22.6 million for land which was previously contributed to the Keystone JV. The Company will also receive approximately 50% of the profits generated by the Keystone JV and will have the opportunity to lease commercial space created by the Keystone JV. The Keystone JV is involved in a wide range of real estate development activities, including the planning, infrastructure improvement, construction and marketing of all real property improvements on its land. The Keystone JV seeks to minimize its exposure to development and construction risks by pre-selling a significant portion of the residential and lodging units prior to the commencement of construction of a project and by individually financing each project through a secured construction loan and equity investment, which generally consists only of the contribution of the Keystone JV's land required for the project.

The first two neighborhoods being developed by the real estate joint venture are River Run and Ski Tip Ranch. River Run is a ski-in/ski-out pedestrian village and commercial corridor which will be the new focal point of Keystone Resort. Located at the base of the River Run Gondola, at full development the River Run neighborhood will include an estimated 860 residential units, 250 lodge units and 190,000 square feet of restaurants, boutiques and apres ski cafes. Ski Tip Ranch is a wooded residential community of 86 townhomes under development at the easternmost end of the resort. As of November 30, 1996 the joint venture had constructed 89 condominiums and lodging units in the River Run and Ski Tip neighborhoods of which 80 units have been sold. Additionally, there are 189 condominium and lodging units currently under construction for completion in 1997 of which 137 units have already been sold. Development of commercial space in 1996 included 33,000 square feet with an additional 31,000 square feet under development for completion in 1997. During the next five years, the Keystone JV expects to develop more than 900 new residential and lodging units and 150,000 square feet of commercial space. In addition, Keystone's second championship golf course is currently under development with construction expected to commence in 1997 and an opening planned for 1999.

As of September 30, 1996, the book value of the Acquired Resorts' investment in the Keystone JV was $29.0 million of which $18.9 million relates to land contributed to the Keystone JV and $10.1 million relates to cash invested in real estate improvements and undistributed profits. In addition, the Keystone JV has an option to require the Acquired Resorts to contribute to the joint venture additional land, which had a book value as of September 30, 1996, of $8.9 million.

BRECKENRIDGE

Developable real estate at Breckenridge Mountain encompasses approximately 295 acres located at the base of the mountain and in the Town of Breckenridge. These parcels are strategically important as they will enable the resort to (i) improve and expand the parking and transportation system at Breckenridge, significantly enhancing guest access to the resort and skier distribution on the mountain, (ii) create highly desirable ski-in/ski-out residential units, (iii) create resort owned and operated on-mountain and in-valley commercial space and (iv) establish a foundation for future terrain expansion. As of September 30, 1996, the Acquired Resorts' book value in developable land at Breckenridge Mountain was $21.1 million.

COMPETITION

The ski industry is highly competitive. The Company competes with mountain resort areas in the United States, Canada and Europe for destination guests and with numerous mountain resorts in Colorado for day skiers. The Company also competes with other worldwide recreation resorts, including warm weather resorts, for the vacation guest. The Company's major U.S. competitors include the Utah ski areas, the Lake Tahoe mountain resorts in California and Nevada, the New England mountain resorts and the major Colorado areas, including

Copper Mountain, Telluride, Steamboat Springs, Winter Park and the Aspen resorts. In addition, while the Company's skier days have increased 39% over the past ten years, there has been relatively modest growth in United States skier days (which have increased only 4% over the same period). The competitive position of the Company's mountain resorts is dependent upon many diverse factors such as proximity to population centers, availability and cost of transportation to the areas, including direct flight availability by major airlines, pricing, snowmaking facilities, type and quality of skiing offered, duration of the ski season, prevailing weather conditions, the number, quality and price of related services and lodging facilities, and the reputation of the areas. Based upon a review of these factors, management believes that the Company is in a strong competitive position.

REGULATION AND LEGISLATION

The Company has been granted the right to use 12,590 acres of federal land adjacent to the Town of Vail and 2,775 acres of federal land adjacent to its Beaver Creek property as the site for most of its ski lifts and trails and related activities under the terms of permits with the Forest Service. No permits are required for Arrowhead or Bachelor Gulch Village since the Arrowhead and Bachelor Gulch Village land is owned by the Company.

The permits originally granted to the Company or its subsidiary, Beaver Creek Associates, Inc., for the Vail and Beaver Creek mountain resorts consisted of (i) Term Special Use Permits which were granted for 30 year terms, but are terminable upon 30 days written notice by the Forest Service if it determines that the public interest requires such termination and (ii) Special Use Permits which are terminable at will by the Forest Service. In November 1986, a new law was enacted providing that Term Special Use Permits and Special Use Permits may be combined into a unified single term special use permit which can be issued for up to 40 years. On December 23, 1991, the Company exercised its statutory right to convert its dual permits for the Vail mountain resort into a unified permit covering 12,590 acres. The Vail permit expires on October 1, 2031, but can be terminated by the Forest Service if required in the public interest. The Vail permit covers Category III. The Company has received Forest Service approval to begin construction in the area, which approval was appealed. As a result of this appeal, the Forest Service Supervisor was directed to verify that the administrative record includes appropriate information on potential off-site cumulative impacts to traffic/transportation, housing and wildlife. The Forest Service Supervisor was also directed to take certain additional steps to amend the Forest Plan, which is necessary to implement certain elements of the project. While the Company anticipates successfully resolving the issues raised by the appeal in the second quarter of fiscal 1997, there can be no assurance that the Company will receive final approval to begin construction in Category III. The Beaver Creek property is covered by a Term Special Use Permit covering 80 acres and a Special Use Permit covering the remaining 2,695 acres. These permits will expire in 2006 but are terminable by the Forest Service at its discretion. In December 1992, the Company exercised its statutory right to convert its dual permits for the Beaver Creek mountain resort into a unified permit for the maximum period of 40 years and is currently in the process of finalizing the terms of the unified permit. No assurance can be given that the Beaver Creek unified permit will be granted for the entire 40 year period. To the Company's knowledge, no recreational Special Use Permit or Term Special Use Permit for any major ski resort has ever been terminated by the Forest Service.

With respect to the Acquired Resorts, Ralston Resorts has been granted the right to use 3,156 acres, approximately 5,571 acres and approximately 825 acres of federal land under terms of permits with the Forest Service for Breckenridge, Keystone and Arapahoe Basin, respectively. Both the Breckenridge permit and the Arapahoe Basin permit expire on December 31, 2029 while the Keystone permit expires on December 31, 2032. Like the Vail permit, each of the permits for the Acquired Resorts is terminable by the Forest Service if required in the public interest.

The Forest Service has the right to review and comment on the location, design and construction of improvements in the permit area and on many operational matters. Under the permits, the Existing and the Acquired Resorts are each required to pay fees to the Forest Service. Under recently enacted legislation, retroactively effective to fiscal 1996, the Company pays fees to the Forest Service ranging from 1.5% to 4.25% of certain revenues for use of Forest Service land. However, through fiscal 1998, the Company is required to pay the greater of (i) the fees due under the new legislation or (ii) the fees actually paid for fiscal 1995. The calculation of revenues includes, among other things, lift tickets, ski school lessons, food and beverages, rental equipment and retail merchandise revenues.

The Company believes that its relations with the Forest Service are good and, during the last two years, the Company has received awards and recognition from the Forest Service including the "National Forest Partner Award" for outstanding outdoor education programs and the Beaver Creek Nature Center, the "National Service Award" for implementing universal access, selection as a Forest Service "Accessible Trails Demonstration Project" and designation as the Forest Service's first "Role Model for Socially Responsible Programs."

EMPLOYEES

The Company currently employs approximately 2,500 year-round and 6,300 seasonal employees. Approximately 125 of the seasonal employees are unionized. The Company considers its employee relations to be good.

LEGAL PROCEEDINGS

The athletic nature of the Company's ski operations subjects the Company to litigation in the ordinary course of business, including claims for personal injury and wrongful death. The Company is currently defending six such lawsuits, all of which are covered by extensive liability insurance subject to applicable self-insured retentions. The Existing Resorts are currently defending four of such claims under the Colorado Ski Safety Act (the "Act"), a comprehensive assumption-of-risk statute, while the Acquired Resorts are currently defending two lawsuits under the Act. The Act delineates the responsibilities of both ski resort operators and skiers. As long as the ski resort operator complies with the Act's mandates, which consist of markings in relation to ski lifts and man made obstructions, signage in relation to closed areas and ski trails and their difficulty, designation of the ski resort boundaries, closed trails and "danger areas" and flagging and lighting certain maintenance equipment such as snowmobiles, the operator is presumed to be not negligent in accidents involving injury to one of its guests. The Act further provides that a skier injured through one of the "inherent dangers and risks of skiing," which include weather and snow conditions and collisions with man-made and natural objects and other skiers, is barred from suing the mountain resort. Consequently, if the Company is successful in asserting that the claims brought against it are covered by the Act, the Company will face no liability for such claims.

Other than the matters discussed in the preceding paragraph and other matters with respect to which the Company believes it is adequately insured, the Company is not currently a defendant in any material litigation and there are no material legal proceedings pending against the Company or to which any of its property is subject and, to the knowledge of management, no such proceedings have been threatened against it.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information with respect to the directors and executive officers of the Company.

NAME	AGE	POSITION
Adam M. Aron	42	Chairman of the Board of Directors and Chief Executive Officer of the Company
Frank Biondi	52	Director
Leon D. Black	45	Director
Craig M. Cogut	43	Director
Stephen C. Hilbert	51	Director
Robert A. Katz	29	Director
Thomas H. Lee	52	Director
William L. Mack	56	Director
Antony P. Ressler	36	Director
Marc J. Rowan	34	Director
John J. Ryan III	69	Director
John F. Sorte	49	Director
Bruce H. Spector	54	Director
James S. Tisch	44	Director
Andrew P. Daly	50	President and Director of the Company
James P. Donohue	56	Senior Vice President and Chief Financial Officer of the Company
Gerald E. Flynn	45	Senior Vice President of Vail Associates
James S. Mandel	46	Senior Vice President, General Counsel and Secretary of the Company
J. Kent Myers	47	Senior Vice President of Vail Associates
Edward D. O'Brien	57	Senior Vice President and Chief Financial Officer, Vail Associates Real Estate Group, Inc.
Christopher P. Ryman	45	Senior Vice President and Chief Operating Officer of Vail Associates
James P. Thompson	53	President, Vail Associates Real Estate Group, Inc.

Pursuant to the Restated Certificate of Incorporation and Restated Bylaws of the Company, the Board is divided into two classes of Directors, denoted as Class 1 and Class 2, each serving one-year terms. Class 1 directors are elected by a majority vote of the holders of the Class A Common Stock and Class 2 directors are elected by a majority vote of the holders of the Common Stock. The Class 1 directors are Messrs. Black, Cogut, Daly, Katz, Mack, Ressler, Rowan, Ryan and Spector, and the Class 2 directors are Messrs. Aron, Biondi, Hilbert, Lee, Sorte and Tisch. In addition, Apollo has agreed to vote in favor of the election of two directors nominated by Foods. See "The Acquisition."

Adam M. Aron was appointed the Chairman of the Board and Chief Executive Officer of the Company in July 1996. Prior to joining the Company, Mr. Aron served as President and Chief Executive Officer of Norwegian Cruise Line Ltd. from July 1993 until July 1996. From November 1990 until July 1993 Mr. Aron served as Senior Vice President of Marketing for United Airlines. From 1987-1990, Mr. Aron served as Senior Vice President of Marketing for the Hyatt Hotels Corporation. Mr. Aron is also a director of Interactive Flight Technologies Inc.

Frank Biondi was appointed a Director of the Company on July 29, 1996. Mr. Biondi is Chairman and Chief Executive Officer of Universal Studios Inc. Mr. Biondi previously served as President and Chief Executive

Officer of Viacom, Inc. from July 1987 to January 1996. He has also held executive positions with The Coca-Cola Company, Home Box Office Inc. and Time Inc. Mr. Biondi currently is a member of the Boards of Directors of Leake and Watts Services, The Museum of Television and Radio, The Bank of New York and the American Health Foundation.

Leon D. Black is one of the founding principals of Apollo Advisors, L.P., which was established in August 1990 ("Apollo Advisors"), and which, together with an affiliate, acts as managing general partner of Apollo Investment Fund, L.P., AIF II, L.P. and Apollo Investment Fund III, L.P., private securities investment funds, of Apollo Real Estate Advisors, L.P. ("AREA") which, together with an affiliate, acts as managing general partner of the Apollo real estate investment funds and of Lion Advisors, L.P. ("Lion Advisors"), which acts as financial advisor to and representative for certain institutional investors with respect to securities investments. Mr. Black is also a director of Big Flower Press, Inc., Culligan Water Technologies, Inc., Furniture Brands International, Inc., Samsonite Corporation and Telemundo Group, Inc. Mr. Black was appointed a director of the Company in October 1992. Mr. Black is Mr. Ressler's brother-in-law.

Craig M. Cogut is currently a private investor. Prior thereto he was one of the founding principals of Apollo Advisors and of Lion Advisors. Prior to 1990, Mr. Cogut was a consultant and legal advisor, principally to Drexel Burnham Lambert Incorporated and associated entities. Mr. Cogut is also a director of Envirotest Systems, Inc. and Salant Corporation. Mr. Cogut was appointed a director of the Company in October 1992.

Stephen C. Hilbert was appointed a director of the Company in December 1995. Mr. Hilbert founded Conseco, Inc. in 1979, and serves as its Chairman, President and Chief Executive Officer. Conseco, Inc., is a financial services holding company based in Carmel, Ind., owns and operates life insurance companies, provides investment management, administrative and other fee-based services. Mr. Hilbert serves as a Director of the Indiana State University Foundation and the Indianapolis Convention and Visitor's Association. He also serves on the Board of Trustees of both the Indianapolis Parks Foundation and the U.S. Ski Team Foundation, as a Trustee of the Central Indiana Council on Aging Foundation, and as a Director of both the Indianapolis Zoo and the St. Vincent Hospital Foundation.

Robert A. Katz is an officer of Apollo Capital Management, Inc. and Lion Capital Management, Inc., the general partners of Apollo Advisors and Lion Advisors, respectively. Mr. Katz is a limited partner of Apollo Advisors and of Lion Advisors, with which he has been associated since 1990. Mr. Katz is also a director of Salant Corporation and Aris Industries, Inc. Mr. Katz was appointed a director of the Company in June 1996.

Thomas H. Lee was appointed a director of the Company in January 1993. Mr. Lee founded the Thomas H. Lee Company in 1974 and since that time has served as its President. The Thomas H. Lee Company and the funds which it advises invest in friendly leveraged acquisitions and recapitalizations. From 1966 through 1974, Mr. Lee was with First National Bank of Boston where he directed the bank's high technology lending group from 1968 to 1974 and became a Vice President in 1973. Prior to 1966, Mr. Lee was a Securities Analyst in the institutional research department of L.F. Rothschild in New York. Mr. Lee serves as a Director of Autotote Corporation, Finlay Enterprises, Inc., First Security Services Corporation, Health o meter Products, Inc., Livent Inc., Miller Import Corporation, Playtex Products, Inc., and Sondik Supply Company.

William L. Mack was appointed a director of the Company in January 1993. Mr. Mack has been the President and Managing Partner of The Mack Organization, an owner and developer of and investor in office and industrial buildings and other commercial properties principally in the New York/New Jersey metropolitan area as well as throughout the United States, since 1963. Mr. Mack is a founding principal of AREA and since 1993 has provided consulting services to Apollo Real Estate Investment Fund II, L.P. Mr. Mack is a Director of Crocker Realty Trust, Inc. and First Capital Holdings Corp. He has been Director of the Urban Development Corporation for the State of New York since 1983. Mr. Mack has also been Chairman of the Board of Directors of the Jacob K. Javits Convention Center Development Corporation of New York since 1984 and the Chairman of the Board of Directors of New York Convention Center Operating Corporation since 1988.

Antony P. Ressler is one of the founding principals of Apollo Advisors and Lion Advisors. Mr. Ressler is also a director of Dominick's Supermarkets, Family Restaurants, Inc., Packaging Resources, Inc. and United International Holdings, Inc. He is also a member of the Executive Committee of the Board of Directors of LEARN, the largest public school reform movement in the U.S., and of the Jonsson Comprehensive Cancer Center at the UCLA Medical Center. Mr. Ressler was appointed a director of the Company in October 1992.

Marc J. Rowan is one of the founding principals of Apollo Advisors and of Lion Advisors. Mr. Rowan is also a director of Culligan Water Technologies, Inc., Farley, Inc., Furniture Brands International, Inc. and Samsonite Corporation. Mr. Rowan was appointed a director of the Company in October 1992.

John J. Ryan III has been a financial advisor based in Geneva, Switzerland since 1972. Mr. Ryan is a director of Artemis S.A. and Financiere Pinault S.A., private holding companies in Paris, France and Furniture Brands International, Inc. He is Vice President and Director of Evergreen Resources Inc., a publicly held oil and gas exploration company. Mr. Ryan is President of J.J. Ryan & Sons, a closely held textile trading corporation in Greenville, South Carolina. Mr. Ryan was appointed a director of the Company in January 1995. Artemis S.A. is a significant investor in Apollo Ski Partners.

John F. Sorte has been President of New Street Advisors L.P., a merchant bank, and of New Street Investments L.P., its broker-dealer affiliate, since he co-founded such entities in March 1994. From 1992 to March 1994, Mr. Sorte was President and Chief Executive Officer of New Street Capital Corporation, a merchant banking firm, and from 1990 to 1992, he was President and Chief Executive Officer of The Drexel Burnham Lambert Group Inc., an investment firm. Prior to 1990, Mr. Sorte was employed by Drexel Burnham Lambert Incorporated. Mr. Sorte is also a director of WestPoint Stevens Inc. and serves as Chairman of the Board of Directors of The New York Media Group, Inc. Mr. Sorte was appointed a director of the Company in January 1993.

Bruce H. Spector has been a consultant to Apollo Advisors since 1992 and since 1995 has been a principal in Apollo Advisors II, L.P., an affiliate of Apollo Advisors which acts as general partner of Apollo Investment Fund III, L.P. Prior to October 1992, Mr. Spector, a reorganization attorney, was a member of the Los Angeles law firm of Stutman Triester and Glatt. Mr. Spector is also a director of Telemundo Group, Inc. and United International Holdings, Inc. Mr. Spector was appointed a director of the Company in January 1995.

James S. Tisch is President and Chief Operating Officer of Loews Corporation. He has been with Loews Corporation since 1977. Prior to that he was with CNA Financial Corporation. Mr. Tisch is Chairman of the Board of Directors of Diamond Offshore Drilling, Inc., and is a member of the Board of Directors of CNA Financial Corporation and Loews Corporation. He is also Chairman of the Federation Employment and Guidance Service, a member of the Board of Directors of UJA-Federation of New York, and a Trustee of The Mount Sinai Medical Center. Mr. Tisch was appointed a director of the Company in January 1995.

Andrew P. Daly was appointed a director of the Company in June 1996. Mr. Daly became President of Vail Associates in 1992 and President of the Company in 1996. He joined Vail Associates in 1989 as Executive Vice President and President of Beaver Creek Resort. Prior to joining Vail Associates, Mr. Daly owned and was President of Lake Eldora Ski Corporation, which operated the Lake Eldora Mountain Resort ski area. From 1982 to 1987, Mr. Daly was Chief Executive Officer of Copper Mountain Resort, where he held several positions from 1972 to 1982.

James P. Donohue became Senior Vice President and Chief Financial Officer of the Company in October 1996. From 1991 to October 1996, Mr. Donohue served as Senior Vice President and Chief Financial Officer of Fibreboard Corporation, a manufacturer and distributor of building products, which also owns and operates three ski resorts located in California. Prior to 1991, Mr. Donohue was an Executive Vice President of Continental Illinois Bank., N.A.

Gerald E. Flynn became Senior Vice President and Chief Financial Officer of Vail Associates in 1992. Mr. Flynn was formerly Senior Vice President and Chief Financial Officer of the Company from 1995 until October 1996. Mr. Flynn joined Vail Associates in 1981 as Manager of Tax and Joint Venture Planning before being promoted to Director of Corporate Planning in 1983. Mr. Flynn was promoted to Treasurer in 1984 and to Vice President of Finance in 1986. Prior to joining Vail Associates, Mr. Flynn was a senior tax accountant for the Denver office of Deloitte, Haskins & Sells from 1977 to 1981.

James S. Mandel joined the Company and Vail Associates in 1994 as Senior Vice President and General Counsel of both the Company and Vail Associates, and was named Secretary of Vail Associates in 1994 and of the Company in 1995. From 1978, until joining the Company, Mr. Mandel was a partner with Brownstein Hyatt Farber & Strickland, P.C., a Denver law firm, and specialized in real estate development and corporate finance.

J. Kent Myers became Senior Vice President of Vail Associates in 1995. Prior to that, he served as Chief Operating Officer of Beaver Creek Resort from 1992 to 1995, and as Vice President of Marketing for Vail Associates from 1988 to 1992. From 1981 to 1988, Mr. Myers was Vice President of Marketing for Steamboat Ski Corporation.

Edward D. O'Brien joined Vail Associates Real Estate Group, Inc. in 1993. Prior to that he was Chief Financial Officer and a Managing General Partner of Lincoln Property Company, a real estate development and management firm from 1971 to 1991. From 1962 to 1971 Mr. O'Brien was an auditor with Arthur Andersen LLP.

Christopher P. Ryman became Chief Operating Officer and Senior Vice President of Vail Associates in 1995. From 1992 to 1995, he was Senior Vice President of Mountain Operations. Mr. Ryman was managing director of the Vail and Beaver Creek Ski Schools from 1986 to 1992, served in management positions at the Beaver Creek Ski School from 1980 to 1985 and was involved in ski school operations from 1978 to 1980. Prior to joining Vail Associates in 1978, Mr. Ryman held positions at the Mt. Hood, Snowbird and Alta ski resorts.

James P. Thompson joined Vail Associates Real Estate Group, Inc. in 1993 in connection with Vail Associates' acquisition of Arrowhead. He joined Arrowhead in 1989, becoming President in March of 1994. Prior to joining Arrowhead, he served as Vice-President of Moore and Company in Denver for 14 years.

BOARD OF DIRECTORS AND COMMITTEES

Messrs. Black, Katz, Mack, Ressler, Rowan and Spector are associated with Apollo Advisors, an affiliate of Apollo Ski Partners, L.P. Apollo Ski Partners is organized principally for the purpose of holding capital stock of the Company. See "Principal and Selling Stockholders" regarding the shares of Company stock held by Apollo Ski Partners.

The Board of Directors has established an Executive Committee, an Audit Committee and a Compensation Committee.

The Executive Committee has all powers and rights necessary to exercise the full authority of the Board of Directors in the management of the business and affairs of the Company when necessary in between meetings of the Board of Directors. The members of the Executive Committee are Messrs. Aron, Daly, Katz and Rowan.

The Audit Committee is primarily concerned with the effectiveness of the Company's accounting policies and practices, financial reporting and internal controls. The Audit Committee is authorized to (i) make recommendations to the Board of Directors regarding the engagement of the Company's independent accountants, (ii) review the plan, scope and results of the annual audit, the independent accountants' letter of comments and management's response thereto, and the scope of any non-audit services which may be performed by the independent accountants, (iii) manage the Company's policies and procedures with respect to internal accounting and financial controls, and (iv) review any changes in accounting policy. The members of the Audit Committee are Messrs. Hilbert, Sorte and Tisch.

The Compensation Committee is authorized and directed to (i) review and approve the compensation and benefits of the executive officers, (ii) review and approve the annual salary plans, (iii) review management organization and development, (iv) review and advise management regarding the benefits, including bonuses, and other terms and conditions of employment of other employees and (v) administer any stock option plans which may be adopted and the granting of options under such plans. The members of the Compensation Committee are Messrs. Black, Rowan and Lee.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Prior to July, 1996, there was no Compensation Committee of the Board of Directors. During fiscal 1996, executive compensation decisions were made by the entire Board of Directors.

COMPENSATION OF DIRECTORS

All directors' fees will be determined by the Board of Directors of the Company. As of the date of this Prospectus, the Company had paid no fees to its directors, and the Company currently does not intend to pay directors' fees. The Company pays a management fee of $500,000 per year to Apollo Advisors, L.P. Messrs. Black, Katz, Mack, Ryan, Ressler, Rowan and Spector are associated with Apollo Advisors and are directors of the Company.

EXECUTIVE COMPENSATION

The following table shows all the cash compensation paid or to be paid by the Company or any of its subsidiaries, as well as certain other compensation paid or accrued, during the years ended September 30, 1996, 1995 and 1994 to the Chief Executive Officer and the four highest paid executive officers of the Company whose compensation was at least $100,000 for the year ended September 30, 1996 in all capacities in which they served:

SUMMARY COMPENSATION TABLE

NAME, PRINCIPAL POSITION, AND PERIOD	ANNUAL COMPENSATION: SALARY AND BONUS ($)	ANNUAL COMPENSATION: OTHER ANNUAL COMPENSATION ($)(1)	LONG-TERM COMPENSATION, AWARDS: RESTRICTED STOCK AWARD(S) ($)	LONG-TERM COMPENSATION, AWARDS: OPTIONS/ SAR	LONG-TERM COMPENSATION, PAYOUTS: LTIP PAYMENTS ($)(2)	ALL OTHER COMPENSATION ($)(3)
George N. Gillett, Jr., (4) Former Chairman and Chief Executive Officer of the Company						
1994	1,542,000	58,150	1,966,200	--	--	296,812
1995	1,584,000	116,000	2,383,200	--	--	--
1996	1,628,400	75,800	2,562,000	--	--	36,956
Andrew P. Daly, Chief Executive Officer and President of Vail Associates, President of the Company						
1994	269,907	34,835	--	--	113,883	--
1995	307,538	32,322	--	--	113,883	--
1996	348,077	24,007	--	--	113,883	--
J. Kent Myers, Senior Vice President of Vail Associates						
1994	174,462	16,280	--	--	70,016	--
1995	193,618	14,673	--	--	70,016	--
1996	183,192	5,075	--	--	70,016	--
James S. Mandel, Senior Vice President, General Counsel and Secretary of the Company						
1994	174,000	--	--	179,960(5)	--	--
1995	311,500	1,716	--	--	--	--
1996	329,462	1,924	--	--	--	--
Christopher P. Ryman, Senior Vice President and Chief Operating Officer						
1994	155,000	16,225	--	--	70,016	--
1995	175,512	14,504	--	--	70,016	--
1996	184,269	15,057	--	--	70,016	--

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(1) Includes interest on long-term incentive plan compensation paid during the period indicated to the named executive officer.

(2) Prior to October 8, 1992, the Company and certain of its subsidiaries offered deferred compensation plans to certain key management employees in lieu of any type of pension plans, stock options or other retirement plans. As of October 8, 1992, following payments made on or around October 8, 1992, the outstanding deferred compensation balances for Mr. Daly, Mr. Myers, and Mr. Ryman were $455,532, $280,063 and $280,063, respectively. Mr. Daly's, Mr. Myers' and Mr. Ryman's outstanding deferred compensation balances after October 8, 1992 are being paid to them over a four-year period, with interest accruing on the balance at a rate of 8% per annum. As of September 30, 1996, Mr. Daly's, Mr. Myers' and Mr. Ryman's outstanding deferred compensation balances were $28,471, $17,504 and $17,504, respectively. Due to the long-term incentive characteristics of the deferred compensation plans of the Company and its subsidiaries, payout amounts pursuant to these plans have been included in this column.

(3) In connection with the sale of certain non-ski-related assets of the Company, Mr. Gillett received incentive payments of $296,812 on September 23, 1994, and $36,956 on January 31, 1996, each pursuant to the terms of his employment agreement.

(4) Mr. Gillett has resigned as Chairman of the Board, Chief Executive Officer and Director of the Company in order to pursue other business interests.

(5) Pursuant to a stock option plan adopted by the Company, these options were issued on March 21, 1994. The options vest in equal installments over a five year period and provide for an exercise price of $10.00 per share. See "Management--Stock Option Plans."

AGGREGATE OPTION/SAR EXERCISES DURING FISCAL YEAR ENDED SEPTEMBER 30, 1996 AND OPTION/SAR VALUES AS OF SEPTEMBER 30, 1996

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF UNEXERCISED OPTIONS/SARS EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS(1) EXERCISABLE/ UNEXERCISABLE
George N. Gillett, Jr. (2)....	--	$--	1,572,972/ --	$12,123,244/$ --
Andrew P. Daly................	--	--	195,492/130,328	2,570,720/1,713,813
J. Kent Myers.................	--	--	107,976/ 71,984	1,419,884/ 946,590
James S. Mandel...............	--	--	71,984/107,976	719,840/1,079,760
Christopher P. Ryman..........	--	--	107,976/ 71,984	1,419,884/ 946,590

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(1) In-the-money option values are calculated using an assumed offering price of $20.00 per share.

(2) All of Mr. Gillett's options were exercised or exchanged on October 11, 1996. See "Employment Agreements of the Company" below.

PENSION PLANS

The Company has no pension plans.

EMPLOYMENT AGREEMENTS OF THE COMPANY

The Company has entered into an employment agreement with Adam Aron (the "Employment Agreement"). Pursuant to the Employment Agreement, Mr. Aron serves as Chief Executive Officer of the Company. The initial term of his employment is for the period from August 1, 1996 through September 30, 1999, with a two-year automatic renewal thereafter, subject to notice of termination by either Mr. Aron or the Company. Mr. Aron's base salary is $560,000 per year, and a bonus is guaranteed at an annualized rate of $250,000 through fiscal 1997, after which Mr. Aron will participate in the Company's bonus plan.

Pursuant to the Employment Agreement, Mr. Aron will be granted 37,500 restricted shares of Common Stock and options to purchase 260,000 shares of Common Stock, which restricted stock and options vest over five years. The Company will provide Mr. Aron a life insurance policy of $5 million and $500,000 of annual disability income protection. The Company will purchase a home of Mr. Aron's choice in the Vail Valley (up to a maximum purchase price of $1.5 million) for his use while employed by the Company. Mr. Aron is subject to a 12 month non-compete clause upon termination.

Pursuant to an employment agreement with Andrew P. Daly, Mr. Daly will serve as President of the Company for a three-year term. Mr. Daly's base salary will be $350,000 per year and Mr. Daly will participate in the Company's bonus plan. In addition, pursuant to such agreement, Mr. Daly will be granted 12,500 restricted shares of Common Stock and options to purchase 100,000 shares of Common Stock, which restricted stock and options vest over five years. The Company will provide Mr. Daly a life insurance policy of $3 million and $262,500 of annual disability income protection. Mr. Daly will be subject to a 12 month non-compete clause upon termination.

The Company has entered into an employment agreement with James P. Donohue. Such agreement will provide that Mr. Donohue will serve as Senior Vice President and Chief Financial Officer of the Company for a three-year term. Mr. Donohue's base salary will be $300,000 per year and Mr. Donohue will participate in the Company's bonus plan. In addition, pursuant to such agreement, Mr. Donohue will be granted 12,000 restricted shares of Common Stock and options to purchase 60,000 shares of Common Stock, which restricted stock and options vest over three years. Mr. Donohue will be subject to a 12 month non-compete clause upon termination.

Vail Associates has entered into employment contracts with Messrs. Ryman, Myers, Flynn and Thompson, which provide for annual salaries, as well as participation in bonus, stock option and other employee benefit plans. Each agreement is for a three-year term expiring May 31, 1999, subject to automatic renewal for successive one-year terms in the absence of notice of non-renewal by either party.

The Company and Vail Associates have separate employment agreements with Mr. Mandel pursuant to which Mr. Mandel receives a current aggregate salary of $300,000 per year, as well as participation in bonus, stock option and other employee benefit plans. Mr. Mandel's employment agreements are effective until March 31, 1997, unless earlier terminated according to their terms. In the event the Company or Vail Associates terminates Mr. Mandel's employment agreements without cause, Mr. Mandel will be paid his aggregate salary and fringe benefits for a period of 12 months following the date of termination or through March 31, 1997, whichever period is longer. Payment of the severance benefits is conditioned upon Mr. Mandel's compliance with certain non-competition, confidentiality and loyalty provisions which survive the employment agreement.

Mr. Gillett has resigned as Chairman of the Board, Chief Executive Officer, President and Director of the Company. In connection with his employment by the Company, Mr. Gillett was granted (i) 714,976 shares of Common Stock as incentive based compensation (the "Gillett Stock"), (ii) options to purchase 408,164 shares of Common Stock at an exercise price of $6.85 per share (the "$6.85 Options") and (iii) options to purchase 1,164,808 shares of Common Stock at $11.84 per share (the "$11.84 Options"). Pursuant to the terms of an agreement dated October 11, 1996 between Mr. Gillett and the Company (the "Gillett Agreement"), Mr. Gillett (i) will be paid his base salary (currently $1.7 million per annum) through October 7, 1997, (ii) exchanged the $11.84 Options for 336,318 shares of Common Stock and (iii) waived his right to the Distribution with respect to the Gillett Stock and the $6.85 Options as payment of the exercise price on the $6.85 Options.

STOCK OPTION PLANS

The Company adopted a stock option plan (the "1992 Plan") pursuant to which options covering an aggregate of 2,045,510 shares of Common Stock may be issued to key employees, directors, consultants, and advisors of the Company or its subsidiaries. Options covering 1,833,300 shares of Common Stock have been issued to various key executives and managers of the Company. All of the options vest in equal installments over five years, with exercise prices ranging from $6.85 per share to $10.75 per share. As of September 30, 1996, 807,228 of these options were exercisable. Under certain circumstances, the option plan would provide for loans by the Company to employees collateralized by such employees' vested options in the event of need. The Company has amended certain option agreements under the 1992 Plan with certain members of the management of the Company to eliminate the right of option holders to receive any portion of the payments made under the Rights. In connection with such payment, the Company has accrued the Option Payment. See "Certain Transactions."

In July 1996 the Company adopted a long term incentive and share award plan (the "1996 Plan") to attract, retain and motivate employees and directors of the Company. The Board of Directors of the Company has approved the 1996 Plan and the reservation of 1,500,000 shares of Common Stock for issuance under the 1996 Plan. As of September 30, 1996, under the 1996 Plan 62,000 shares of Common Stock had been awarded (subject to certain restrictions) and options to purchase an aggregate of 420,000 shares of Common Stock at an exercise price of $20.00 per share had been granted to executives of the Company. Of the restricted stock and options awarded under the 1996 Plan, 12,000 shares of restricted stock and options to purchase 60,000 shares of Common Stock vest in equal increments over three years while the remainder of the restricted shares and options vest in equal increments over five years. None of these options were exercisable as of September 30, 1996.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding ownership of the Common Stock and Class A Common Stock as of January 3, 1997 by (i) each person or entity who owns of record or beneficially five percent or more of the Company's capital stock, (ii) each director and named executive officer of the Company, (iii) all directors and executive officers of the Company as a group and (iv) each stockholder selling shares of Common Stock in the Offering (collectively, the "Selling Stockholders"). To the knowledge of the Company, each of such stockholders has sole voting and investment power as to the shares shown unless otherwise noted.

NAME OF BNEFICIAL OWNER(1)E	COMMON STOCK BENEFICIALLY OWNED BEFORE OFFERINGS		CLASS A COMMON STOCK BENEFICIALLY OWNED BEFORE OFFERINGS		COMMON STOCK BENEFICIALLY OWNED AFTER OFFERINGS(4)		CLASS A COMMON STOCK BENEFICIALLY OWNED AFTER OFFERINGS(4)		PERCENT OF CLASS A COMMON STOCK AND COMMON STOCK BENEFICIALLY OWNED AFTER OFFERINGS(4)
	SHARES	PERCENT OF CLASS	SHARES	PERCENT OF CLASS	SHARES	PERCENT OF CLASS	SHARES	PERCENT OF CLASS	
Apollo Ski Partners, L.P.(2)........	2,651,338	16.7%	11,917,748	95.9%	0	0%	11,609,086	99.0%	34.9%
Meadow Walk Limited Partnership....	2,322,040	14.6	388,958	3.1	510,988	2.4	0	0	1.5
George N. Gillett, Jr. ..	1,459,458	9.2	0	0	1,119,458	5.2	0	0	3.4
Ralston Foods Inc.	7,554,406	47.6	0	0	7,554,406	35.0	0	0	22.7
All directors and officers as a group, 15 persons(3)..	2,341,300	12.9	0	0	2,341,300	9.8	0	0	6.6

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(1) The addresses of the beneficial owners are as follows: Apollo Ski Partners, L.P., 2 Manhattanville Road, Purchase, NY 10577; Meadow Walk Limited Partnership, c/o Barberry Corp., 100 South Bedford Road, Mount Kisco, NY 10549; George N. Gillett, Jr. c/o Booth Creek Inc., 1000 South Frontage Road West, Suite 100, Vail, CO 81657; and Ralston Foods Inc., 800 Market Street, Suite 2900, St. Louis, Missouri 63101.

(2) Apollo Ski Partners, L.P. ("Apollo Ski Partners") was organized principally for the purpose of holding Common Stock and Class A Common Stock of the Company. The general partner of Apollo Ski Partners is Apollo Investment Fund, L.P., a Delaware limited partnership ("Apollo Fund") and a private securities investment fund. The managing general partner of Apollo Fund is Apollo Advisors, L.P., a Delaware limited partnership, the general partner of which is Apollo Capital Management, Inc., a Delaware corporation ("Apollo Capital"). Mr. Black, a director of the Company, and John Hannan are the directors of Apollo Capital. All officers, directors and shareholders of Apollo Capital, including Messrs. Black, Katz, Mack, Ressler, Rowan and Spector (directors of the Company) disclaim any beneficial ownership of the common stock of the Company owned by Apollo Ski Partners.

(3) With the exception of 26,000 shares of Common Stock owned by Mr. Ressler, no directors or officers of the Company directly own shares of Common Stock (other than options to purchase Common Stock granted to officers of the Company and as otherwise described in this Prospectus).

(4) Assumes no exercise of the Underwriters' over-allotment option. Of the 1,575,000 shares subject to such option, 790,000 shares will be provided by Apollo Ski Partners, 510,998 shares will be provided by Meadow Walk Limited Partnership and 274,002 shares will be provided by George N. Gillett, Jr.

CERTAIN TRANSACTIONS

The Company has distributed the Rights to all stockholders of record on October 11, 1996 provided that the maximum aggregate amount payable under the Rights will be $50.5 million. The purpose of the Rights is to provide cash to the existing stockholders of the Company as a partial return on their investment in the Company. The Company will make payments under the Rights only to the extent it receives gross proceeds under the Real Estate Contracts to make such payments. The Company currently estimates payments under the Rights will be made in fiscal 1997. As of December 31, 1996, the Company had received sufficient gross proceeds under the Real Estate Contracts to make substantially all of such payments. In addition, the Company has amended certain option agreements held by management of the Company to eliminate the right of option holders to receive any portion of payments made under the Rights. In connection with such amendment, the Company has accrued the Option Payment. The option holders will receive 60% of the Option Payment at the times that payments are made under the Rights and the remaining 40% at the time the options are exercised. Stockholders who purchase shares in the Offerings will not be entitled to any payments with respect to the Rights. The Company believes that the payment of the Distribution will not have any adverse consequences to the Company. See "Business--Real Estate."

During the year ended September 30, 1991, the Company loaned Mr. Daly $300,000, $150,000 of which bears interest at 9% and the remainder of which is non-interest bearing. The principal sum plus accrued interest is due no later than one year following the termination, for any reason, of Mr. Daly's employment with the Company. The proceeds of the loan were used to finance the purchase and improvement of real property, and the loan is secured by a deed of trust on such property.

The Company pays a fee of $500,000 per year to Apollo Advisors, L.P. for management services and expenses related thereto. This fee has been incurred each year since 1993 and is paid partly in cash and partly in services rendered by the Company to Apollo Advisors, L.P. and its affiliates. This arrangement was approved by the Board of Directors of the Company in March 1993.

In 1995, Mr. Daly's spouse and Mr. Thompson and his spouse received financial terms more favorable than those available to the general public in connection with their purchase of homesites at Bachelor Gulch Village. Rather than payment of an earnest money deposit with the entire balance due in cash at closing, these contracts provide for no earnest money deposit with the entire purchase price (which was below fair market value) to be paid under promissory notes of $438,750 and $350,000 for Mr. Daly's spouse and Mr. and Mrs. Thompson, respectively, each secured by a first deed of trust and amortized over 25 years at 8% per annum interest, with a balloon payment due on the earlier of five years from the date of closing or one year from the date employment with the Company is terminated.

THE ACQUISITION

STOCK PURCHASE AGREEMENT

On January 3, 1997 (the "Closing Date"), the Company consummated the Acquisition pursuant to a Stock Purchase Agreement (the "Stock Purchase Agreement") dated as of July 22, 1996, as amended, among the Company, Foods and Ralston Resorts.

On the Closing Date, Foods received 7,554,406 shares of Common Stock, and the Company assumed $165,000,000 of the outstanding indebtedness of Resorts. The Stock Purchase Agreement provides for certain adjustments after the Closing Date. Such adjustments, if any, will be made following the delivery of audited financial statements of Resorts to the Company and Foods, and may include payment by the Company or Foods, as the case may be, with respect to the indebtedness of Resorts, and the delivery of additional shares of Common Stock to Foods, based upon investments by Foods in Ralston Resorts from August 1, 1996 to the Closing Date.

SHAREHOLDER AGREEMENT

Foods, Apollo, and the Company are parties to a Shareholder Agreement pursuant to which they have agreed to cause the Board of Directors of the Company to consist of no more than twenty directors, with Foods having the ability to nominate two directors for so long as it owns at least 10% of the Company's outstanding voting securities. Pursuant to the Shareholder Agreement, Apollo has agreed to vote in favor of the election of two directors nominated by Foods.

The Shareholder Agreement subjects Foods to a voting agreement with respect to actions taken by the Company's Board of Directors. Among other things, Foods agrees to vote (i) "for" all the nominees recommended by the Board, (ii) with the Board on all shareholder proposals and (iii) in the same proportion as all other shareholders (i.e., "for," "against" and "abstain") on all other matters, except that Foods has full discretion on extraordinary events such as mergers or consolidations, sales of assets, creation of new stock with voting rights and changes in the Company's charter or bylaws.

Under the terms of the Shareholder Agreement, Foods has agreed to certain restrictions on the resale of its Common Stock. Foods has agreed not to transfer or sell its shares of Common Stock, without the prior approval of a majority of the Board of Directors, other than (i) to affiliates or Foods' stockholders, (ii) pursuant to a demand or piggy-back registration as allowed under the Shareholder Agreement, (iii) if an Initial Public Offering has not been consummated by December 31, 1998, a transfer pursuant to Rule 144 of the Securities Act of 1933 or a transfer where such transferee agrees to be bound by the Shareholder Agreement or (iv) a transfer eighteen months after the Closing Date, provided the transferee will not own more than 10% of then outstanding voting securities of the Company and agrees to be bound by the Shareholder Agreement. In addition, if Foods transfers its shares under (iii) or (iv) above, it has agreed to provide the Company with a right of first refusal, affording the Company the right to purchase such shares under the same terms and conditions, and to provide Apollo a right of second refusal if the Company elects not to purchase such shares.

The Shareholder Agreement will terminate (i) upon agreement of each of Apollo and Foods; (ii) upon the dissolution of the Company or a sale of substantially all of its assets; or (iii) when either Apollo or Foods owns less than 10% of the Company's outstanding voting securities.

Pursuant to the Shareholder Agreement the Company has granted to each of Apollo and Foods certain demand and piggyback registration rights with respect to the Common Stock owned by them. Upon consummation of the Offerings, Apollo and Foods will each have the right to effect one demand registration per twelve month period; provided, that no demand registration may be made within six months after the effective date of any other registration of voting securities of the Company under the Securities Act of 1933, as amended (the "Securities Act"), including the Offerings. In addition, the Company will have the right to purchase Foods' shares in lieu of registration (with Apollo having the right to purchase such shares if the Company elects not to purchase).

CONSENT DECREE

The Company has resolved antitrust concerns of the DOJ raised by the Acquisition by entering into the Consent Decree with the DOJ and the Attorney General of the State of Colorado. Specifically, the Company has agreed to divest the assets constituting the Arapahoe Basin mountain resort by June 2, 1997. The Consent Decree (i) requires the Company to use its best efforts to complete the divestiture as expeditiously as possible, (ii) gives the DOJ the ability, in its sole discretion, to extend the time period for completing the divestiture by an additional 90 days, and (iii) allows for the appointment of a trustee to accomplish the divestiture at the best price then obtainable upon a reasonable effort by the trustee in the event the divestiture has not been completed within the allotted time period. Until the divestiture is accomplished, the Consent Decree requires the Company to take all steps necessary to assure that the Arapahoe Basin mountain resort will be maintained and operated as an on-going, economically viable resort, including maintaining its usual and ordinary levels of marketing personnel and marketing activity, and maintaining the resort's assets in operable condition based on normal maintenance, and prohibits the Company from taking any action that would jeopardize the divestiture of the resort. The Consent Decree will become final upon approval by the District Court, following a 60 day comment period.

DESCRIPTION OF CERTAIN INDEBTEDNESS

CREDIT FACILITIES

In connection with the Acquisition, the Company entered into the New Credit Facilities with NationsBank of Texas, N.A., as agent (the "Agent"), and certain other lenders, to provide financing for the Acquisition and the working capital needs of the Company. The New Credit Facilities provide for debt financing up to an aggregate principal amount of $340 million. The New Credit Facilities are comprised of the Revolving Credit Facility and the Term Loan Facilities. The Term Loan Facilities were used to refinance $139.7 million of the $165 million of debt assumed in connection with the Acquisition and the balance of the Term Loan Facilities was used to repay borrowings under the Company's former credit facilities. The proceeds of the loans made under the Revolving Credit Facility may be used to fund the Company's working capital needs, capital expenditures and other general corporate purposes, including the issuance of letters of credit.

The Revolving Credit Facility matures on April 15, 2003. The minimum amortization under the Term Loan Facilities is $11.5 million, $14.0 million, $19.0 million, $21.5 million, $26.5 million, $31.5 million, and $41 million during fiscal years 1998, 1999, 2000, 2001, 2002, 2003, and 2004, respectively. The Company is also required to make mandatory amortization payments under the Term Loan Facilities with excess cash flow, proceeds from asset sales, and proceeds from equity and debt offerings.

The New Credit Facilities require that no more than $125.0 million in the aggregate be outstanding under the Revolving Credit Facility for a period of 30 consecutive days during each fiscal year, such period to include April 15.

Borrowings under the New Credit Facilities bear interest annually at the Company's option at the rate of (i) LIBOR (which rate is based on a formula relating to the London interbank offered rate for a given interest period) plus a margin (ranging from .50% to 1.75% in the case of Tranche A and the Revolving Credit Facility and 2.25% in the case of Tranche B) or (ii) the Base Rate (defined as, generally, the higher of the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 0.5%, or the Agent's prime lending rate) plus a margin up to .375%. In addition, the Company must pay a fee on the face amount of each letter of credit outstanding at a rate ranging from .625% to 1.875%. The Company must also pay a quarterly unused commitment fee ranging from .20% to .50%. The interest margins and fees described in this paragraph fluctuate based upon the ratio of Funded Debt (as defined) to the Company's Resort EBITDA (as defined).

The obligations under the New Credit Facilities are secured by (i) a pledge of all of the capital stock of the subsidiaries of Vail (the "Vail Pledged Shares") and Ralston Resorts and its subsidiaries (the "Ralston Pledged Shares") and (ii) an assignment of the permits granted by the Forest Service to the Company (the "Vail Forest Service Permits") and Ralston Resorts (the "Ralston Forest Service Permits"). The liens in favor of the Agent on the Vail Pledged Shares and the Vail Forest Service Permits are subordinate to the liens held by the holders of the IRBs (as hereinafter defined).

The New Credit Facilities contain various covenants that limit, among other things, subject to certain exceptions, indebtedness, liens, transactions with affiliates, restricted payments and investments, mergers, consolidations and dissolutions, sales of assets, dividends and distributions and certain other business activities. The New Credit Facilities also contain certain financial covenants, including a Maximum Funded Debt to Resort Cash Flow Ratio, Minimum Fixed Charge Coverage Ratio and Minimum Interest Coverage Ratio (each as described in the New Credit Facilities).

INDUSTRIAL REVENUE BONDS

Pursuant to an indenture (as amended, the "Vail Indenture") dated as of September 1, 1992 and amended as of November 23, 1993, between Eagle County, Colorado, as issuer (the "Vail Issuer"), and Colorado National Bank, as trustee (the "Vail Trustee"), $21.6 million aggregate principal amount of industrial revenue bonds (the "Vail IRBs") were issued for the purpose of providing funds to Vail Associates Inc. ("VAI") to refund certain Sports and Housing Facilities Revenue Bonds (Vail Associates Project). Pursuant to a financing agreement (as amended, the "Vail IRB Agreement") dated as of September 1, 1992 and amended as of November 23, 1993, among the Vail Issuer, VAI and VHI, the Vail Issuer loaned to VAI the proceeds of the issuance of the Vail IRBs and VAI agreed to make payments in the aggregate amount, bearing interest at rates and payable at times, corresponding to the principal amount of, interest rates on and due dates under the Vail IRBs.

Pursuant to an indenture (as amended, the "Beaver Creek Indenture"; together with the Vail Indenture, the "Indentures") dated as of September 1, 1992 and amended as of November 23, 1993, between Eagle County, Colorado, as issuer (the "Beaver Creek Issuer"; together with the Vail Issuer, the "Issuer"), and Colorado National Bank, as trustee (the "Beaver Creek Trustee"; together with the Vail Trustee, the "Trustee"), $19.6 million aggregate principal amount of industrial revenue bonds (the "Beaver Creek IRBs"; together with the Vail IRBs, the "IRBs") were issued for the purpose of providing funds to the Company's subsidiary, Beaver Creek Associates, Inc. ("Beaver Creek"), to refund certain Sports and Housing Facilities Revenue Bonds (Beaver Creek Project). Pursuant to a financing agreement (as amended, the "Beaver Creek IRB Agreement"; together with the Vail IRB Agreement, the "IRB Agreements") dated as of September 1, 1992 and amended as of November 23, 1993, among the Beaver Creek Issuer and Beaver Creek, the Beaver Creek Issuer loaned to Beaver Creek the proceeds of the issuance of the Beaver Creek IRBs and Beaver Creek agreed to make payments in the aggregate amount, bearing interest at rates and payable at times, corresponding to the principal amount of, interest rates on and due dates under the Beaver Creek IRBs. The obligations of Beaver Creek in respect of the Beaver Creek IRBs have been guaranteed by VAI and VHI.

The obligations of VAI, VHI and Beaver Creek under the Indentures, the IRB Agreements and the IRBs are secured by a pledge of all of the Vail Pledged Shares and assignments of the Vail Forest Service Permits.

The IRBs mature, subject to prior redemption, on August 1, 2009. The IRBs bear interest at the rate of 8% per annum. The IRBs are subject to redemption at the option of VAI or Beaver Creek, as the case may be, at any time and from time to time, and are subject to mandatory redemption (i) in connection with the release of any Forest Service permits from the lien of the security documents executed in connection with the Existing Credit Facilities and the IRBs, which release is not consented to by the holders of a majority in aggregate principal amount of the IRBs and (ii) if interest payments on the IRBs lose their tax exempt status.

In connection with the Acquisition, the Company assumed $165 million of outstanding indebtedness of Ralston Resorts. Of this amount, approximately $139.7 million was refinanced from the proceeds of the New Credit Facilities. The remaining indebtedness assumed ("Assumed Debt") consists of (i) $23.36 million of Industrial Revenue Bonds ("Ralston IRBs") and (ii) a loan from the Colorado Water Conservation Board to Clinton Ditch and Reservoir Company ("Clinton Ditch"), of which Ralston Resorts is the largest owner, with a remaining principal balance of approximately $1.95 million.

The Ralston IRBs consist of two series of refunding bonds which were originally issued to finance the cost of sports facilities at Keystone Mountain. The first IRB, the Series 1990 Sports Facilities Refunding Revenue Bonds in the aggregate principal amount of $20.36 million, bears interest at rates ranging from 7.2% to 7.875% and mature in installments in 1998, 2006, and 2008. The second IRB, the Series 1991 Sports Facilities Refunding Revenue Bonds in the aggregate principal amount of $3 million, bears interest at 7.125% for bonds maturing in 2002 and 7.375% for bonds maturing in 2010.

DESCRIPTION OF CAPITAL STOCK

The following summarizes the material terms of the capital stock of the Company.

GENERAL

Upon the closing of the Offerings, the authorized capital stock of the Company will consist of 20,000,000 shares of Class A Common Stock, 11,728,600 of which will be issued and outstanding, 80,000,000 shares of Common Stock, 21,570,288 of which will be issued and outstanding, and 25,000,000 shares of Preferred Stock, par value $.01 per share, none of which will be outstanding.

PREFERRED STOCK

The Company's Board of Directors may, without further action by the Company's stockholders, from time to time, direct the issuance of shares of Preferred Stock in series and may, at the time of issuance, determine the rights, preferences and limitations of each series. Satisfaction of any dividend preferences of outstanding shares of Preferred Stock would reduce the amount of funds available for the payment of dividends on shares of Common Stock and Class A Common Stock. Holders of shares of Preferred Stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of shares of Common Stock and Class A Common Stock. Under certain circumstances, the issuance of shares of Preferred Stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of the Company's securities or the removal of incumbent management. The Board of Directors of the Company, without stockholder approval, may issue shares of Preferred Stock with voting and conversion rights which could adversely affect the holders of shares of Common Stock and Class A Common Stock. Upon consummation of the Offerings, there will be no shares of Preferred Stock outstanding, and the Company has no present intention to issue any shares of Preferred Stock.

COMMON STOCK AND CLASS A COMMON STOCK

The issued and outstanding shares of Common Stock and Class A Common Stock are, and the shares of Common Stock being offered will be upon payment therefor, validly issued, fully paid and nonassessable. The rights of holders of Class A Common Stock and Common Stock are substantially identical, except that, while any Class A Common Stock is outstanding, holders of Class A Common Stock elect a class of directors that constitutes two-thirds of the Board and holders of Common Stock elect another class of directors constituting one-third of the Board. The Class A Common Stock is convertible into Common Stock (i) at the option of the holder, (ii) automatically, upon transfer to a non-affiliate and (iii) automatically if less than 5,000,000 shares (as such number shall be adjusted by reason of any stock split, reclassification or other similar transaction) of Class A Common Stock are outstanding. The Common Stock is not convertible. Subject to the prior rights of the holders of any Preferred Stock, the holders of outstanding shares of Common Stock and Class A Common Stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board of Directors may from time to time determine. See "Dividend Policy." The shares of Common Stock and Class A Common Stock will have no preemptive or subscription rights to purchase any securities of the Company. Upon liquidation, dissolution or winding up of the Company, the holders of Common Stock and Class A Common Stock are entitled to receive pro rata the assets of the Company which are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock then outstanding. Each outstanding share of Common Stock and Class A Common Stock is entitled to vote on all matters submitted to a vote of stockholders.

DELAWARE LAW AND CERTAIN PROVISIONS OF THE COMPANY'S CERTIFICATE OF INCORPORATION AND BY-LAWS

Statutory Provisions. The Company is a Delaware corporation and, after the Offerings, will be subject to Section 203 of the Delaware General Corporation Law ("Delaware Law"). In general, Section 203 prevents an "interested stockholder" (defined generally as a person owning 15% or more of a corporation's outstanding voting stock) from engaging in a "business combination" (as defined) with a Delaware corporation for three years following the date such person became an interested stockholder unless (i) before such person became an interested stockholder, the board of directors of the corporation approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination, (ii) upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding shares owned by persons who are both officers and directors of the corporation, and held by certain employee stock ownership plans) or (iii) following the transaction in which such person became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by the interested stockholder.

Directors Liability and Indemnification. The Company's Restated Certificate of Incorporation (the "Certificate") provides that to the fullest extent permitted by Delaware Law or other applicable law, a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. Under current Delaware Law, liability of a director may not be limited (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The effect of the provision of the Certificate is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (iv) above. This provision does not limit or eliminate the rights of the Company or any stockholder to seek nonmonetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, the Company's Bylaws provide that the Company shall indemnify its directors, officers and employees to the fullest extent permitted by applicable law.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals. The Company's Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as director, or to bring other business before an annual meeting of stockholders of the Company (the "Stockholder Notice Procedure").

The Stockholder Notice Procedure provides that only persons who are nominated by, or at the direction of, the Board, or by a stockholder who has given timely written notice to the principal executive offices of the Company prior to the meeting at which directors are to be elected, will be eligible for election as directors of the Company. The Stockholder Notice Procedure provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the Board or by a stockholder who has given timely written notice to the principal executive offices of the Company of such stockholder's intention to bring such business before such meeting. Under the Stockholder Notice Procedure, to be timely, notice of stockholder nominations or proposals to be made at an annual or special meeting must be received by the Company not less than 30 days prior to the scheduled date of the meeting (or, if less than 60 days' notice of the date of the meeting is given, the 9th day following the day such notice was made).

Under the Stockholder Notice Procedure, a stockholder's notice to the Company proposing to nominate a person for election as a director must contain certain information about the nominating stockholder and the proposed nominee. Under the Stockholder Notice Procedure, a stockholder's notice relating to the conduct of business other than the nomination of directors must contain certain information about such business and about the proposing stockholder. If the officer presiding at a meeting determines that a person was not nominated, or other business was not brought before the meeting, in accordance with the Stockholder Notice Procedure, such person will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be.

By requiring advance notice of nominations by stockholders, the Stockholder Notice Procedure affords the Board an opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Board, to inform stockholders about such qualifications. By requiring advance notice of other proposed business, the Stockholder Notice Procedure also provides a more orderly procedure for conducting annual meetings of stockholders and, to the extent deemed necessary or desirable by the Board, provides the Board with an opportunity to inform stockholders, prior to such meetings, of any business proposed to be conducted at such meetings, together with any recommendations as to the Board's position regarding action to be taken with respect to such business, so that stockholders can better decide whether to attend such a meeting or to grant a proxy regarding the disposition of any such business.

Although the Bylaws does not give the Board any power to approve or disapprove stockholder nominations for the election of directors or proposals for action, the foregoing provisions may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deferring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to the Company and its stockholders.

Certain Effects of Authorized but Unissued Stock. Under the Certificate, upon consummation of the Offerings there will be 8,271,400 shares of Class A Common Stock authorized but unissued, 44,385,812 shares of Common Stock authorized but unissued (and not reserved for issuance upon conversion of the Class A Common Stock or exercise of options), and 25,000,000 shares of preferred stock authorized but unissued, for future issuance without additional stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future offerings to raise additional capital or to facilitate corporate acquisitions.

The issuance of preferred stock could have the effect of delaying or preventing a change in control of the Company. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of Common Stock or could adversely affect the rights and powers, including voting rights, of the holders of the Common Stock. In certain circumstances, such issuance could have the effect of decreasing the market price of the Common Stock.

One of the effects of the existence of unissued and unreserved Common Stock or preferred stock may be to enable the Board to issue shares to persons friendly to current management, which could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of management. Such additional shares also could be used to dilute the stock ownership of persons seeking to obtain control of the Company.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is Wilmington Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offerings, the Company will have outstanding 33,298,888 shares of common stock, consisting of 11,728,600 shares of Class A Common Stock and 21,570,288 shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options. Of these shares, the 10,500,000 shares of Common Stock sold in the Offerings and 11,070,288 shares of Common Stock not sold in the Offerings will be freely tradeable without restriction under the Securities Act, unless subsequently acquired by "affiliates" of the Company as that term is defined in Rule 144. Substantially all the 11,728,600 shares of Class A Common Stock outstanding upon completion of the Offerings will be owned by "affiliates" within the meaning of Rule 144.

In general, under Rule 144 as currently in effect, an "affiliate" is entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the then outstanding shares of Common Stock (3,298,889 shares immediately after completion of the Offerings) or the average weekly reported trading volume of the Common Stock during the four calendar weeks preceding the date on which notice of such sale is given, provided certain manner of sale and notice requirements as to the availability of current public information are satisfied (which requirements as to the availability of current public information is currently satisfied). Under Rule 144(k), a person who is not deemed an "affiliate" of the Company at any time during the three months preceding a sale by such person, and who has beneficially owned shares of Common Stock that were not acquired from the Company or an "affiliate" of the Company within the previous three years, would be entitled to sell such shares without regard to volume limitations, manner of sale provisions, notification requirements or the availability of current public information concerning the Company. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such issuer.

In connection with the Acquisition, Foods received 7,554,406 Shares of Common Stock (which may be increased as a result of certain post-closing adjustments). The ability of Foods to dispose of such shares is restricted pursuant to the terms of the Shareholder Agreement. Upon consummation of the Offerings, Apollo Ski Partners will own 11,609,086 shares of Class A Common Stock. Pursuant to the Shareholder Agreement, each of Foods and Apollo have certain demand and piggyback registration rights. See "Acquisition--Shareholder Agreement." Of the shares owned by Apollo Ski Partners, 200,000 of such shares are subject to an option granted to Thomas H. Lee to purchase such shares.

The Company and each of its officers, directors and the Selling Stockholders have agreed not to, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose (or announce any offer, sale, contract of sale, pledge, or other disposition) of any shares of Common Stock or other shares of capital stock of the Company or securities convertible into or exercisable or exchangeable for, or warrants, options or rights to purchase or acquire, shares of Common Stock or other shares of capital stock of the Company or any interest in the Common Stock (including derivative interests), without the prior written consent of Bear Stearns, for a period of 180 days from the date of this Prospectus. The foregoing does not prohibit the Selling Stockholders from selling shares subject to the Underwriters' over-allotment option or pledging shares under certain circumstances or prohibit the Company from issuing options or shares pursuant to its stock option plans.

Prior to the Offerings there has been no public market for the Common Stock of the Company and no prediction can be made as to the effect, if any, that market sales of shares or the availability of such shares for sale will have on the market price of the Common Stock prevailing from time to time. Nevertheless, sales of substantial numbers of shares in the public market could adversely affect the market price of the Common Stock and could impair the Company's ability to raise capital through a sale of its equity securities.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS OF COMMON STOCK

The following is a general discussion of certain United States federal income and estate tax consequences of the ownership and disposition of Common Stock by a holder that, for United States federal tax purposes, is not a "United States person" (a "Non-United States Holder"). For purposes of this discussion, a "Non-United States Holder" is any holder that is, as to the United States, a foreign corporation, a non-resident alien individual, a foreign partnership, or a non-resident fiduciary of a foreign estate or trust as such terms are defined in the Internal Revenue Code. This discussion does not address all United States federal income and estate tax considerations that may be relevant to a Non-United States Holder in light of its particular circumstances or to certain Non-United States Holders that may be subject to special treatment under United States federal tax laws. Furthermore, this section does not discuss any aspects of foreign, state or local taxation. This discussion is based on current provisions of the Internal Revenue Code, existing Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all of which are subject to change, possibly with retroactive effect. Each prospective Non-United States Holder is advised to consult its tax advisor with respect to the tax consequences of owning and disposing of Common Stock.

DIVIDENDS

Dividends paid with respect to the Common Stock to a Non-United States Holder generally will be subject to withholding of United States federal income tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividend is effectively connected with the conduct of a trade or business of the Non-United States Holder within the United States, in which case the dividend will be taxed at ordinary federal income tax rates. In the case of a Non-United States Holder which is a corporation, such effectively connected income may also be subject to a branch profits tax (which is generally imposed on a foreign corporation on the repatriation from the United States, or deemed repatriation, of effectively connected earnings and profits). Non-United States Holders should consult any applicable tax treaties which may provide for a lower rate of withholding or other rules different than those described herein. Under current United States Treasury regulations, dividends paid to an address in a foreign country are presumed to be paid to a resident of such country (absent actual knowledge to the contrary) for purposes of the withholding discussed above and, under the current interpretation of the United States Treasury regulations, for purposes of determining the applicability of a tax treaty. However, under proposed United States Treasury regulations, a non-United States Holder of Common Stock who wishes to claim the benefit of an applicable treaty rate would be required to satisfy certain certification and other requirements; these regulations are proposed to be effective for dividends paid after December 31, 1997.

SALE OR DISPOSITION OF COMMON STOCK

A Non-United States Holder generally will not be subject to United States federal income tax on any gain recognized on the sale or other disposition of Common Stock unless (i) the gain is effectively connected with a trade or business of the Non-United States Holder in the United States; (ii) in the case of a Non-United States Holder who is an individual and holds the Common Stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the disposition and either (a) has a "tax home" for United States federal income tax purposes in the United States or (b) has an office or other fixed place of business in the United States to which the gain is attributable; (iii) the Non-United States Holder is subject to tax pursuant to the provisions of United States federal income tax laws applicable to certain United States expatriates; or (iv) the Company is or has been during certain periods a "United States real property holding corporation" (a "USRPHC") for United States federal income tax purposes and, if the Common Stock is regularly traded on an established securities market, the Non-United States Holder owned, actually or constructively, in excess of 5% of the fair market value of the Common Stock at any time during the preceding five-year period.

A corporation is generally a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business at any time during the five-year period ending on the date of disposition, or the period in which the holder has owned the stock, whichever is shorter (the "Required Holding Period"). A non-United States Holder would generally not be subject to tax on gain from a sale or other disposition of Common Stock by reason of the Company being deemed to have USRPHC status if the Common Stock is regularly traded on an established securities market ("regularly traded") during the calendar year in which such sale or disposition occurs, provided that such holder does not own, actually or constructively, Common Stock with a fair market value in excess of 5% of the fair market value of all Common Stock outstanding at any time during the Required Holding Period (a "5% holder"). While not free from doubt, the Company believes that the Common Stock should be treated as regularly traded.

If the Company is or has been a USRPHC within the Required Holding Period, and if a Non-United States Holder is a 5% holder (as described in the preceding paragraph), such non-United States Holder of Common Stock will be subject to United States federal income tax at regular graduated rates ("FIRPTA tax") on gain recognized on a sale or other disposition of such Common Stock. In addition, if the Company is or has been a USRPHC within the Required Holding Period and if the Common Stock is not treated as regularly traded, a non-United States Holder (without regard to its ownership percentage) is subject to withholding in respect of FIRPTA tax at a rate of 10% of the amount realized on sale or other disposition of Common Stock and may be further subject to FIRPTA tax in excess of the amounts withheld. Any amount withheld pursuant to such withholding tax is creditable against such non-United States Holder's United States federal income tax liability.

The Company does not believe that it is a USRPHC as of the date of this Prospectus. The Company has not received an appraisal with respect to the Acquired Resorts and therefore cannot make such conclusion with certainty and there can be no assurance that the IRS will not challenge such conclusion. Non-United States Holders accordingly should consider the risk that the Company is, or will become, a USRPHC, in which event gain on sale or disposition of Common Stock will be subject to FIRPTA tax if (i) the Common Stock is not treated as regularly traded (in which event the 10% withholding tax also will be imposed) or (ii) even if the Common Stock is regularly traded, a Non-United States Holder is a 5% holder.

Gain realized upon disposition of Common Stock that is effectively connected with the conduct by the Non-United States Holder of a trade of business within the United States is subject to United States federal income tax on the same basis as United States persons generally (and, generally, with respect to corporate holders, the branch profits tax) but will not be subject to withholding.

Non-United States Holders should consult applicable tax treaties, which may result in United States Federal income tax treatment on the sale or other disposition of Common Stock different from that described above.

BACKUP WITHHOLDING AND REPORTING REQUIREMENTS

Generally, the Company must report annually to the IRS and to each Non-United States Holder the amount of dividends paid to, and the tax withheld with respect to, such holder, regardless of whether any tax was actually withheld. This information may also be made available to the tax authorities in the Non-United States Holder's country of residence.

United States backup withholding tax will generally not apply to dividends paid on Common Stock to a Non-United States Holder at an address outside the United States. Upon the sale of Common Stock by a Non-United States Holder to or through a United States office of a broker, the broker must withhold tax at a rate of 31% and report the sale to the IRS unless the holder certifies its Non-United States Holder status under penalties of perjury or otherwise establishes an exemption. Information reporting (but not backup withholding) applies upon the sale of Common Stock by a Non-United States Holder to or through the foreign office of a United States broker, or a foreign broker with certain types of relationships to the United States, unless the broker has documentary evidence in its files that the seller is a Non-United States Holder and certain other conditions are met, or the holder otherwise establishes an exemption.

Proposed Treasury Regulations would, if adopted, alter the foregoing rules in certain respects. Among other things, the Proposed Regulations would provide certain presumptions under which Non-United States Holders would be subject to backup withholding in the absence of required certifications.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are generally allowable as a refund or credit against such Non-United States Holder's United States federal income tax liability, if any, provided that the required information is furnished to the IRS.

FEDERAL ESTATE TAXES

Common Stock owned or treated as owned by an individual who is not a citizen or resident of the United States (as defined for United States federal estate tax purposes) at the time of death will be included in such individual's gross estate for United States federal estate tax purposes unless an applicable estate tax treaty provides otherwise.

UNDERWRITING

The underwriters of the U.S. Offering named below (the "U.S. Underwriters"), for whom Bear, Stearns & Co. Inc., Furman Selz LLC, Goldman, Sachs & Co., Salomon Brothers Inc, Schroder Wertheim & Co. Incorporated and Smith Barney Inc. are acting as representatives, have severally agreed with the Company and the Selling Stockholders, subject to the terms and conditions of the U.S. Underwriting Agreement (the form of which has been filed as an exhibit to the Registration Statement on Form S-2 of which this Prospectus is a part), to purchase from the Company and the Selling Stockholders the aggregate number of U.S. Shares set forth opposite their respective names below.

NAME OF U.S. UNDERWRITER	NUMBER OF U.S. SHARES
Bear, Stearns & Co. Inc.	
Furman Selz LLC	
Goldman, Sachs & Co.	
Salomon Brothers Inc	
Schroder Wertheim & Co. Incorporated	
Smith Barney Inc.	
Total	8,400,000

The Managers of the concurrent International Offering named below (the "Managers"), for whom Bear, Stearns International Limited, Furman Selz LLC, Goldman Sachs International, J. Henry Schroder & Co. Limited, Salomon Brothers International Limited and Smith Barney Inc. are acting as lead Managers, have severally agreed with the Company and the Selling Stockholders, subject to the terms and conditions of the International Underwriting Agreement (the form of which has been filed as an exhibit to the Registration Statement on Form S-2 of which this Prospectus is a part), to subscribe and pay for the aggregate number of International Shares set forth opposite their respective names below.

NAME OF MANAGER	NUMBER OF INTERNATIONAL SHARES
Bear, Stearns International Limited	
Furman Selz LLC	
Goldman Sachs International	
J. Henry Schroder & Co. Limited	
Salomon Brothers International Limited	
Smith Barney Inc.	
Total	2,100,000

The nature of the respective obligations of the U.S. Underwriters and the Managers is such that all of the U.S. Shares and all of the International Shares must be purchased if any are purchased. Those obligations are subject, however, to various conditions, including the approval of certain matters by counsel. The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the Managers against certain liabilities, including liabilities under the Securities Act, and, where such indemnification is unavailable, to contribute to payments that the U.S. Underwriters and the Managers may be required to make in respect of such liabilities.

The Company and the Selling Stockholders have been advised that the U.S. Underwriters propose to offer the U.S. Shares in the United States and Canada and the Managers propose to offer the International Shares outside the United States and Canada, initially at the public offering price set forth on the cover page of this Prospectus and to certain selected dealers at such price less a concession not to exceed $ per share; that the U.S. Underwriters and the Managers may allow, and such selected dealers may reallow, a concession to certain other dealers not to exceed $ per share; and that after the commencement of the Offerings, the public offering price and the concessions may be changed.

The Selling Stockholders have granted the U.S. Underwriters and the Managers options to purchase in the aggregate up to 1,575,000 additional shares of Common Stock solely to cover over-allotments, if any. The options may be exercised in whole or in part at any time within 30 days after the date of this Prospectus. To the extent options are exercised, the U.S. Underwriters and the Managers will be severally committed, subject to certain conditions, to purchase the additional shares of Common Stock in proportion to their respective commitments as indicated in the preceding tables.

Pursuant to an agreement between the U.S. Underwriters and the Managers (the "Agreement Between"), each U.S. Underwriter has agreed that, as part of the distribution of the U.S. Shares and subject to certain exceptions, (a) it is not purchasing any U.S. Shares for the account of anyone other than a U.S. or Canadian Person (as defined below) and (b) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any U.S. Shares or distribute any prospectus relating to the U.S. Offering outside the United States or Canada or to anyone other than a U.S. or Canadian Person or a dealer who similarly agrees. Similarly, pursuant to the Agreement Between, each Manager has agreed that, as part of the distribution of the International Shares and subject to certain exceptions, (a) it is not purchasing any of the International Shares for the account of any U.S. or Canadian Person and (b) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any of the International Shares or distribute any prospectus relating to the International Offering in the United States or Canada or to any U.S. or Canadian Person or to a dealer who does not similarly agree. As used herein, "U.S. or Canadian Person" means any individual who is a resident or citizen of the United States or Canada, any corporation, pension, profit sharing or other trust or any other entity under or governed by the laws of the United States or Canada or of any political subdivision thereof (other than the foreign branch of any U.S. or Canadian Person), any estate or trust the income of which is subject to United States or Canadian federal income taxation regardless of the source of such income, and any United States or Canadian branch of a person other than a U.S. or Canadian Person; "United States" means the United States of America (including the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; "Canada" means the provinces of Canada, its territories, its possessions and other areas subject to its jurisdiction.

Pursuant to the Agreement Between, sales may be made between the U.S. Underwriters and the Managers of such number of shares of Common Stock as may be mutually agreed upon. The price of any shares so sold shall be the public offering price as then in effect for the Common Stock being sold by the U.S. Underwriters and the Managers, less an amount not greater than the selling concession allocable to such Common Stock. To the extent that there are sales between the U.S. Underwriters and the Managers pursuant to the Agreement Between, the number of shares of Common Stock initially available for sale by the U.S. Underwriters or by the Managers may be more or less than the amount specified on the cover page of this Prospectus.

Each U.S. Underwriter and each Manager has represented and agreed that (a) it has not offered or sold, and will not offer or sell, in the United Kingdom by means of any document, any shares of Common Stock other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent (except under circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985 of Great Britain), (b) it has complied and will comply with applicable provisions of the Financial Services Act 1996 with respect to anything done by it in relation to the Common Stock in, from or otherwise involving the United Kingdom and (c) it has only issued or passed on, and will only issue or pass on to any person in the United Kingdom, any documents received by it in connection with the issue of Common Stock if that person is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 (as amended) or in other circumstances exempted from the restrictions on advertising in the Financial Services Act 1986.

Purchasers of the International Shares offered in the International Offering may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the initial public offering price set forth on the cover page hereof.

Subject to certain expectations, the Company and each of its officers, directors and the Selling Stockholders have agreed not to, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose (or announce any offer, sale, contract of sale, pledge or other disposition) of any shares of

Common Stock or other shares of capital stock of the Company or securities convertible into or exercisable or exchangeable for, or warrants, options or rights to purchase or acquire, shares of Common Stock or other shares of capital stock of the Company or any interest in the Common Stock (including derivative interests), without the prior written consent of Bear Stearns, for a period of 180 days from the date of this Prospectus. The foregoing does not prohibit the Selling Stockholders from selling shares subject to the Underwriters' over-allotment option or pledging shares under certain circumstances or prohibit the Company from issuing options of shares pursuant to its stock option plans.

At the Company's request, the U.S. Underwriters and the Managers have reserved up to 250,000 shares of Common Stock (the "Directed Shares") for sale at the public offering price (less the underwriting discounts and commissions) to approximately persons who are directors, officers or employees of, or otherwise associated with, the Company and who have advised the Company of their desire to participate in its future growth. Each purchaser of more than Directed Shares will be required to agree to restrictions on resale similar to those described in the immediately preceding paragraph. However, the U.S. Underwriters and the Managers are not obligated to sell any shares to any persons. The number of shares of Common Stock available for sale to the general public will be reduced to the extent of sales of Directed Shares to any of the persons for whom they have been reserved. Any shares not so purchased will be offered by the U.S. Underwriters and the Managers on the same basis as all other shares offered hereby.

Prior to the Offerings, there has been no public market for the Company's Common Stock. Consequently, the initial public offering price will be determined through negotiations among the Company, the representatives of the U.S. Underwriters and the Managers. Among the factors to be considered in making such determination will be the Company's financial and operating history and condition, its prospects and prospects for the industry in which it does business in general, the management of the Company, prevailing equity market conditions and the demand for securities considered comparable to those of the Company.

Bear Stearns has in the past provided, and may in the future provide, investment banking services for Apollo Advisors and its affiliates. Bear Stearns served as financial advisor to Vail Resorts in connection with the Acquisition and received customary fees for such services. Salomon Brothers Inc served as financial advisor to Foods in connection with the Acquisition and received customary fees for such services.

NOTICE TO CANADIAN RESIDENTS

RESALE RESTRICTIONS

The distribution of the Common Stock in Canada is being made only on a private placement basis exempt from the requirement that the Company or the Selling Stockholders prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Common Stock in Canada must be made in accordance with applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Common Stock.

REPRESENTATIONS OF PURCHASERS

Confirmations of the acceptance of offers to purchase shares of Common Stock will be sent to Canadian residents to whom this Prospectus has been sent and who have not withdrawn their offers to purchase prior to the issuance of such confirmations. Each purchaser of Common Stock in Canada who receives a purchase confirmation will be deemed to represent to the Company, the Selling Stockholders and the dealer from whom such purchase confirmation is received that (i) such purchaser is entitled under applicable Canadian provincial securities laws to purchase such Common Stock without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, such purchaser is purchasing as principal and not as agent, (iii) such purchaser has reviewed the text above under "Notice to Canadian Residents--Resale Restrictions", (iv) if such purchaser is located in Manitoba, such purchaser is not an individual and is purchasing for investment only and not with a view to resale or distribution, (v) if such purchaser is located in Ontario, a dealer registered as an international dealer in Ontario may sell shares of Common Stock to such purchaser, and (vi) if such purchaser is located in Quebec, such purchaser is a "sophisticated purchaser" within the meaning of Section 43 of the Securities Act (Quebec).

TAXATION

Canadian purchasers should consult their own legal and tax advisers with respect to the tax consequences of an investment in the Common Stock in their particular circumstances and with respect to the eligibility of the Common Stock for investment by the purchaser under relevant Canadian legislation.

ENFORCEMENT OF LEGAL RIGHTS

The Company is incorporated under the laws of the State of Delaware. All or substantially all of the directors and officers of the Company reside outside Canada and all or substantially all of the assets of the Company are located outside Canada. As a result, it may not be possible for Canadian investors to effect service of process within Canada upon the Company or to enforce against the Company in Canada judgements obtained in Canadian courts that are predicated upon the contractual rights of action, if any, granted to certain purchasers by the Company. It may also not be possible for investors to enforce against the Company in the United States judgements obtained in Canadian courts.

Furthermore, although the requirement for an issuer to provide to certain purchasers the contractual right of action for damages and/or rescission described below is consistent with contractual considerations associated with a private placement which constitutes a primary distribution of the issuer's securities by the issuer, an investor may not be able to enforce a contractual right of action for rescission against the issuer whom the offer or sale of the issue's securities is a secondary distribution being made by a third party such as the sale of the Common Stock by the Selling Stockholders.

NOTICE TO ONTARIO RESIDENTS

The securities being offered hereby are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by Section 32 of the Regulation under the Securities Act (Ontario). As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

All the Company's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Ontario purchasers to effect service of process within Canada upon the Company or such persons. All or a substantial portion of the assets of the Company and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgement against the Company or such persons in Canada or to enforce a judgement obtained in Canadian courts against the Company or persons outside of Canada.

The foregoing summary is subject to the express provisions of the Securities Act (Ontario) and the regulations thereunder and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Company may rely.

The rights discussed above are in addition to and without derogation from any other right or remedy which investors may have at law.

LANGUAGE OF DOCUMENTS

All Canadian purchasers of shares of Common Stock acknowledge that all documents evidencing or relating in any way to the sale of such shares will be drawn in the English language only. Tous les acheteurs canadiens d'actions ordinaires reconnaissent par les presentes que c'est a leur volonte expresse que tous les documents faisant foi ou se rapportant de quelque maniere a la vente des actions ordinaires soient rediges en anglais seulement.

LEGAL MATTERS

Certain legal matters with respect to the shares of Common Stock offered hereby will be passed upon for the Company by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York, and Brownstein Hyatt Farber & Strickland, P.C., Denver, Colorado, and for the Underwriters by Kramer, Levin, Naftalis & Frankel, New York, New York.

EXPERTS

The consolidated financial statements of Vail Resorts, Inc. at September 30, 1996 and September 30, 1995 and for each of the three years in the period ended September 30, 1996 included in this prospectus and registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report.

The consolidated statements of income, stockholder's equity, and cash flows for the period from October 4, 1993 through August 31, 1994 of Packerland Packing Company, Inc. have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are referred to herein in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Ralston Resorts, Inc. as of September 30, 1996 and 1995 and for each of the three years in the period ended September 30, 1996 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-2 under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which is part of the Registration Statement, does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, certain items of which are omitted in accordance with the rules and regulations of the Commission. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Company is subject to the information requirements of the Exchange Act, and, in accordance therewith, files reports and other information with the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is hereby made to the Registration Statement and such exhibits and schedules filed as a part thereof as well as such reports and other information filed by the Company, which may be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: 7 World Trade Center, Suite 1300, New York, New York 10048, and Citicorp Center, 500 West Madison Street, 14th Floor, Chicago, Illinois 60661. Copies of all or any portion of the Registration Statement may be obtained from the Public Reference Section of the Commission, upon payment of prescribed rates. The Commission also maintains a Web site at http://www.sec.gov which contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The Common Stock will be listed on The New York Stock Exchange, and such reports, proxy statements, and other information can also be inspected and copied at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

VAIL RESORTS, INC.

RALSTON RESORTS, INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of VAIL RESORTS, INC. formerly known as Gillett Holdings, Inc. (see Note 1) (a Delaware corporation) and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Packerland Packing Company, Inc. ("Packerland"), a wholly owned subsidiary of Vail Resorts, Inc.; 100% of the stock of Packerland was sold on August 31, 1994. The net revenues of Packerland included in the consolidated statements of operations for the year ended September 30, 1994 were $630,928,000. The accompanying consolidated statements of operations for the year ended September 30, 1994 present the operations of Packerland as discontinued (see Note 3). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Packerland, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vail Resorts, Inc. and subsidiaries as of September 30, 1996 and 1995 and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Denver, Colorado,
October 31, 1996

REPORT OF ERNST & YOUNG LLP INDEPENDENT AUDITORS

The Board of Directors
Packerland Packing Company, Inc.

We have audited the consolidated statements of income, stockholder's equity and cash flows for the period from October 4, 1993 through August 31, 1994, of Packerland Packing Company, Inc. (the Company). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of the Company's operations and its cash flows for the period from October 4, 1993 through August 31, 1994, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
October 7, 1994

VAIL RESORTS, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,534	$ 12,712
Receivables	5,135	5,741
Inventories	4,221	4,639
Deferred income taxes (Note 8)	9,500	17,200
Other current assets	3,716	5,490
Total current assets	70,106	45,782
Property, plant, and equipment, net (Note 6)	205,151	192,669
Real estate held for sale	54,858	88,665
Deferred charges and other assets	6,106	10,440
Intangible assets (Note 6)	93,407	85,056
Total assets	$429,628	$422,612
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	$ 37,419	$ 48,096
Income taxes payable (Note 8)	81	325
Rights payable to stockholders (Note 10)	--	50,513
Long-term debt due within one year (Notes 1 and 5)	63	63
Total current liabilities	37,563	98,997
Long-term debt (Note 5)	191,250	144,687
Other long-term liabilities	3,821	15,521
Deferred income taxes (Note 8)	29,300	39,500
Commitments and contingencies (Notes 1, 3, 10, and 12)		
Stockholders' equity (Notes 1, 12 and 13):		
Preferred stock, $.01 par value 25,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock--		
Class A common stock, $.01 par value, 20,000,000 shares authorized, 12,817,692 and 12,426,220 shares issued and outstanding as of September 30, 1995 and 1996, respectively	128	124
Common Stock, $.01 par value, 80,000,000 shares authorized, 6,943,984 and 7,573,780 shares issued and outstanding as of September 30, 1995 and 1996, respectively	70	76
Additional paid-in capital	135,561	123,707
Retained earnings	31,935	--
Total stockholders' equity	167,694	123,907
Total liabilities and stockholders' equity	$429,628	$422,612

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

VAIL RESORTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	YEAR ENDED SEPTEMBER 30, 1994	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED SEPTEMBER 30, 1996
Net revenues:			
Resort	$ 124,982	$ 126,349	$ 140,288
Real estate	22,203	16,526	48,655
Total net revenues	147,185	142,875	188,943
Operating expenses:			
Resort	78,365	82,305	89,890
Real estate	20,341	14,983	40,801
Corporate expense	7,160	6,701	12,698
Depreciation and amortization	17,186	17,968	18,148
Total operating expenses	123,052	121,957	161,537
Operating income from continuing operations	24,133	20,918	27,406
Other income (expense):			
Investment income	1,523	3,295	586
Interest expense	(22,468)	(19,498)	(14,904)
Gain (loss) on disposal of fixed assets	128	(849)	(2,630)
Other (Notes 9 and 10)	(598)	3,291	(1,500)
Income from continuing operations before income taxes	2,718	7,157	8,958
Provision for income taxes (Note 8)	(1,957)	(3,875)	(4,223)
Income from continuing operations	761	3,282	4,735
Income from discontinued operations, net of applicable income tax provision of $4,206 for the year ended September 30, 1994 (Notes 3 and 9)	7,058	--	--
Gain on disposal of subsidiaries operating in discontinued segments, net of applicable income tax provision of $13,357 for the year ended September 30, 1994 (Notes 3 and 9)	20,963	--	--
Net income	$ 28,782	$ 3,282	$ 4,735
Earnings per common share (Note 2):			
Income from continuing operations	$ .04	$ .16	$ .22
Income from discontinued operations	.35	--	--
Gain on disposal of subsidiaries operating in discontinued segments	1.03	--	--
Net income	$ 1.42	$ .16	$ .22
Weighted average shares outstanding	20,433,156	20,582,776	21,455,352

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

VAIL RESORTS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	COMMON STOCK						
	SHARES				ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
	CLASS A	COMMON	TOTAL	AMOUNT			
Balance, September 30, 1993	14,781,606	4,503,418	19,285,024	$192	$131,910	$ (129)	$131,973
Net income for the year ended September 30, 1994	--	--	--	--	--	28,782	28,782
Shares issued pursuant to stock grants (Note 12)	--	238,326	238,326	4	1,735	--	1,739
Shares of Class A Common Stock converted to Common Stock (Note 13)	(532,192)	532,192	--	--	--	--	--
Balance, September 30, 1994	14,249,414	5,273,936	19,523,350	196	133,645	28,653	162,494
Net income for the year ended September 30, 1995	--	--	--	--	--	3,282	3,282
Shares issued pursuant to stock grants (Note 12)	--	238,326	238,326	2	1,916	--	1,918
Shares of Class A Common Stock converted to Common Stock (Note 13)	(1,431,722)	1,431,722	--	--	--	--	--
Balance, September 30, 1995	12,817,692	6,943,984	19,761,676	198	135,561	31,935	167,694
Net income for the year ended September 30, 1996	--	--	--	--	--	4,735	4,735
Shares issued pursuant to stock grants (Note 12)	--	238,324	238,234	2	1,989	--	1,991
Rights payable to stockholders	--	--	--	--	(13,843)	(36,670)	(50,513)
Shares of Class A Common Stock converted to Common Stock (Note 13)	(391,472)	391,472	--	--	--	--	--
Balance, September 30, 1996	12,426,220	7,573,780	20,000,000	$200	$123,707	$ --	$123,907

The accompanying notes to consolidated financial statements are an integral part of these statements

VAIL RESORTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30, 1994	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED SEPTEMBER 30, 1996
Cash flows from operating activities:			
Net income	$28,782	$ 3,282	$ 4,735
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,223	17,968	18,148
Deferred compensation payments in excess of expense	(1,257)	(1,325)	(814)
Noncash cost of real estate sales	13,817	9,208	32,394
Noncash compensation related to stock grants (Note 12)	1,633	1,633	25
Noncash compensation related to exercise of stock options	--	--	1,915
Gain on disposal of subsidiaries (Notes 3 and 9)	(34,320)	--	--
Bond discount amortized	548	--	--
Deferred financing costs amortized	504	237	247
Loss (gain) on disposal of fixed assets	(128)	849	2,630
Deferred real estate revenue	1,535	1,500	--
Deferred income taxes (Note 8)	16,000	2,900	2,500
Cash received on termination of pension plan (Note 7)	500	--	--
Changes in assets and liabilities:			
Accounts receivable, net	6,153	(349)	(606)
Inventories	(455)	(1,236)	(418)
Accounts payable and accrued expenses	2,742	10,141	9,551
Other assets and liabilities	1,830	(3,704)	(3,866)
Net cash provided by operating activities	56,107	41,104	66,441
Cash flows from investing activities:			
Resort capital expenditures	(17,414)	(20,320)	(13,912)
Investments in real estate	(22,686)	(22,477)	(40,604)
Cash payments from GHTV (Note 1)	39,097	--	--
Cash balances of GHTV acquired	3,145	--	--
Net cash proceeds from sale of Packerland (Note 3)	56,260	--	--
Cash balances of Packerland sold	(7,853)	--	--
Purchase of Arrowhead (Note 4)	(30,919)	--	--
Investment in joint venture	(2,978)	(400)	(200)
Other	(363)	953	--
Net cash provided by (used in) investing activities	16,289	(42,244)	(54,716)
Cash flows from financing activities:			
Proceeds from borrowings under long-term debt	69,360	253,400	84,000
Payments on long-term debt	(94,820)	(287,741)	(130,547)
Payment of reorganization items, financing costs and other	(1,422)	--	--
Net cash used in financing activities	(26,882)	(34,341)	(46,547)
Net increase (decrease) in cash and cash equivalents	45,514	(35,481)	(34,822)
Cash and cash equivalents:			
Beginning of period	37,501	83,015	47,534
End of period	$83,015	$ 47,534	$ 12,712
Cash paid for interest included as a use of cash in operating activities	$27,182	$ 13,852	$ 21,880

The accompanying notes to consolidated financial statementsare an integral part of these statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Vail Resorts, Inc. ("VRI"), formerly known as Gillett Holdings, Inc., is organized as a holding company and operates through various subsidiaries. VRI and its subsidiaries (collectively, the "Company") currently operate in two business segments, ski resorts and real estate development. Vail Associates, Inc. and its subsidiaries (collectively, "Vail Associates") operate one of the world's largest skiing facilities on Vail Mountain and Beaver Creek Mountain in Colorado and have related real estate operations. The ski resorts are operated on United States Forest Service land under Term Special Use Permits expiring in 2031 for Vail Mountain and 2006 for Beaver Creek Mountain. Vail Associates Real Estate Group ("VAREG") is a wholly-owned subsidiary of Vail Associates, Inc. and conducts the Company's real estate development activities. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Investments in joint ventures are accounted for under the equity method. All significant intercompany transactions have been eliminated.

On June 6, 1996, the Company filed a Registration Statement on Form S-2 for an initial public offering ("Offering"). The Company plans to raise $100 million in the Offering with certain selling stockholders raising an additional $100 million. The consummation of the Offering is contingent upon the closing of the acquisition of Ralston Resorts, Inc. under a stock purchase agreement dated July 22, 1996 (see Note 4).

The Company previously owned subsidiaries which were engaged in the beef products and communications businesses. Packerland Packing Company, Inc. and its subsidiaries (collectively, "Packerland") operated one of the largest "lean beef" slaughtering and packing operations in the United States. GHTV, Inc. and its subsidiaries (collectively, "GHTV") owned and operated various broadcast stations and other related businesses. In 1991, due to an inability to service debt incurred in connection with the acquisition of certain assets in the communications business, the Company and these subsidiaries filed for relief under Chapter 11 of the Bankruptcy Code. On October 8, 1992 (the "Effective Date"), the Company, Packerland and GHTV emerged from bankruptcy pursuant to a plan of reorganization (the "Plan") under which the beef products and communications businesses were to be sold.

Packerland was sold on August 31, 1994. The results of its operations from October 1, 1993 through August 31, 1994, are included in income from discontinued operations in the consolidated statement of operations for the fiscal year ended September 30, 1994 (see Note 3).

As of the Effective Date, the stock of GHTV was transferred by the Company to a trust (the "GHTV Trust") due to foreign investment in the Company as of the Effective Date and FCC regulations which prohibit foreign ownership of broadcast stations. The beneficial interest in the GHTV Trust was sold to an independent third party subject to the terms of a repurchase agreement between the Company and the third party whereby the Company could repurchase the beneficial interest in the GHTV Trust or the underlying GHTV stock at a later date. As of September 23, 1994, all of GHTV's communications subsidiaries had been sold. On September 30, 1994, the Company repurchased the stock of GHTV from the GHTV Trust. Upon the repurchase, GHTV became a wholly-owned subsidiary of the Company and accordingly, the consolidated balance sheets of the Company as of and subsequent to September 30, 1994 include the remaining assets and liabilities of GHTV.

On the Effective Date, the Company held notes receivable from GHTV in the aggregate amount of $194.0 million (the "GHTV Subsidiary Notes"). GHTV made payments on the GHTV Subsidiary Notes with proceeds from the sales of its subsidiaries. Through September 30, 1994, GHTV made aggregate principal payments of $182.5 million to the Company. At September 30, 1994, the remaining principal amount receivable was written off by the Company concurrent with the write-off by GHTV of the remaining payable under the GHTV Subsidiary Notes recorded on its books. Since the Company was to be the ultimate recipient of substantially all gains or losses of GHTV through payments under the GHTV Subsidiary Notes, and its ability to repurchase the beneficial interest in GHTV, the operating results of GHTV have been included in the Company's consolidated statements of operations throughout the periods that the GHTV Stock was held by the GHTV Trust. Accordingly, interest expense of GHTV related to the GHTV Subsidiary Notes was eliminated against the related interest income on the Company's books. This elimination of interest expense resulted in net income for GHTV, all of which was deferred and included as a component of the ultimate gain on the disposal of communications subsidiaries included in the consolidated statement of operations for the year ended September 30, 1994.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents--The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Inventories--The Company's inventories consist primarily of purchased retail goods, food, and spare parts. Inventories are valued at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Property, Plant and Equipment--Property, plant and equipment is carried at cost net of accumulated depreciation. Depreciation is calculated generally on the straight-line method based on the following useful lives:

	YEARS
Land improvements	40
Buildings and terminals	40
Ski lifts	15
Ski trails	20
Machinery, equipment, furniture and fixtures	3-12
Automobiles and trucks	3-5

Deferred Financing Costs--Costs incurred with the issuance of debt securities are included in deferred charges and other assets, net of accumulated amortization. Amortization is charged to income over the respective original lives of the applicable issues and is included as an other expense.

Intangible Assets--"Reorganization Value in Excess of Amounts Allocable to Identifiable Assets" ("Excess Reorganization Value") represents the excess of the Company's reorganization value over the amounts allocated to the net tangible and other intangible assets of the Company as of the Effective Date (see Note 6). The Company amortizes Excess Reorganization Value over 20 years. The cost of other intangible assets with determinable lives is charged to operations based on their respective economic lives, which range from 7 to 40 years, using the straight line method.

Long-lived Assets--The Company evaluates potential impairment of long-lived assets and long-lived assets to be disposed of in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS No. 121"). SFAS No. 121 establishes procedures for review of recoverability, and measurement of impairment if necessary, of long-lived assets and certain identifiable intangibles held and used by an entity. SFAS No. 121 requires that those assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. SFAS No. 121 also requires that long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less estimated selling costs. As of September 30, 1996, management believes that there has not been any impairment of the Company's long-lived assets or other identifiable intangibles.

Revenue Recognition--Resort Revenue is recognized as services are performed. Revenues from real estate sales are accounted for as follows:

A. Revenue is not recognized until title has been transferred.

B. Revenue is deferred if the receivable is subject to subordination until such time as all costs have been recovered.

C. Until the initial down payment and subsequent collection of principal and interest are by contract substantial, cash received from the buyer is reported as a deposit on the contract.

The Company capitalizes as land held for sale the original acquisition cost (or appraised value as of the Effective Date), direct construction and development costs, property taxes, interest incurred on costs related to land under development, and other related costs (engineering, surveying, landscaping, etc.) until the property reaches its intended use. The cost of sales for individual parcels of real estate or condominium units within a project is determined using the relative sales value method. Selling expenses are charged against income in the period incurred. Interest capitalized on real estate development projects during fiscal years 1994, 1995 and 1996 totalled $0.8 million, $1.4 million and $2.2 million, respectively.

Advertising Costs--Advertising costs are expensed the first time the advertising takes place. Advertising expense for the years ended September 30, 1994, 1995 and 1996 was $4.4 million, $6.3 million and $6.9 million, respectively. At September 30, 1995 and 1996, advertising costs of $1.2 million and $1.7 million were reported as assets in the Company's consolidated balance sheet.

Income Taxes--The Company uses the liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under SFAS No. 109, a deferred tax liability or asset is recognized for the effect of temporary differences between financial reporting and tax reporting.

Earnings Per Share--Earnings (loss) per common share are based on the weighted average number of shares outstanding during the period after consideration of the dilutive effect of stock grants, warrants and options (see Note 12).

Fair Value of Financial Instruments--The recorded amounts for cash and cash equivalents, receivables, other current assets, and accounts payable and accrued expenses approximate fair value due to the short-term nature of these financial instruments. The fair value of amounts outstanding under the Company's Credit Facilities approximates book value due to the variable nature of the interest rate associated with that debt. The fair values of the Company's Senior Subordinated Notes and Industrial Development Bonds have been estimated using discounted cash flow analyses based on current borrowing rates for debt with similar maturities and ratings.

The estimated fair values of the Senior Subordinated Notes and Industrial Development Bonds at September 30, 1996 are presented below:

	CARRYING AMOUNT	FAIR VALUE
Senior Subordinated Notes	$62,647	$76,369
Industrial Development Bonds	$37,903	$43,701

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain reclassifications have been made to the accompanying consolidated financial statements for the years ended September 30, 1994 and 1995 to conform to the current period presentation.

3. DISCONTINUED OPERATIONS

On August 31, 1994, the Company sold 100% of the stock of Packerland to PPC Acquisition Co. ("PPC"), an entity owned in part by the existing management group of Packerland and the Company's former Chairman and Chief Executive Officer for net cash proceeds totaling approximately $56,260,000. The net gain resulting from this transaction of $10,678,000 is included in the gain on disposal of subsidiaries operating in discontinued segments for the year ended September 30, 1994, in the accompanying consolidated statements of operations. The Packerland portion of the gain on disposal of subsidiaries operating in discontinued segments included in the accompanying consolidated statement of cash flows for the year ended September 30, 1994 includes the net cash proceeds from the sale reduced by the net assets of Packerland as of August 31, 1994, and other costs associated with the transaction. The net revenues of Packerland included in the consolidated statements of operations were $630,928,000 for the year ended September 30, 1994.

On September 23, 1994, GHTV sold substantially all of the assets of its remaining operating subsidiaries to an unaffiliated party for net cash proceeds totaling approximately $35,372,000. Following this sale, GHTV no longer had an ownership interest in subsidiaries engaged in the communications business. On September 30, 1994, the Company repurchased the stock of GHTV from the GHTV Trust (see Note 1). As discussed in Note 1, the GHTV net income following the elimination of interest expense was deferred until the remaining GHTV subsidiaries were sold and then included as a component of the net gain on the disposal of the related subsidiaries. The net gain resulting from these sales of $10,285,000 is included in the gain on disposal of subsidiaries operating in discontinued segments in the accompanying consolidated statements of operations for the year ended September 30, 1994.

Corporate expense related to the communications segment has been classified as income from discontinued operations for the year ended September 30, 1994 based upon the corporate expenses directly attributable to GHTV in excess of the $250,000 expense reimbursement from GHTV during the year (see Note 9). Corporate expense related to Packerland has been classified as income from discontinued operations based upon the corporate expenses directly attributable to Packerland. Corporate expense classified as income from discontinued operations totaled $762,000 for the year ended September 30, 1994. Corporate interest expense has been allocated to income from discontinued operations based upon the ratio of the net assets of Packerland and GHTV to the consolidated net assets of the Company. Total corporate interest expense allocated to income from discontinued operations was $4,033,000 for the year ended September 30, 1994.

Incentive payments to George N. Gillett Jr., the Company's former Chairman and Chief Executive Officer ("Mr. Gillett"), and certain other members of the Company's management related to the sales of Packerland and the GHTV subsidiaries totaling $1.3 million have been included as a component of the net gain on the disposal of subsidiaries operating in discontinued segments in the consolidated statement of operations for the year ended September 30, 1994.

In connection with the sales of Packerland and the GHTV subsidiaries, the Company retained certain contingent liabilities that are customary for transactions of this nature. The Company does not anticipate that these contingencies will have a material effect on either future financial results or liquidity.

4. ACQUISITIONS

On November 30, 1993, Vail Associates purchased substantially all of the assets of Arrowhead for approximately $31,000,000 in cash. These assets included (i) approximately 1,200 acres of land on Arrowhead Mountain, including 180 acres of skiable terrain, (ii) approximately 1,000 acres of undeveloped real estate on, at the base of and adjacent to Arrowhead Mountain and (iii) the rights to designate, and receive the proceeds from, certain membership privileges to the Country Club of the Rockies ("CCR") golf club. Arrowhead is currently a year round resort which offers membership to CCR and skiing as amenities to home owners to promote real estate sales.

On April 5, 1994, Vail Associates purchased SaddleRidge for approximately $10,400,000 in cash. SaddleRidge is a 12 unit townhouse project with an adjoining clubhouse. Vail Associates has sold eleven of the townhouse units and currently operates a restaurant and meeting facilities in the clubhouse.

On July 22, 1996, the Company entered into a Stock Purchase Agreement ("Purchase Agreement") with Ralston Foods, Inc. and its wholly-owned subsidiary Ralston Resorts, Inc., pursuant to which the Company will acquire the capital stock of Ralston Resorts, Inc., the operator of the Breckenridge, Keystone and Arapahoe Basin ski resorts located in Summit County, Colorado (the "Acquisition"). Under the terms of the Purchase Agreement, the Company will assume and/or refinance $165 million of indebtedness of Ralston Resorts, Inc. and will issue approximately 7.6 million shares of Common Stock to Ralston Foods, Inc. The closing of the Acquisition is dependent upon various conditions, including obtaining financing to refinance the indebtedness assumed (see Note 5), the continuing accuracy of representations and warranties made by the parties to the Purchase Agreement, and the receipt of necessary government approvals including those required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

5. LONG-TERM DEBT

Long-term debt as of September 30, 1995 and 1996 is summarized as follows (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Senior Subordinated Notes (a)	$117,147	$ 62,647
Industrial Development Bonds (b)	37,903	37,903
Credit Facilities (c)	36,000	44,000
Other	263	200
	191,313	144,750
Less--current maturities	63	63
	$191,250	$144,687

(a) The Senior Subordinated Notes are unsecured, bear interest at 12 1/4% and mature on June 30, 2002. Interest is payable semi-annually on March 31 and September 30.
The Company redeemed $30 million and $24.5 million principal amounts of Senior Subordinated Notes on December 11, 1995 and February 2, 1996, respectively, pursuant to the optional redemption provisions of the Senior Subordinated Note Indenture (the "Indenture"). Under these provisions, the Company was required to pay a call premium in the amount of 5% of the principal redeemed for each of these redemptions. The Company, pursuant to the covenants in the Indenture, may not incur additional indebtedness unless expressly permitted in the Indenture; make certain Restricted Payments (as defined in the Indenture); sell assets of the Company or its subsidiaries unless within the guidelines set forth in the Indenture; engage in certain transactions with affiliates; or make certain acquisitions in excess of specific limitations.

(b) The Company has $41.2 million of outstanding Industrial Development Bonds issued by Eagle County, Colorado which accrue interest at 8% per annum and mature on August 1, 2009. Interest is payable semi-annually on February 1 and August 1. The Company has provided the holder of these bonds a debt service reserve fund of $3.3 million, which has been netted against the principal amount for financial reporting purposes. The Industrial Development Bonds are secured by the stock of the subsidiaries of Vail Associates and the United States Forest Service permits.

(c) The Company's revolving line of credit provides for total availability of $135 million which is comprised of a $105 million revolver ("Facility A") and a $30 million revolver ("Facility B") (collectively, the "Credit Facilities"). The maximum availability under Facility A will be reduced to $80 million on March 31, 1999 with the remaining principal balance due on March 31, 2000. Facility A also requires that no more than $75 million be outstanding for a 30 day period each year. The maximum availability under Facility B will be reduced by $10 million on March 31, 1997, 1998 and 1999. The Credit Facilities are available for the seasonal working capital needs of the Company and for capital expenditures and other general corporate purposes, including the issuance of up to $50 million of letters of credit ("LOC"). Interest on outstanding advances under the Credit Facilities is payable monthly or quarterly at rates based upon either LIBOR plus a margin ranging from .75% to 2.0% (6.2% at September 30, 1996) or prime plus a margin of up to .25% (8.25% at September 30, 1996). These rates fluctuate depending on the ratio of funded debt to resort cash flow as defined in the Credit Facilities. The Company is also required to pay an unused commitment fee ranging from .25% to .375%. Of the $50 million of LOC availability, approximately $45 million will ultimately be used to credit enhance the Smith Creek Metropolitan District revenue bonds (see Note 10). As of September 30, 1996, the Company had $27.6 million of LOCs outstanding related to this credit enhancement and is using approximately $4.1 million of LOCs for other Vail Associates corporate purposes. Fees for LOCs outstanding are payable when LOCs are issued at rates ranging from .875% to 2.125%. Vail Associates is permitted under the Credit Facilities to make (i) quarterly dividend payments to the Company in the amount of net cash proceeds from real estate sales, (ii) annual dividend payments based upon annual excess cash flow excluding cash proceeds from real estate sales, and (iii) management fee payments not to exceed $3 million per year. Borrowings under the Credit Facilities are secured by the stock of the subsidiaries of Vail Associates and the permits granted by the United States Forest Service (see Note 1). Due to the long term nature of the Credit Facilities, all amounts outstanding are considered to be noncurrent liabilities.

The Company has received a commitment from its lender, as agent, to provide financing for the Acquisition and the working capital needs of the Company upon the closing of the Acquisition ("New Credit Facilities"). The New Credit Facilities will provide for debt financing up to an aggregate principal amount of $340 million. The New Credit Facilities are comprised of (i) a $175 million Revolving Credit Facility ("Revolving Credit Facility"), (ii) a $115 million Tranche A Term Loan Facility ("Tranche A") and (iii) a $50 million Tranche B Term Loan Facility (together with the Tranche A, the "Term Loan Facilities"). The Term Loan Facilities will be used to refinance a portion of the $165 million of debt assumed in connection with the Acquisition. The Revolving Credit Facility matures on April 15, 2003. The minimum amortization under the Term Loan Facilities will be $11.5 million, $14.0 million, $19.0 million, $21.5 million, $26.5 million, $31.5 million, and $41 million during the fiscal years ending September 30, 1998, 1999, 2000, 2001, 2002, 2003, and 2004, respectively. The Company will also required to make mandatory amortization payments under the Term Loan Facilities with excess cash flow, proceeds from asset sales, and proceeds from equity and debt offerings. Aggregate maturities for debt outstanding are as follows (in thousands):

	AS OF SEPTEMBER 30, 1996
Due during year ending September 30:	
1997	$ 63
1998	63
1999	63
2000	11
2001	--
Thereafter	144,550
Total debt	$144,750

6. SUPPLEMENTARY BALANCE SHEET INFORMATION (IN THOUSANDS)

The composition of property, plant and equipment follows:

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Land and land improvements	$ 70,172	$ 66,966
Buildings and terminals	65,812	60,928
Machinery and equipment	65,123	68,286
Automobiles and trucks	2,847	3,729
Furniture and fixtures	11,152	12,817
Construction in progress	17,421	15,118
	232,527	227,844
Accumulated depreciation and amortization	(27,376)	(35,175)
	$205,151	$192,669

Depreciation expense for fiscal years 1994, 1995 and 1996 totaled $10.2 million, $11.3 million and $11.4 million, respectively.

The composition of intangible assets follows:

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Trademarks	$ 41,096	$ 41,096
Other intangible assets	33,489	32,639
Excess Reorganization Value (Note 2)	38,494	37,702
	$113,079	$111,415
Accumulated amortization	(19,672)	(26,381)
	$ 93,407	$ 85,056

The composition of accounts payable and accrued expenses follows:

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Trade payables	$14,847	$28,263
Accrued interest	8,092	869
Accrued salaries and wages	5,808	5,705
Current portion of option payment payable (see Note 10)	--	1,629
Other accruals	8,672	11,630
	$37,419	$48,096

7. RETIREMENT AND PROFIT SHARING PLANS

During 1992, a defined benefit pension plan covering employees of certain companies which have been sold was terminated. The accrued benefits for those plan participants became vested as of the date of sale, with no additional benefits to be accrued. In connection with the termination of the plan, a group annuity contract was purchased for settlement of substantially all remaining plan obligations. The Company received the final $500,000 of the total excess of the plan's assets over the cost of the annuity contract of $7.3 million during the year ended September 30, 1994.

The Company maintains a defined contribution retirement plan, qualified under Section 401(k) of the Internal Revenue Code, for its employees. Employees are eligible to participate in the plan upon attaining the age of 21 and completing one year of employment with a minimum of 1,000 hours of service. Participants may contribute from 2% to 15% of their qualifying annual compensation up to the annual maximum specified by the Internal Revenue Code. The Company matches an amount equal to 50% of each participant's contribution up to 6% of a participant's annual qualifying compensation. The Company's matching contribution is entirely discretionary and may be reduced or eliminated at any time.

Total profit sharing plan expense recognized by the Company for the years ended September 30, 1994, 1995 and 1996 was $784,000, $493,000 and $594,000, respectively.

8. INCOME TAXES

At October 8, 1992, the Company had net operating loss (NOL) carryforwards for federal income tax purposes of $575 million ("Effective Date NOLs"). Due to discharge of indebtedness income relating to the restructuring, these NOLs were reduced by $214 million. Pursuant to Section 382 of the Internal Revenue Code (IRC), due to the change in control of the Company as described in Note 1, the Company will be limited in its use of the NOLs which existed on the Effective Date. The Company will be able to use Effective Date NOLs to the extent of approximately $8 million per year in each of the 15 years subsequent to the Effective Date. In addition, the Company will be able to use Effective Date NOLs to the extent that built-in gains (excess of fair market value over tax basis at October 8, 1992) are recognized on asset sales which occur through October 8, 1997. Accordingly, at October 8, 1992 the financial statements reflect the benefit of the expected use of $120 million of Effective Date NOLs. As the likelihood is low that the Company will be able to recognize a significant portion of the remaining Effective Date NOLs, the accompanying financial statements and tables of deferred tax items below do not recognize any benefits related to the remaining Effective Date NOLs, except to the extent realized. To the extent any additional tax benefits from these Effective Date NOLs are recognized, there will be a reduction to the reorganization value in excess of amounts allocable to identifiable assets recorded at October 8, 1992. During the years ended September 30, 1994, 1995 and 1996, the Company recognized the benefit of Effective Date tax attributes which were recorded as reductions to the reorganization value in excess of amounts allocable to identifiable assets of $2,764,000, $278,000 and $814,000, respectively. At September 30, 1996, the Company has total federal NOL carryforwards of approximately $353 million for income tax purposes that expire in the years 2002 through 2008, $49 million of which are not subject to any Section 382 limitation.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of September 30, 1995 and 1996 are as follows (in thousands):

	SEPTEMBER 30, 1995		SEPTEMBER 30, 1996	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
	ASSETS (LIABILITIES)	ASSETS (LIABILITIES)	ASSETS (LIABILITIES)	ASSETS (LIABILITIES)
Fixed assets...........	$ --	$(41,578)	$	$(35,916)
Interest on notes......	216	1,822	211	773
Intangible assets......	--	(21,516)		(19,928)
Deferred compensation..	124	270	3,018	63
NOL carryover..........	7,182	49,881	10,549	35,807
Valuation allowance....	--	(19,535)		(22,544)
Minimum tax credit.....	--	595		1,208
All other..............	1,978	761	3,422	1,037
Net total............	$9,500	$(29,300)	$17,200	$(39,500)

Significant components of the provision for income taxes from continuing operations are as follows (in thousands):

	YEAR ENDED SEPTEMBER 30, 1994	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED SEPTEMBER 30, 1996
Current:			
Federal	$ 447	$ 621	$1,502
State	235	354	221
Total current	682	975	1,723
Deferred:			
Federal	347	2,066	2,065
State	928	834	435
Total deferred	1,275	2,900	2,500
	$1,957	$3,875	$4,223

A reconciliation of the income tax provision from continuing operations and the amount computed by applying the U.S. federal statutory income tax rate to income from continuing operations before income taxes is as follows (in thousands):

	YEAR ENDED SEPTEMBER 30, 1994	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED SEPTEMBER 30, 1996
At U.S. federal income tax rate	$ 951	$2,505	$3,135
State income tax, net of federal benefit	270	714	426
Excess reorganization value amortization	754	727	773
Other	(18)	(71)	(111)
	$1,957	$3,875	$4,223

9. RELATED PARTY TRANSACTIONS

The Company provided administrative and other services to GHTV subsequent to the Effective Date pursuant to a Reimbursement Agreement between the Company and GHTV. Under the Reimbursement Agreement, GHTV reimbursed the Company for all costs incurred directly by the Company on behalf of GHTV, and for its allocated share of all Company corporate salaries and overhead expenses. In connection with the sale of a GHTV subsidiary on May 25, 1993, the Reimbursement Agreement was amended to limit the GHTV reimbursement to the Company to $250,000 per year. Accordingly, the Company received $250,000 of expense reimbursements related to the Reimbursement Agreement during the year ended September 30, 1994. As a result of the repurchase by the Company of the stock of GHTV (see Note 1), the Reimbursement Agreement was no longer in effect subsequent to September 30, 1994. During that year, the Company received an additional $760,000 from GHTV for its allocation of the costs of participating in certain of the Company's fringe benefit plans and in sharing the cost of master policies for business insurance coverage.

Packerland utilized related companies for repair, maintenance and leasing of transportation equipment. Services totaling $881,000 were purchased from related parties during the year ended September 30, 1994. As a result of the sale of Packerland on August 31, 1994 (see Note 3), these costs were no longer incurred subsequent to that date.

Corporate expense for each of the years end September 30, 1994, 1995 and 1996 includes an annual fee of $500,000 for management services provided by an affiliate of the majority holder of the Company's Common Stock. This fee is generally settled partially through use of the Company's facilities and partially in cash. At September 30, 1996, the Company's liability with respect to this arrangement was $319,000.

The Game Creek Club (the "Club") is a private club located at the top of Vail Mountain which began operations during fiscal 1996. Club members have luncheon privileges at the Club's facilities during the ski season. The Company operates the Club under an agreement which requires the Club to reimburse the Company for any operating losses sustained on the Club's operations. At September 30, 1996, the Club owed the Company $1.0 million pursuant to this agreement.

Vail Associates has effective control of the Beaver Creek Resort Company (Resort Company), a non-profit entity formed for the benefit of property owners in Beaver Creek. As of December 31, 1995, Vail Associates relinquished its right to appoint certain directors, however, as of September 30, 1996, Vail Associates still controls the Board. Vail Associates has a management agreement with the Resort Company, renewable for one-year periods, to provide management services on a fixed fee basis without any profit. In accordance with a cash flow agreement which is effective through 2000, Vail Associates will fund the cash needs of the Resort Company that are not otherwise met through the Resort Company's operations or borrowings. During fiscal years 1991 through 1996, the Resort Company was able to meet its operating requirements through its own operations. Management fees paid to the Company under its agreement with the Resort Company during fiscal years 1994, 1995 and 1996 totaled $5.8 million, $7.0 million and $5.5 million, respectively. Related amounts due the Company at September 30, 1995 and 1996 were $34,000 and $599,000, respectively.

In 1991, the Company loaned to Andrew P. Daly, the Company's President, $300,000, $150,000 of which bears interest at 9% and the remainder of which is non-interest bearing. The principal sum plus accrued interest is due no later than one year following the termination, for any reason, of Mr. Daly's employment with the Company. The proceeds of the loan were used to finance the purchase and improvement of real property. The loan is secured by a deed of trust on such property.

In 1995, Mr. Daly's spouse and James P. Thompson, President of VAREG, and his spouse received financial terms more favorable than those available to the general public in connection with their purchase of lots in the Bachelor Gulch development. Rather than payment of an earnest money deposit with the entire balance due in cash at closing, these contracts provide for no earnest money deposit with the entire purchase price (which was below fair market value) paid under promissory notes of $438,750 and $350,000 for Mr. Daly's spouse and Mr. and Mrs. Thompson, respectively, each secured by a first deed of trust and amortized over 25 years at 8% per annum interest, with a balloon payment due on the earlier of five years from the date of closing or one year from the date employment with the Company is terminated. The promissory notes will be executed upon the closings of the lot sales which are expected to occur in December 1996.

10. COMMITMENTS AND CONTINGENCIES

As of September 30, 1996, the Company had entered into real estate contracts for the sale of certain real estate and related amenities for gross proceeds of approximately $106.9 million. The Company estimates that subsequent to September 30, 1996, it will incur additional selling, holding and infrastructure costs of $24.5 million in connection with the sale of the properties subject to those contracts. In addition, the Company expects that subsequent to September 30, 1996 it will make mountain improvements of $17.2 million (a portion of which will be completed in connection with the sale of the properties subject to the real estate contracts), which will consist primarily of a high speed quad chairlift, base area improvements and snowmaking and will benefit the properties subject to the real estate contracts as well as the Company's remaining real estate holdings in Bachelor Gulch Village and Arrowhead. The Company has entered into repurchase agreements with certain developers who have purchased real estate from the Company to repurchase certain retail and residential space in the completed developments. At September 30, 1996, the Company has agreed to repurchase various retail and residential space for amounts totaling $10.9 million.

On September 25, 1996, the Company declared a right to receive up to $2.44 per share of Common Stock (the "Rights") to all stockholders of record on October 11, 1996, with a maximum aggregate amount payable under the Rights of $50.5 million. The Company will make payments under the Rights only to the extent it receives sufficient gross proceeds under the real estate contracts referred to above to make such payments. The Company currently estimates payments under the Rights will be made in January and June 1997. Stockholders who purchase shares in the Company's anticipated Offering will not be entitled to any payments with respect to the Rights. In addition, the Company amended certain option agreements held by management of the Company to eliminate the right of option holders to receive any portion of the payments made under the Rights. In connection with such amendment, the Company accrued a payable to option holders of approximately $4.5 million. The related expense is included in corporate expense in the consolidated statement of operations for the year ended September 30, 1996.

On July 9, 1996, the Company entered into a Standby Bond Purchase Agreement which could obligate the Company to purchase $10.1 million of Eagle Country Air Terminal Corporation Revenue Bonds if certain events occur. The Company entered into this agreement to facilitate construction of a new terminal to allow expanded air service to the Eagle County Airport.

In June 1995, Vail Associates entered into an agreement with Cordillera Valley Club Investors Limited Partnership and Stag Gulch Partners to purchase 100 Cordillera Club memberships for resale to purchasers of residential lots. The obligation to purchase memberships is secured by a $2.2 million letter of credit. As of September 30, 1996, Vail Associates has paid $2.6 million in connection with this agreement and has resold memberships with a cost of $977,500 to purchasers of residential lots.

In March 1995, the Smith Creek Metropolitan District ("SCMD") and the Bachelor Gulch Metropolitan District ("BGMD") were organized as quasi-municipal corporations and political subdivisions of the State of Colorado. The two districts will cooperate in the financing, construction and operation of basic public infrastructure serving the BGMD. SCMD was organized primarily to own, operate and maintain water, street, traffic and safety, transportation, fire protection, emergency medical, parks and recreation, television relay and translation, sanitation and certain other facilities and equipment of the BGMD. SCMD is comprised of approximately 150 acres of open space land owned by the Company and members of the Board of Directors of the SCMD. The BGMD is located adjacent to the SCMD and covers an area of approximately 1,250 acres of land in an unincorporated portion of Eagle County, Colorado between the Beaver Creek and Arrowhead ski mountains. All of the land in the BGMD has received final approval by Eagle County for development as two planned unit developments including various single family, two-family, cluster home and townhouse units and related uses. All of the land in the BGMD is currently owned by the Company. The Company has contracted to sell 94 single family lots, the closings of which are scheduled for December 1996 and May 1997. The Company is currently preparing to offer additional land for sale to persons, including builders, who may construct up to 600 units of various multi-family dwelling types over the next several years. Of the $50 million of letter of credit availability under the Company's Credit Facilities (see Note 5), approximately $45 million will ultimately be used to credit enhance the SCMD revenue bonds in order to secure the timely payment of principal and interest on the bonds. Currently, SCMD has issued $26 million of revenue bonds which have been credit enhanced with a $27.6 million letter of credit issued under the Credit Agreement. The SCMD bonds are variable rate bonds which mature on October 1, 2035. It is anticipated that as the Bachelor Gulch community expands, the BGMD will begin to become self supporting and that within 25 to 30 years will issue general obligation bonds, the proceeds of which will be used to retire the SCMD revenue bonds. Until that time, the Company has agreed to subsidize the interest payments on the SCMD revenue bonds. During fiscal 1996, the subsidy totaled $505,000. The Company estimates that the aggregate undiscounted future interest subsidy until the revenue bonds are retired will approximate $40.1 million. The accompanying consolidated financial statements do not reflect this obligation.

Under the Stock Purchase Agreement dated August 31, 1994 for the sale of Packerland, the Company has agreed to indemnify the purchasers of Packerland for payments made to settle environmental claims which existed at the sale date. A liability of $1.0 million related to these claims was recorded on the sale date. During fiscal 1996, the liability was increased by $725,000 on the basis of revised estimates of the maximum potential liability. That amount was included in other income (expense) in the consolidated financial statements. Under the indemnification provisions of the Stock Purchase Agreement, the Company is to be reimbursed for any insurance proceeds, any reimbursements received under various government programs or any recoveries from third parties for items reimbursable under the Stock Purchase Agreement. Management is unable to estimate the amounts or likelihood of any potential reimbursements at this time and, accordingly, the accompanying consolidated financial statements do not reflect any receivable for such reimbursements.

As of the Effective Date, the Company's consolidated balance sheet included as a long-term liability an estimated potential obligation of $3 million related to a fundraising agreement between the Company and Mr. Gillett, and a medical research foundation located in Vail, Colorado. As of September 30, 1994, the liability had been reduced to $2.1 million on the basis of current estimates of the Company's maximum potential obligation. During the year ended September 30, 1995, the Company paid $500,000 related to this agreement. As of September 30, 1995, the Company believed that it had no further obligation to the medical research foundation and accordingly, other income (expense) in the consolidated statement of operations for the year ended September 30, 1995 included related income of $1.6 million. During the year ended September 30, 1996, the Company became aware that the medical research foundation believed that the Company still had a potential obligation related to this matter. On the basis of recent discussions between the parties to the agreement, the Company believes the maximum potential obligation is $1.2 million, the amount of which is included in accounts payable and accrued expenses in the consolidated balance sheet at September 30, 1996. A receivable of $600,000 from Mr. Gillett related to his contractual portion of the potential obligation, is included in other current assets at September 30, 1996. Other income (expense) for the year ended September 30, 1996 includes expense of $600,000 related to the Company's portion of the potential obligation.

The Company has executed operating leases for the rental of office space, employee residential units, office equipment and snowcats though fiscal 2004. For the years ended September 30, 1996, 1995 and 1994, lease expense related to these agreements of $3.8 million, $3.8 million and $3.1 million, respectively, is included in the accompanying consolidated statements of operations.

Future minimum lease payments under these leases as of September 30, 1996 are as follows:

Due during fiscal year ending September 30:	
1997	$1,460,395
1998	1,030,937
1999	1,246,546
2000	1,110,696
2001	1,029,000
Thereafter	2,486,750
Total	$8,364,324

11. BUSINESS SEGMENTS

As a result of the sale of Packerland on August 31, 1994 (see Note 3) and the sale of the remaining GHTV subsidiaries on September 23, 1994 (see Note 3), the Company now operates only in the Resorts and Real Estate segments. Segment information presented below excludes the Communications and Beef Products segments as their results were reported as discontinued during fiscal 1994 and they had no operations subsequent to fiscal 1994. Data by segment is as follows:

	YEAR ENDED SEPTEMBER 30, 1994	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED SEPTEMBER 30, 1996
Net revenues:			
Resorts	$124,982	$126,349	$140,288
Real Estate	22,203	16,526	48,655
	$147,185	$142,875	$188,943
Income from operations:			
Resorts	$ 29,431	$ 26,076	$ 32,250
Real Estate	1,862	1,543	7,854
Corporate	(7,160)	(6,701)	(12,698)
	$ 24,133	$ 20,918	$ 27,406
Depreciation and amortization:			
Resorts	$ 17,186	$ 17,968	$ 18,148
Real Estate	--	--	--
	$ 17,186	$ 17,968	$ 18,148
Capital expenditures:			
Resorts	$ 17,414	$ 20,320	$ 13,912
Real Estate	22,686	22,477	40,604
	$ 40,100	$ 42,797	$ 54,516

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Identifiable assets:		
Resorts	$205,151	$192,669
Real Estate	54,858	88,665
	$260,009	$281,334

12. STOCK GRANTS, OPTIONS AND WARRANTS

Pursuant to an employment agreement as of the Effective Date, Mr. Gillett earned as additional performance-based compensation over the three year period ending on the third anniversary of the Effective Date, (i) 714,976 shares of Common Stock and (ii) warrants with an exercise price of $6.85 per share for an additional 408,164 shares of Common Stock. In addition, on the third anniversary of the Effective Date, Mr. Gillett earned as additional performance-based compensation long-term stock options with an exercise price of $11.84 per share, as of October 8, 1995, increasing 20% per year for 1,164,808 shares of Common Stock. These shares of Common Stock, warrants and long-term stock options have all been issued to Mr. Gillett.

Effective September 30, 1996, Mr. Gillett resigned as Chairman of the Board, Chief Executive Officer, President and Director of the Company. Pursuant to the terms of an agreement dated October 11, 1996 between Mr. Gillett and the Company (the "Gillett Agreement"), Mr. Gillett (i) will receive his base salary (currently $1.7 million per annum) through October 7, 1997, (ii) exchanged the 1,164,808 long-term stock options for 336,318 shares of Common Stock and (iii) waived his right to the Distribution with respect to his 714,976 shares of Common Stock and his warrants to purchase 408,164 shares of Common Stock in exchange for the payment of the exercise price on those warrants. In addition, the Company has agreed to pay Mr. Gillett's office expenses through December 31, 1996. Corporate expense for the fiscal year ended September 30, 1996 includes $2.1 million related to the base salary and office expenses of Mr. Gillett payable under the Gillett Agreement and $1.9 million in compensation expense related to Mr. Gillett's exchange of his long-term stock options.

The Company has adopted a stock option plan pursuant to which options covering an aggregate of 2,045,510 shares of Common Stock may be issued to key employees, directors, consultants, and advisors of the Company or its subsidiaries. As of September 30, 1996, options covering 1,833,300 shares of Common Stock have been issued to various key executives of the Company. All of the options vest in equal installments over five years, with exercise prices ranging from $6.85 per share to $10.75 per share. As of September 30, 1996, 807,228 of these options were exercisable. None of the options issued under the stock option plan have been exercised. Under certain circumstances, the option plan provides for loans by the Company to employees, collateralized by such employees' vested options.

In July 1996, the Company's Board of Directors approved a new stock option plan ("New Option Plan") under which 1,500,000 shares of Common Stock have been reserved for various stock and option awards.

Effective July 29, 1996, the Company hired Adam Aron as Chairman and Chief Executive Officer. Pursuant to the terms of an employment agreement, approximately 37,500 shares of restricted stock and options to purchase 260,000 shares of Common Stock for $20.00 per share (subject to adjustment in certain circumstances) will be granted to Mr. Aron under the New Option Plan. The restricted shares and the options vest in equal increments over five years. Effective October 28, 1996, the Company hired James P. Donohue as Senior Vice President and Chief Financial Officer. Pursuant to the terms of an employment agreement with Mr. Donohue, approximately 12,000 shares of restricted stock and options to purchase 60,000 shares of Common Stock for $20.00 per share (subject to adjustment in certain circumstances) will be granted to Mr. Donohue under the New Option Plan. The restricted shares and the options vest in equal increments over three years. On September 30, 1996, the Company awarded 12,500 shares of restricted stock and options to purchase 100,000 shares of Common Stock for $20.00 per share (subject to adjustment in certain circumstances) to Andrew P. Daly, the Company's President, under the New Option Plan. The restricted shares and the options vest in equal increments over five years. Compensation expense related to these restricted stock awards will be charged ratably over the respective vesting periods.

13. CAPITAL STOCK

On June 3, 1996, the Company's Board of Directors changed the name of the Company from Gillett Holdings, Inc. to Vail Resorts, Inc. and the name of the Company's Common Stock from Class 1 and Class 2 to Class A Common Stock and Common Stock, respectively. The authorized common stock was increased to 20,000,000 shares of Class A Common Stock and 40,000,000 shares of Common Stock. The Company's Board of Directors also authorized a Common Stock and Class A Common Stock split of up to 3 for 1 prior to the date of any public stock offering.

The rights of holders of Class A Common Stock and Common Stock are substantially identical, except that, while any Class A Common Stock is outstanding, holders of Class A Common Stock elect a class of directors that constitutes two-thirds of the Board and holders of Common Stock elect another class of directors constituting one-third of the Board. The Class A Common Stock is convertible into Common Stock (i) at the option of the holder, (ii) automatically, upon transfer to a non-affiliate and (iii) automatically if less than 5,000,000 shares (as such number shall be adjusted by reason of any stock split, reclassification or other similar transaction) of Class A Common Stock are outstanding. The Common Stock is not convertible. Each outstanding share of Common Stock and Class A Common Stock is entitled to vote on all matters submitted to a vote of stockholders.

14. EVENT SUBSEQUENT TO DATE OF AUDITORS REPORT

In January 1997, the Company declared a 2 for 1 stock split on the Class A Common Stock and Common Stock and increased the authorized Common Stock to 80,000,000 shares. All share and per share amounts in the accompanying consolidated financial statements have been adjusted to reflect this stock split.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholder of
Ralston Resorts, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, changes in stockholder's equity and cash flows present fairly, in all material respects, the financial position of Ralston Resorts, Inc. and its subsidiaries at September 30, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the consolidated financial statements, the Company and its parent have entered into an agreement to sell the Company.

Price Waterhouse LLP
Denver, Colorado
October 31, 1996

RALSTON RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 813	$ 1,274
Accounts receivable, net	5,359	6,325
Inventories	2,685	3,820
Deferred income taxes	157	111
Prepaid expenses	304	680
Total current assets	9,318	12,210
Property and equipment, net	128,662	131,000
Goodwill and intangibles, net	37,929	36,177
Land held for development	27,684	28,788
Investments in joint ventures	22,325	22,564
Other noncurrent assets	322	271
Total assets	$226,240	$231,010
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 8,454	$ 11,535
Accrued expenses	5,950	5,912
Line of credit	--	140,032
Current portion of long-term debt	1,757	1,774
Total current liabilities	16,161	159,253
Long-term debt	128,296	26,522
Deferred income taxes	12,473	12,294
Other noncurrent liabilities	2,277	1,998
Total liabilities	159,207	200,067
Commitments and contingencies (Note 14)		
Stockholder's Equity:		
Common stock, stated value of $10 per share, 100 shares authorized, issued and outstanding	1	1
Additional paid-in capital	59,986	16,024
Retained earnings	7,046	14,918
Total stockholder's equity	67,033	30,943
Total liabilities and stockholder's equity	$226,240	$231,010

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

RALSTON RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
REVENUES			
Resort	$127,676	$125,816	$135,750
Real Estate	4,979	1,778	914
	132,655	127,594	136,664
Resort operating expenses	(77,404)	(77,600)	(79,441)
Real estate operating expenses and cost of sales	(3,837)	(1,040)	--
Selling, general and administrative expenses	(16,978)	(17,246)	(18,547)
Depreciation	(12,114)	(12,824)	(13,544)
Amortization	(2,113)	(2,124)	(2,236)
Earnings before interest and taxes	20,209	16,760	22,896
Interest expense	(5,087)	(9,686)	(9,200)
Income before income taxes	15,122	7,074	13,696
Income taxes	(6,199)	(3,147)	(5,824)
Net income	$ 8,923	$ 3,927	$ 7,872

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

RALSTON RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance at September 30, 1993	$ 1	$136,542	$ 41,934	$178,477
Net income			8,923	8,923
Dividends to Parent			(47,738)	(47,738)
Net transactions with Parent		(67,875)		(67,875)
Balance at September 30, 1994	1	68,667	3,119	71,787
Net income			3,927	3,927
Net transactions with Parent		(8,681)		(8,681)
Balance at September 30, 1995	1	59,986	7,046	67,033
Net income			7,872	7,872
Net transactions with Parent		(43,962)		(43,962)
Balance at September 30, 1996	$ 1	$ 16,024	$ 14,918	$ 30,943

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

RALSTON RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 8,923	$ 3,927	$ 7,872
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	12,114	12,824	13,544
Amortization	2,113	2,124	2,236
Equity in earnings of joint ventures	(36)	(217)	(914)
Deferred income taxes	1,559	935	(133)
Changes in assets and liabilities used in operations			
Increase in accounts receivable	(846)	(1,546)	(966)
Increase in inventories	(280)	(1)	(1,135)
Decrease (increase) in prepaid expenses	918	98	(376)
Decrease (increase) in land held for development	(2,712)	2,090	(1,104)
Increase (decrease) in accounts payable	1,296	(1,178)	3,081
Increase (decrease) in accrued expenses	(414)	216	(38)
Other, net	807	(1,730)	554
Net cash provided by operating activities	23,442	17,542	22,621
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(10,396)	(11,011)	(17,761)
Distributions from (investments in) joint ventures, net	(1,681)	(550)	675
Additions to goodwill and intangibles	(83)	(358)	(484)
Net cash used by investing activities	(12,160)	(11,919)	(17,570)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt	(227)	(242)	(100,257)
Line of credit	--	--	140,032
Net transactions with Parent	(12,848)	(5,788)	(44,365)
Net cash used by financing activities	(13,075)	(6,030)	(4,590)
Net increase (decrease) in cash and cash equivalents	(1,793)	(407)	461
Cash and cash equivalents, beginning of year	3,013	1,220	813
Cash and cash equivalents, end of year	$ 1,220	$ 813	$ 1,274
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 173	$ 158	$ 143
NON-CASH TRANSACTIONS			
Allocation of debt from Parent	100,000		
Land contributed to joint venture with Intrawest	17,509		
Noncash investments in joint ventures		1,946	
Transfer of land from Parent			1,065
Noncash dividend to Parent	47,738		
Debt payments made by Parent			1,500

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

General

Ralston Resorts, Inc. (the "Company") is a wholly owned subsidiary of Ralston Foods, Inc. ("Ralston Foods"). Ralston Foods is in turn a wholly owned subsidiary of Ralcorp Holdings, Inc. ("Ralcorp"), which is a publicly held company that was spun-off from Ralston Purina Company on March 31, 1994. Ralston Foods and Ralcorp are collectively referred to as the "Parent".

The Company operates the Keystone Resort lodging and food and beverage operations and the Keystone, Breckenridge and Arapahoe Basin ski areas. All of the Company's operations are located in Colorado. The Company's revenue is earned primarily in December through March.

On July 22, 1996, the Company and Ralston Foods entered into a stock purchase agreement with Vail Resorts, Inc. The agreement calls for Vail Resorts, Inc. to acquire all issued and outstanding shares of the Company's stock upon the closing date of the agreement in return for approximately 7,554,000 shares of Vail Resorts, Inc. common stock. Vail Resorts, Inc. will also assume debt of up to $165,000,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Investments in joint ventures are accounted for under the equity method. All significant intercompany transactions have been eliminated.

Allocation of Common Costs

Certain common costs, such as the salaries for certain corporate officers, accounting costs and legal fees are allocated to the Company based upon the Parent's estimate of time incurred specifically related to the Company's activities. Management believes that these allocations are reasonable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost including certain internal costs directly associated with the acquisition and construction of such property and equipment. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Machinery, equipment, furniture and fixtures	3-20 years
Ski lifts	15 years
Ski trails	15-30 years
Buildings	30 years
Land improvements	10-30 years

Maintenance, repairs and minor renewals are expensed as incurred.

Inventories

Inventories include primarily ski shop items and rentals, food and beverage, china and silver, and uniforms.

Goodwill and Intangibles

Goodwill and intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives as follows:

Goodwill	15-25 years
Forest service permits	37 years
Trademarks	25 years
Other intangibles	1-5 years

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, allocated Ralcorp debt, the line of credit and Clinton Ditch and Reservoir Company promissory notes approximate their fair value.

The estimated fair value of the refunding revenue bonds and the National Australia Bank notes payable as of September 30, 1996 are presented below (in thousands):

	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Refunding revenue bonds	$23,360	$27,134
National Australia Bank notes payable	$ 3,000	$ 3,227

The fair value of the refunding revenue bonds was estimated by an independent third party. The fair value of the National Australia Bank notes payable was estimated by National Australia Bank.

Impairment

The Company regularly evaluates whether events or circumstances have occurred which might impair the recoverability of the carrying value of its long-lived assets, goodwill and other intangibles. In making such determination with respect to goodwill, the Company evaluates its historical and anticipated operating results, including future undiscounted cash flows. Management believes that there has been no material impairment of the Company's goodwill and other intangibles.

Income Taxes

The Company is included in the consolidated income tax returns of Ralcorp. Taxes have been provided for in the accompanying consolidated financial statements as if the Company filed its own tax return.

Revenue Recognition

Resort revenue primarily consists of revenue from ski operations, lodging, food and beverage operations, conference center operations and other recreational activities and is recognized as services are performed or as goods are sold. Real estate revenue is recognized when consideration has been received, title, possession and other attributes of ownership have been transferred to the buyer and the Company is not obligated to perform significant additional activities after the sale.

Advertising Costs

Advertising costs are expensed the first time the advertising takes place. Advertising expense for the years ended September 30, 1994, 1995 and 1996 was $4,501,000, $4,571,000 and $5,180,000, respectively.

Earnings Per Share

Due to the proposed acquisition of the Company by Vail Resorts, Inc., the Company's historical capital structure is not indicative of its prospective structure upon the closing of the anticipated purchase transaction. Accordingly, historical net income per common share is not considered meaningful and has not been presented herein.

Adoption of New Accounting Standard

The Company adopted Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, during fiscal year 1995. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements to conform to the current year presentation.

3. RECEIVABLES

Receivables and the related allowance for doubtful accounts were as follows (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Trade accounts receivable	$4,353	$6,011
Miscellaneous receivables	1,064	364
Allowance for doubtful accounts	(58)	(50)
	$5,359	$6,325

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Machinery and equipment	$116,853	$120,449
Buildings	56,101	55,506
Land used in operations	9,662	9,600
Construction in progress	5,371	16,960
	187,987	202,515
Less accumulated depreciation	(59,325)	(71,515)
	$128,662	$131,000

5. GOODWILL AND INTANGIBLES

Goodwill and intangibles consist of the following (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Goodwill	$36,951	$36,951
Forest service permit	5,010	5,010
Trademarks and other intangibles	2,993	3,477
	44,954	45,438
Less accumulated amortization	(7,025)	(9,261)
	$37,929	$36,177

6. LAND HELD FOR DEVELOPMENT

Included in land held for development at September 30, 1995 and 1996, is approximately $8,900,000 of land subject to an agreement with Keystone/Intrawest L.L.C., a joint venture of the Company. The agreement with Keystone/Intrawest L.L.C. calls for the Company to contribute the land to the joint venture (as a capital contribution) at an agreed upon value of approximately $11,400,000 prior to June 1, 1999.

7. INVESTMENTS IN JOINT VENTURES

During 1994, the Company formed Keystone/Intrawest L.L.C., which is a joint venture with Intrawest Resorts, Inc., to develop land at the base of the Keystone ski area. The Company contributed land and prepaid tap fees with a historical cost of approximately $18,900,000 for the development as well as certain other funds to the joint venture. The joint venture intends to build condominiums, townhomes, single-family homes and commercial shop space throughout the base of Keystone Mountain using a master development plan over approximately 20 years.

As real estate development projects are completed, the Company will receive payments for the related land which it previously contributed to the joint venture. Losses are allocated first to the partners to the extent of their capital accounts. Income is first applied to offset prior cumulative allocated losses with subsequent income shared 50/50. The investment in this joint venture is accounted for under the equity method.

Condensed unaudited financial information for Keystone/Intrawest L.L.C. follows (in thousands):

	AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1994	1995	1996
Assets	$ 26,840	$ 48,417	$ 63,188
Liabilities	670	12,153	33,959
Partners' equity	26,170	36,264	29,229
Gross revenues	381	1,570	27,082
Gross profit	204	599	1,927
Net income (loss)	64	(147)	1,474

Starfire Mountain Homes is a joint venture (in the form of a general partnership) with Focus Keystone I, Ltd. to construct certain condominiums near the base of Keystone Mountain. The development was completed during fiscal 1996, with management of the condominiums turned over to the Company. The Company receives 20% of the income or loss of the joint venture and accounts for the investment under the equity method.

8. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Property and use taxes	$3,198	$3,975
Payroll and payroll related liabilities	2,578	1,765
Interest payable	174	172
	$5,950	$5,912

9. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Allocated Ralcorp debt	$100,000	$ --
Bank of New York, trustee for refunding revenue bonds, 7.125% to 7.875%, maturing September 1998 to 2010, secured by certain assets of the Company	23,360	23,360
National Australia Bank, notes payable, 10.85% to 11.15%, maturing September 1997-1998, secured by certain assets of the Company	4,500	3,000
Clinton Ditch and Reservoir Company, a related party, promissory notes, 6.5%, due in annual installments through August 13, 2002	2,193	1,936
	130,053	28,296
Less current portion	(1,757)	(1,774)
	$128,296	$26,522

The Ralcorp debt represents a Ralcorp revolving credit facility, a portion of which has been allocated by Ralcorp to the Company. The Ralcorp revolving credit facility bears interest at a LIBOR related rate. The original maturity of the debt was in 1999. In March 1996, the maturity date was extended to March 12, 2001. On September 30, 1996, the Ralcorp debt was replaced by a line of credit. See Note 10. Amounts owed under the revolving credit facility are guaranteed, on a joint and several basis, by certain Ralcorp subsidiaries, including the Company.

Interest expense on the revolving credit facility has been allocated to the Company in the amounts of $2,700,000, $7,100,000 and $6,700,000 for fiscal 1994, 1995 and 1996, respectively, based on Ralcorp's average interest rate and the Company's allocated debt.

Future payments due on long-term debt as of September 30, 1996 are as follows (in thousands):

FISCAL YEARS	
1997	$ 1,774
1998	3,152
1999	311
2000	331
2001	353
Thereafter	22,375
	$28,296

10. LINE OF CREDIT

At September 30, 1996, the Ralcorp debt was replaced by a bank line of credit in contemplation of the acquisition of the Company by Vail Resorts, Inc. The line of credit was established by Ralcorp on behalf of the Company with Boatmen's Bank and bore interest at 8.25% on September 30, 1996, switching to a LIBOR related rate on October 2, 1996. The line of credit is renewable weekly with a final maturity at January 28, 1997. The line of credit is guaranteed by Ralcorp.

11. RELATED PARTY TRANSACTIONS

Net Transactions with Parent included in the Statement of Changes in Stockholder's Equity represents the net transactions with the Parent related to payroll, employee benefits, insurance premiums and claims, interest, taxes, general corporate overhead and participation in Ralcorp's cash management program. The Company and the Parent do not intend to settle these intercompany amounts and, therefore, they are reflected as part of the permanent equity of the Company.

Net transactions with Parent consist of the following (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Cash transfers	$ 42,335	$ 34,377	$ 35,387
Debt and interest allocations	46,797	(8,274)	28,772
Payroll and employee benefits	(14,187)	(14,869)	(14,830)
Income taxes	(6,199)	(3,147)	(5,824)
Asset transfers	(1,624)	--	265
Allocated overhead	(791)	(373)	(937)
Pensions	321	345	381
Other	1,223	622	748
	$ 67,875	$ 8,681	$ 43,962

12. SELF-INSURANCE PLANS

The Company has a self-insurance plan for employee health benefits. The health insurance plan covers all employees who elect enrollment once eligibility requirements have been met and contains a stop-loss provision to limit the Company's liability to $75,000 per employee. The liability for employee health benefits was $380,000 and $402,000 at September 30, 1995 and 1996, respectively.

The Company also has a self-insurance plan for workers' compensation approved by the State of Colorado Department of Labor. The Company has a $500,000 retention limit and a $1,600,000 bond to guarantee payment of workers' compensation claims. The liability for workers' compensation was $1,573,000 and $1,272,000 at September 30, 1995 and 1996, respectively.

The Company has a self-insurance retention limit of $500,000 per occurrence and $2,000,000 in the aggregate for general liability insurance prior to an outside insurance company's coverage. The accrual for general liability insurance was $324,000 at September 30, 1995 and 1996.

13. INCOME TAXES

The Company is included in the consolidated income tax return of Ralcorp. Income taxes have been allocated to the Company as if it were filing a stand-alone return. The components of the provision for income taxes are as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Current tax provision			
Federal	$ 3,962	$ 1,880	$ 5,188
State	678	332	769
	4,640	2,212	5,957
Deferred tax provision (benefit)			
Federal	1,426	855	(122)
State	133	80	(11)
	1,559	935	(133)
Total tax provision	$ 6,199	$ 3,147	$ 5,824

The following is a reconciliation of the statutory federal income tax rate and the Company's effective income tax rate:

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.3%	3.3%	3.3%
Nondeductible intangible amortization	2.1%	4.5%	2.3%
Nondeductible portion of meals and entertainment	.5%	1.3%	1.6%
Other	.1%	.4%	.3%
Effective income tax rate	41.0%	44.5%	42.5%

The components of gross deferred tax assets and liabilities are as follows (in thousands):

	DEFERRED TAX ASSETS SEPTEMBER 30,		DEFERRED TAX LIABILITIES SEPTEMBER 30,	
	1995	1996	1995	1996
Current:				
Doubtful accounts..............	$ 22	$ 21	$ --	$ --
Start-up costs.................	85	81	--	--
Receivable.....................	--	--	50	80
Vacation accrual...............	80	89	--	--
Accrued expenses...............	20	--	--	--
	207	191	50	80
Noncurrent:				
Fixed assets basis differences...................	--	--	13,099	12,924
Intangible assets..............	--	--	576	869
Accrued pension................	144	548	--	--
Insurance and other accruals...	1,058	951	--	--
	1,202	1,499	13,675	13,793
Total deferred taxes.........	$ 1,409	$ 1,690	$ 13,725	$ 13,873

14. RETIREMENT PLANS

Ralcorp sponsors a noncontributory defined benefit pension plan which covers certain Company employees. The plan provides retirement benefits based on years of service and final-average or career-average earnings. It is the practice of Ralcorp to fund pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 and federal income tax laws. Plan assets consist primarily of investments in a commingled employee benefit trust consisting of marketable equity securities, corporate and government debt securities and real estate.

The Company's share of the components of net pension cost include the following (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Service cost (benefits earned during the period).......................................	$ 382	$ 412	$ 445
Interest cost on projected benefit obligation...	228	232	240
Return on plan assets..........................	(280)	(286)	(295)
Net amortization and deferral..................	(9)	(13)	(9)
Net pension cost............................	$ 321	$ 345	$ 381

The following table presents the Company's portion of the funded status of the Ralcorp defined benefit plan and amounts recognized in the Company's balance sheet at September 30, 1995 and 1996 (in thousands):

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996
Actuarial present value of:		
Vested benefits	$(1,530)	$(1,848)
Nonvested benefits	(521)	(629)
Accumulated benefit obligation	(2,051)	(2,477)
Effect of projected future salary increases	(1,242)	(1,501)
Projected benefit obligation	(3,293)	(3,978)
Plan assets at fair value	3,519	4,308
Plan assets in excess of projected benefit obligation	226	330
Unrecognized net gain	(888)	(1,348)
Unrecognized prior service cost	12	9
Unrecognized net asset at transition	(81)	(70)
Accrued pension cost	$ (731)	$(1,079)

The key actuarial assumptions used in determining net pension cost and the projected benefit obligation were as follows:

	1994	1995	1996
Discount rate	7.875%	7.875%	7.625%
Rate of future compensation increases	5.500%	5.500%	5.250%
Long-term rate of return on plan assets	9.500%	9.500%	9.500%

The Company also has a 401(k) plan for its employees and certain employees participate in the Ralcorp plan. Matching contributions totaled $577,000, $604,000 and $678,000 for the years ended September 30, 1994, 1995 and 1996, respectively.

15. COMMITMENTS AND CONTINGENCIES

The Company has aggregate future minimum lease payments under noncancelable operating leases having an initial or remaining term of more than one year as of September 30, 1996 as follows (in thousands):

FISCAL YEARS	
1997	$1,948
1998	1,780
1999	1,533
2000	1,084
2001	1,022

The Company is involved in various routine legal proceedings incidental to the conduct of its normal business operations. The Company's management believes that none of these legal proceedings will have a material adverse impact on the financial condition, results of operations, or liquidity of the Company.

[RECREATIONAL PHOTOGRAPH TO BE INCLUDED ON BACK COVER PAGE]

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JANUARY 8, 1997

PROSPECTUS

10,500,000 SHARES

VAIL RESORTS, INC.

LOGO

COMMON STOCK

Of the 10,500,000 shares of Common Stock, $.01 par value per share (the "Common Stock"), offered hereby, 5,000,000 shares will be sold by Vail Resorts, Inc. (the "Company") and 5,500,000 shares will be sold by certain Selling Stockholders. The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholders. See "Principal and Selling Stockholders."

A total of 2,100,000 shares (the "International Shares") are being offered outside of the United States and Canada (the "International Offering") by the Managers, and 8,400,000 shares (the "U.S. Shares") are being offered in the United States and Canada (the "U.S. Offering") by the U.S. Underwriters. The initial public offering price and the underwriting discounts and commissions are identical for both the International Offering and the U.S. Offering (collectively, the "Offerings").

The outstanding capital stock of the Company consists of the Common Stock and the Class A Common Stock, $.01 par value per share (the "Class A Common Stock"). The Common Stock and Class A Common Stock are substantially identical, except that holders of Class A Common Stock elect a class of directors that constitutes two-thirds of the Board of Directors and holders of Common Stock elect a class of directors that constitutes one-third of the Board of Directors. See "Description of Capital Stock."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently anticipated that the initial public offering price will be between $19.00 and $21.00 per share. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. Up to 250,000 of the shares (the "Directed Shares") will be reserved for sale at the initial public offering price (less the underwriting discounts and commissions) and offered to persons who are directors, officers or employees of, or are otherwise associated with, the Company. See "Underwriting."

The Common Stock has been approved for listing, subject to official notice of issuance, on The New York Stock Exchange under the symbol "MTN."

SEE "RISK FACTORS" BEGINNING ON PAGE 15 FOR CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS COMPANY(2)	PROCEEDS TO SELLING STOCKHOLDERS
Per Share.............	$	$	$	$
Total(3)..............	$	$	$	$

(1) See "Underwriting" for indemnification arrangements with the Managers and the U.S. Underwriters.
(2) Before deducting expenses payable by the Company, estimated at $, all of which will be paid by the Company.
(3) The Selling Stockholders have granted to the Managers and the U.S. Underwriters 30-day options to purchase in the aggregate up to additional shares of Common Stock solely to cover over-allotments, if any. If the options are exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Selling Stockholders will be $, $ and $, respectively. See "Underwriting." If all of the Directed Shares are purchased by the persons to whom they are offered, the total Price to Public, and Underwriting Discounts and Commissions each will be reduced by $.

The International Shares are offered by the several Managers, subject to prior sale, when, as and if delivered to and accepted by them and subject to certain conditions, including the approval of certain legal matters by counsel. The Managers reserve the right to withdraw, cancel or modify the International Offering and to reject orders in whole or in part. It is expected that delivery of the International Shares will be made against payment therefor on or about , 1997, at the offices of Bear, Stearns International Limited, 245 Park Avenue, New York, New York 10167.

BEAR, STEARNS INTERNATIONAL LIMITED
FURMAN SELZ
GOLDMAN SACHS INTERNATIONAL
SALOMON BROTHERS INTERNATIONAL LIMITED
SCHRODERS
SMITH BARNEY INC.

, 1997

[PHOTOGRAPHS DEPICTING VAIL RESORTS, INC. SKI AREAS]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, incurred in connection with the sale of Common Stock being registered (all amounts are estimated except the SEC registration fee, the NASD filing fee and the New York Stock Exchange listing fee). The Company will bear all expenses incurred in connection with the sale of the Common Stock being registered hereby.

SEC Registration Fee	$63,636
NASD Filing Fee	15,500
New York Stock Exchange Listing Fee	*
Printing	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Stock Certificates and Transfer Agent Fees	*
Miscellaneous	*
Total	$ *

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* To be completed by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law (the "DGCL") makes provision for the indemnification of officers and directors of corporations in terms sufficiently broad to indemnify the officers and directors of the registrant under certain circumstances for liabilities (including reimbursement of expenses incurred) arising under the Securities Act of 1933, as amended (the "Act").

The Company's Restated Certificate of Incorporation (the "Certificate") provides that to the fullest extent permitted by Delaware Law or other applicable law, a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. Under current Delaware Law, liability of a director may not be limited (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The effect of the provision of the Certificate is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (iv) above. This provision does not limit or eliminate the rights of the Company or any stockholder to seek nonmonetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, the Company's Restated Bylaws (the "Bylaws") provide that the Company shall indemnify its directors, officers and employees to the fullest extent permitted by applicable law.

The Bylaws provide that the Company may indemnify any person who is or was involved in any manner or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including any action suit or proceeding by or in the right of the registrant to procure a judgment in its town), by reason of the fact that he is or was or had agreed to become a director, officer or employee of the registrant or is or was or had agreed to become at the request of the board or an officer of the registrant a director, officer or employee of another corporation, partnership, joint venture, trust or other entity against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding.

ITEM 16. EXHIBITS.

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
*1.1	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of the Company.**
3.2	Restated By-Laws of the Company.**
*5.1	Opinion of Cahill Gordon & Reindel as to the legality of the Common Stock.
10.1	Management Agreement by and between Beaver Creek Resort Company of Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.2	Forest Service Term Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.3	Forest Service Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.3 of the Registration Statement on Form S-4 Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.4	Forest Service unified Permit for Vail ski area. (Incorporated by reference to Exhibit 10.4 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.5	Employment Agreement dated October 1, 1996 between the Company and Andrew P. Daly.
*10.6	Employment Agreement dated [ ] between the Company and James Kent Myers.
10.7	Joint Liability Agreement by and among Gillett Holdings, Inc. and the subsidiaries of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.10 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.8(a)	Management Agreement between Gillett Holdings, Inc. and Gillett Group Management, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.11 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.8(b)	Amendment to Management Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.9(a)	Tax Sharing Agreement between Gillett Holdings, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.9(b)	Amendment to Tax Sharing Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.13(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.10	Form of Gillett Holdings, Inc. Deferred Compensation Agreement for certain GHTV employees. (Incorporated by reference to Exhibit 10.13(b) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-528540) including all amendments thereto).

EXHIBIT NO.	DESCRIPTION
10.11(a)	Credit Agreement dated as of March 31, 1995 among The Vail Corporation, the Banks named therein and NationsBank of Texas, N.A., as issuing banks and agent. (Incorporated by reference to Exhibit 10.12(a) of the report on Form 10-Q of Gillett Holdings, Inc. for the quarterly period ended March 31, 1995).
10.11(b)	Second Amended and Restated Credit Agreement dated as of March 31, 1995 among The Vail Corporation, the banks named therein and NationsBank of Texas, N.A., as issuing banks and agent. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-Q of Gillett Holdings, Inc. for the quarterly period ended March 31, 1995).
10.11(c)	Pledge Agreement dated as of March 31, 1995 among Gillett Holdings, Inc. and NationsBank of Texas, N.A. as agent. (Incorporated by reference to Exhibit 10.12(c) of the report on Form 10-Q of Gillett Holdings, Inc. for the quarterly period ended March 31,1995).
10.11(d)	Guaranty dated as of November 23, 1993 by subsidiaries named therein for the benefit of NationsBank of Texas, NA., as agent. (Incorporated by reference to Exhibit 10.17(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(e)	Collateral Agency Agreement dated as of November 23, 1993 among Vail Associates, Inc., The Vail Corporation, Beaver Creek Associates, Inc. NationsBank of Texas, N.A., as Collateral agent and agent, Colorado National Bank as Beaver Creek Indenture Trustee and Vail Indenture Trustee. (Incorporated by reference to Exhibit 10.17(c) of the report of Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(f)	Pledge Agreement dated as of November 23, 1993 among The Vail Corporation, Vail Associates, Inc., Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., Vail Associates Real Estate Inc., as obligors and NationsBank of Texas, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.17(d) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(g)	Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to exhibit 10.16(g) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.11(h)	First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports and Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(f) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(i)	Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado, and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.16(h) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.11(j)	First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(h) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(k)	Sports and Housing Facilities Financing Agreement dated as of September 1, 1992 between Eagle County, Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.16(i) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereon).

EXHIBIT NO.	DESCRIPTION
10.11(l)	First Amendment to Sports and Housing Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 between Eagle County, Colorado, Vail Associates, Inc. and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(j) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(m)	Sports Facilities Financing Agreement dated as of September 1, 1992 between Eagle County Colorado and Beaver Creek Associates, Inc., with Vail Associates, Inc., as Guarantor. (Incorporated by reference to Exhibit 10.16(j) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.11(n)	First Amendment to Sports Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 by and among Eagle County, Colorado, Beaver Creek Associates, Inc., Vail Associates, Inc., and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(l) of the report on Form 10-K of Gillett Holdings., Inc. for the period from October 9, 1992 through September 30, 1993).
10.11(o)	Guaranty dated as of September 1, 1992, by Vail Associates, Inc. delivered to Colorado National Bank, as Trustee. (Incorporated by reference to Exhibit 10.16(k) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).
10.11(p)	Credit Agreement dated as of January 3, 1997 among the Vail Corporation., the lenders referred to therein and NationsBank of Texas, N.A. as agent.
10.11(q)	First Amendment dated as of July 1994 to Pledge Agreement dated as of November 23, 1993 among The Vail Corporation, Vail Associates, Inc., Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., Vail Associates Real Estate Inc., as obligors and NationsBank of Texas, N.A., as collateral agent.
10.11(r)	Second Amendment dated as of December 30, 1996 to Pledge Agreement dated as of November 23, 1993 among The Vail Corporation, Vail Associates, Inc., Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., Vail Associates Real Estate Inc., as obligors and NationsBank of Texas, N.A., as collateral agent.
10.12(a)	Agreement for Purchase and Sale dated as of August 25, 1993 by and among Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(a) of the report on Form 10-K of Gillett Holdings, Inc., for the period from October 9, 1992 through September 30, 1993).
10.12(b)	Amendment to Agreement for Purchase and Sale dated September 8, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.12(c)	Second Amendment to Agreement for Purchase and Sale dated September 22, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(c) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.12(d)	Third Amendment to Agreement for Purchase and Sale dated November 30, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(d) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.13	1992 Stock Option Plan of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.20 of the report on form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).

EXHIBIT NO.	DESCRIPTION
10.14	Agreement to Settle Prospective Litigation and for Sale of Personal Property dated May 10, 1993, between the Company, Clifford E. Eley, as Chapter 7 Trustee of the Debtor's Bankruptcy Estate, and George N. Gillett, Jr. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).
10.15	Employment Agreement dated April 1, 1994 between Gillett Holdings, Inc. and James S. Mandel (Incorporated by reference to Exhibit 10.22 of the report on Form 10-K of Gillett Holdings, Inc. for the year ended September 30, 1994).
10.16	Employment Agreement dated April 1, 1994 between Vail Associates, Inc. and James S. Mandel (Incorporated by reference to Exhibit 10.23 of the report on Form 10-K of Gillett Holdings, Inc. for the year ended September 30, 1994).
*10.17	Employment Agreement dated [ ] between Vail Associates, Inc. and Gerald E. Flynn.
*10.18	Employment Agreement dated [ ] between Vail Associates, Inc. and Christopher P. Ryman.
*10.19	Employment Agreement dated [ ] between Vail Associates, Inc. and James P. Thompson.
*10.20	Employment Agreement dated [ ] between the Company and James P. Donohue.
10.21	Employment Agreement dated July 29, 1996 between the Company and Adam M. Aron.
10.22	Stock Purchase Agreement Among Vail Resorts, Inc., Ralston Foods, Inc., and Ralston Resorts, Inc. dated July 22, 1996. (Incorporated by reference to Exhibit 2.1 of the report on Form 8-K of Vail Resorts, Inc. dated July 23, 1996).
10.23	First Amendment to the Stock Purchase Agreement among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc. dated December 20, 1996 (Incorporated by reference to Exhibit 2.2 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997).
10.24	Second Amendment to the Stock Purchase Agreement among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc. dated December 31, 1996. (Incorporated by reference to Exhibit 2.3 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997).
10.25	Shareholder Agreement among Vail Resorts, Inc., Ralston Foods, Inc. and Apollo Ski Partners, L.P. dated January 3, 1997 (Incorporated by reference to Exhibit 2.4 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997).
10.26	1996 Stock Option Plan.
10.27	Agreement dated October 11, 1996 between Vail Resorts, Inc. and George N. Gillett.
13.1	Annual Report on Form 10-K for the year ended September 30, 1996 (Incorporated by reference).
16.1	Letter from Ernst & Young LLP regarding change in certifying accountant. (Incorporated by reference to Exhibit 16 of the report on Form 8-K of Gillett Holdings, Inc. for the reportable event occurring on October 25, 1994).
21.1	Subsidiaries of Vail Resorts, Inc.
23.1	Consent of Arthur Andersen LLP.
23.2	Consent of Ernst & Young LLP.
23.3	Consent of Price Waterhouse LLP.
*23.4	Consent of Cahill Gordon & Reindel (included in Exhibit 5.1).
24.1	Powers of Attorney (set forth on the signature page of the Registration Statement).

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*To be filed by amendment.
**Previously filed.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue. The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser. The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-2 AND HAS DULY CAUSED THIS AMENDMENT TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN VAIL, COLORADO ON JANUARY 8, 1997.

VAIL RESORTS, INC.

By: /s/ Adam M. Aron*
____
Chairman of the Board and
Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITY INDICATED ON JANUARY 8, 1997.

SIGNATURE	TITLE
/s/ Adam M. Aron* ADAM M. ARON	Chairman of the Board and Chief Executive Officer (Principal Chief Executive Officer)
/s/ Andrew P. Daly* ANDREW P. DALY	Director
/s/ Leon D. Black* LEON D. BLACK	Director
/s/ Craig M. Cogut* CRAIG M. COGUT	Director
/s/ Stephen C. Hilbert* STEPHEN C. HILBERT	Director
/s/ Robert A. Katz* ROBERT A. KATZ	Director

SIGNATURE	TITLE
/s/ Thomas H. Lee* THOMAS H. LEE	Director
/s/ William L. Mack* WILLIAM L. MACK	Director
/s/ Antony P. Ressler* ANTONY P. RESSLER	Director
/s/ Marc J. Rowan* MARC J. ROWAN	Director
/s/ John J. Ryan III* JOHN J. RYAN III	Director
/s/ John F. Sorte* JOHN F. SORTE	Director
/s/ Bruce H. Spector* BRUCE H. SPECTOR	Director
/s/ James S. Tisch* JAMES S. TISCH	Director
/s/ James P. Donohue* JAMES P. DONOHUE	Senior Vice President and Chief Financial Officer
/s/ Robert A. Katz ROBERT A. KATZ	Attorney-in-Fact

* By Attorney-in-Fact

INDEX TO EXHIBITS

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10.1	Management Agreement by and between Beaver Creek Resort Company of Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
10.2	Forest Service Term Special Use Permit for Beaver Creek ski area. (Incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
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*10.6	Employment Agreement dated [ ] between the Company and James Kent Myers.	
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10.8(a)	Management Agreement between Gillett Holdings, Inc. and Gillett Group Management, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.11 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
10.8(b)	Amendment to Management Agreement by and among the Company and its subsidiaries dated as of November 23, 1993. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.9(a)	Tax Sharing Agreement between Gillett Holdings, Inc. dated as of the Effective Date. (Incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
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10.10	Form of Gillett Holdings, Inc. Deferred Compensation Agreement for certain GHTV employees. (Incorporated by reference to Exhibit 10.13(b) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-528540) including all amendments thereto).	

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10.11(a)	Credit Agreement dated as of March 31, 1995 among The Vail Corporation, the Banks named therein and NationsBank of Texas, N.A., as issuing banks and agent. (Incorporated by reference to Exhibit 10.12(a) of the report on Form 10-Q of Gillett Holdings, Inc. for the quarterly period ended March 31, 1995).	
10.11(b)	Second Amended and Restated Credit Agreement dated as of March 31, 1995 among The Vail Corporation, the banks named therein and NationsBank of Texas, N.A., as issuing banks and agent. (Incorporated by reference to Exhibit 10.12(b) of the report on Form 10-Q of Gillett Holdings, Inc. for the quarterly period ended March 31, 1995).	
10.11(c)	Pledge Agreement dated as of March 31, 1995 among Gillett Holdings, Inc. and NationsBank of Texas, N.A. as agent. (Incorporated by reference to Exhibit 10.12(c) of the report on Form 10-Q of Gillett Holdings, Inc. for the quarterly period ended March 31,1995).	
10.11(d)	Guaranty dated as of November 23, 1993 by subsidiaries named therein for the benefit of NationsBank of Texas, NA., as agent. (Incorporated by reference to Exhibit 10.17(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(e)	Collateral Agency Agreement dated as of November 23, 1993 among Vail Associates, Inc., The Vail Corporation, Beaver Creek Associates, Inc. NationsBank of Texas, N.A., as Collateral agent and agent, Colorado National Bank as Beaver Creek Indenture Trustee and Vail Indenture Trustee. (Incorporated by reference to Exhibit 10.17(c) of the report of Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(f)	Pledge Agreement dated as of November 23, 1993 among The Vail Corporation, Vail Associates, Inc., Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., Vail Associates Real Estate Inc., as obligors and NationsBank of Texas, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.17(d) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(g)	Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to exhibit 10.16(g) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
10.11(h)	First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports and Housing Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(f) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(i)	Trust Indenture dated as of September 1, 1992 between Eagle County, Colorado, and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.16(h) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE NUMBER
10.11(j)	First Amendment to Trust Indenture dated as of November 23, 1993 between Eagle County, Colorado and Colorado National Bank, as Trustee, securing Sports Facilities Revenue Refunding Bonds. (Incorporated by reference to Exhibit 10.17(h) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(k)	Sports and Housing Facilities Financing Agreement dated as of September 1, 1992 between Eagle County, Colorado and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.16(i) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereon).	
10.11(l)	First Amendment to Sports and Housing Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 between Eagle County, Colorado, Vail Associates, Inc. and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(j) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(m)	Sports Facilities Financing Agreement dated as of September 1, 1992 between Eagle County Colorado and Beaver Creek Associates, Inc., with Vail Associates, Inc., as Guarantor. (Incorporated by reference to Exhibit 10.16(j) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
10.11(n)	First Amendment to Sports Facilities Financing Agreement and Assignment and Assumption Agreement dated as of November 23, 1993 by and among Eagle County, Colorado, Beaver Creek Associates, Inc., Vail Associates, Inc., and The Vail Corporation. (Incorporated by reference to Exhibit 10.17(l) of the report on Form 10-K of Gillett Holdings., Inc. for the period from October 9, 1992 through September 30, 1993).	
10.11(o)	Guaranty dated as of September 1, 1992, by Vail Associates, Inc. delivered to Colorado National Bank, as Trustee. (Incorporated by reference to Exhibit 10.16(k) of the Registration Statement on Form S-4 of Gillett Holdings, Inc. (Registration No. 33-52854) including all amendments thereto).	
10.11(p)	Credit Agreement dated as of January 3, 1997 among the Vail Corporation., the lenders referred to therein and NationsBank of Texas, N.A. as agent.	
10.11(q)	First Amendment dated as of July 1994 to Pledge Agreement dated as of November 23, 1993 among The Vail Corporation, Vail Associates, Inc., Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., Vail Associates Real Estate Inc., as obligors and NationsBank of Texas, N.A., as collateral agent.	
10.11(r)	Second Amendment dated as of December 30, 1996 to Pledge Agreement dated as of November 23, 1993 among The Vail Corporation, Vail Associates, Inc., Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., Vail Associates Real Estate Inc., as obligors and NationsBank of Texas, N.A., as collateral agent.	
10.12(a)	Agreement for Purchase and Sale dated as of August 25, 1993 by and among Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(a) of the report on Form 10-K of Gillett Holdings, Inc., for the period from October 9, 1992 through September 30, 1993).	
10.12(b)	Amendment to Agreement for Purchase and Sale dated September 8, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(b) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE NUMBER
10.12(c)	Second Amendment to Agreement for Purchase and Sale dated September 22, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(c) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.12(d)	Third Amendment to Agreement for Purchase and Sale dated November 30, 1993 by and between Arrowhead at Vail, Arrowhead Ski Corporation, Arrowhead at Vail Properties Corporation, Arrowhead Property Management Company and Vail Associates, Inc. (Incorporated by reference to Exhibit 10.19(d) of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.13	1992 Stock Option Plan of Gillett Holdings, Inc. (Incorporated by reference to Exhibit 10.20 of the report on form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.14	Agreement to Settle Prospective Litigation and for Sale of Personal Property dated May 10, 1993, between the Company, Clifford E. Eley, as Chapter 7 Trustee of the Debtor's Bankruptcy Estate, and George N. Gillett, Jr. (Incorporated by reference to Exhibit 10.21 of the report on Form 10-K of Gillett Holdings, Inc. for the period from October 9, 1992 through September 30, 1993).	
10.15	Employment Agreement dated April 1, 1994 between Gillett Holdings, Inc. and James S. Mandel (Incorporated by reference to Exhibit 10.22 of the report on Form 10-K of Gillett Holdings, Inc. for the year ended September 30, 1994).	
10.16	Employment Agreement dated April 1, 1994 between Vail Associates, Inc. and James S. Mandel (Incorporated by reference to Exhibit 10.23 of the report on Form 10-K of Gillett Holdings, Inc. for the year ended September 30, 1994).	
*10.17	Employment Agreement dated [ ] between Vail Associates, Inc. and Gerald E. Flynn.	
*10.18	Employment Agreement dated [ ] between Vail Associates, Inc. and Christopher P. Ryman.	
*10.19	Employment Agreement dated [ ] between Vail Associates, Inc. and James P. Thompson.	
*10.20	Employment Agreement dated [ ] between the Company and James P. Donohue.	
10.21	Employment Agreement dated July 29, 1996 between the Company and Adam M. Aron.	
10.22	Stock Purchase Agreement Among Vail Resorts, Inc., Ralston Foods, Inc., and Ralston Resorts, Inc. dated July 22, 1996. (Incorporated by reference to Exhibit 2.1 of the report on Form 8-K of Vail Resorts, Inc. dated July 23, 1996).	
10.23	First Amendment to the Stock Purchase Agreement among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc. dated December 20, 1996 (Incorporated by reference to Exhibit 2.2 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997).	
10.24	Second Amendment to the Stock Purchase Agreement among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc. dated December 31, 1996. (Incorporated by reference to Exhibit 2.3 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997).	
10.25	Shareholder Agreement among Vail Resorts, Inc., Ralston Foods, Inc. and Apollo Ski Partners, L.P. dated January 3, 1997 (Incorporated by reference to Exhibit 2.4 of the report on Form 8-K of Vail Resorts, Inc. dated January 8, 1997).	
10.26	1996 Stock Option Plan.	

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE NUMBER
10.27	Agreement dated October 11, 1996 between Vail Resorts, Inc. and George N. Gillett.	
13.1	Annual Report on Form 10-K for the year ended September 30, 1996 (Incorporated by reference).	
16.1	Letter from Ernst & Young LLP regarding change in certifying accountant. (Incorporated by reference to Exhibit 16 of the report on Form 8-K of Gillett Holdings, Inc. for the reportable event occurring on October 25, 1994).	
21.1	Subsidiaries of Vail Resorts, Inc.	
23.1	Consent of Arthur Andersen LLP.	
23.2	Consent of Ernst & Young LLP.	
23.3	Consent of Price Waterhouse LLP.	
*23.4	Consent of Cahill Gordon & Reindel (included in Exhibit 5.1).	
24.1	Powers of Attorney (set forth on the signature page of the Registration Statement).	

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* To be filed by amendment.

** Previously filed.

EXHIBIT 10.5

Execution Copy

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of October 1, 1996 by and between (i) VAIL RESORTS, INC., a Delaware corporation ("Resorts"), and VAIL ASSOCIATES, INC., a Colorado corporation and a wholly-owned subsidiary of Resorts ("Associates" and, together with Resorts, "Vail"), and (ii) ANDREW P. DALY (hereinafter referred to as "Daly").

RECITALS

1. Vail desires to employ Daly to render services to it for the period and upon the terms and conditions provided for in this Agreement; and

2. Daly wishes to serve in the employ of Vail for its benefit for the period and upon the terms and conditions provided for in this Agreement.

COVENANTS

NOW, THEREFORE, the parties hereto agree as follows:

1. Employment.

(a) Vail hereby employs Daly to serve as President of Resorts and President and Chief Executive Officer of Associates on the terms and conditions set forth herein. In such capacities, Daly shall have the responsibilities normally associated with such positions, subject to the supervision and control of the Board of Directors and chief executive officer of Resorts.

(b) Daly accepts employment by Vail and agrees that, during the term of his employment, he will devote substantially all his time and best efforts to the performance of his duties hereunder, which duties shall be performed in an efficient and competent manner and to the best of his ability. Daly further agrees that, during the term of this Agreement, he will not, without the prior written consent of the Board of Directors of Resorts, directly or indirectly engage in any manner in any business or other endeavor, either as an owner, employee, officer, director, independent contractor, agent, partner, advisor, or in any other capacity calling for the rendition of his personal services. This restriction will not preclude Daly from having passive investments, and devoting reasonable time to the supervision thereof (so long as such does not interfere with Daly's obligations hereunder), in any business or enterprise which is not in competition with any business or enterprise of Vail or any of its subsidiaries or affiliates (collectively the "Companies").

2. Compensation.

For all services rendered by Daly to or on behalf of Vail and the Companies, Associates shall pay to Daly, subject to any and all withholdings and deductions required by law, the following compensation in accordance with the normal payroll practices of Associates:

(a) Base Salary. Daly shall receive regular compensation at the initial rate of Three Hundred Fifty Thousand Dollars ($350,000) per year, subject to increase as provided in the following sentence (the "Base Salary"). Daly's Base Salary shall be reviewed annually by the Board of Directors of Resorts, but any increases in such Base Salary shall be at the discretion of the Board of Directors and Daly acknowledges that the Board is not obligated to make any increases. Daly's Base Salary shall not be lowered from its highest amount during the term of this Agreement without his consent.

(b) Bonuses, etc. Daly shall also be considered annually for bonuses, deferred compensation, and/or stock options based upon his performance in light of objectives established by the Board of Directors of Resorts, it being understood that any such awards are at the discretion of the Board of Directors. Without limiting the generality of the foregoing, Daly shall be eligible to participate in (i) the Long-Term Incentive Plan of Associates (the "LTIP"), and (ii) any other bonus, incentive, deferred compensation and fringe benefit plans as Vail shall make generally available to other employees in senior management positions in accordance with the terms of the relevant contracts, policies or plans providing such benefits, specifically including health and dental insurance, any deferred incentive compensation plan and any discretionary annual bonus plan, all on such terms as the Board may determine. Daly's annual target bonus under the LTIP shall be 40% of his Base Salary; provided, however, that such target shall not create any obligation on the part of Vail to declare any bonus to Daly in any amount or otherwise alter the discretionary nature of the LTIP. If any such compensation or benefits are paid or made available, it shall be at such time or times as the Board shall determine, based upon such factors, if any, as the Board may establish.

(c) Insurance. Daly shall also receive, at Vail's expense, long-term disability insurance which provides a benefit equal to 75% of Base Salary through the end of the term of this Agreement, and term life insurance which provides a death benefit of at least Three Million Dollars ($3,000,000), subject in each case to the applicable underwriting limitations of such programs.

(d) Expense Reimbursement; Country Club. Daly shall also be reimbursed for reasonable dues and assessments for business and service interests of Vail. Daly shall have a travel and entertainment budget which is reasonable in light of his position and responsibilities and shall be reimbursed for all reasonable travel and entertainment expenses incurred by him thereunder upon submission of appropriate documentation thereof. Vail will reimburse Daly for 50% of the cost of his membership in Eagle Springs Country Club, which reimbursement shall be payable in equal monthly installments during the first 36 months of the term of this Agreement.

(e) Loan Repayment. The maturity date of Daly's $300,000 loan from Associates is hereby extended to October 1, 1999 or, if earlier, the first anniversary of the date on which this Agreement is terminated for any reason other than (i) by Vail without "cause" or (ii) by Daly for "good reason" (in either case as defined below).

3. Term and Termination.

(a) Term and Renewal. The Effective Date of this Agreement shall be October 1, 1996. Unless terminated earlier, as hereinafter provided, the term of this Agreement shall be for the period commencing with the Effective Date and continuing through October 1, 1999; provided, however, that unless either Vail or Daly gives written notice of non-renewal to the other not less than 120 days prior to the then-current scheduled expiration date, this Agreement shall be automatically renewed for successive one-year periods.

(b) Termination for Cause. Vail, acting through the Board of Directors of Resorts, may terminate this Agreement at any time for "cause" by giving Daly written notice specifying the effective date of such termination and the circumstances constituting such cause. For purposes of this Agreement, "cause" shall mean (i) any conduct involving dishonesty, disloyalty or the unauthorized disclosure of confidential information or trade secrets which has a material detrimental impact on the reputation, goodwill or business position of Vail or any of the Companies; (ii) gross obstruction of business operations or illegal or disreputable conduct by Daly which materially impairs the reputation, goodwill or business position of Vail or any of the Companies, including acts of unlawful sexual harassment; or (iii) any action involving a material breach of the terms of the Agreement including, after 15 days' written notice and opportunity to cure to the Board's satisfaction, inattention to or neglect of duties. In the event of a termination for cause, Daly shall be entitled to receive his then-current Base Salary through the date of such termination.

(c) Termination Without Cause or Non-Renewal. Vail may terminate this Agreement at any time without cause, by giving Daly written notice specifying the effective date of such termination. In the event of a termination without cause, or if Vail gives notice of non-renewal of this Agreement as provided in Section 3(a), Daly shall be entitled to receive (i) his then-current Base Salary through the date of such termination or non-renewal, (ii) in the event that the applicable performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination or non-renewal occurs, which prorated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally, and (iii) continuation of his then-current Base Salary through the first anniversary of the date of termination or non-renewal. Notwithstanding the foregoing, should Vail and Daly mutually agree to waive Daly's compliance with the provisions of Section 4 hereof within 60 days of such termination or expiration, then Daly shall be under an obligation to mitigate damages by seeking other employment and the Base Salary continuation shall be reduced by compensation received by Daly from other employment or self-employment following such waiver.

(d) Termination By Daly.

(1) Daly shall be entitled to terminate this Agreement at any time for "good reason" by giving Vail not less than ninety (90) days prior written notice. For purposes of this Agreement, "good reason" shall mean (i) Vail shall breach its obligations hereunder in any material respect and shall fail to cure such breach within 60 days following written notice thereof from Daly, (ii) Vail shall cease to operate a major ski resort in Colorado, (iii) Vail shall effect a material change in Daly's reporting responsibilities, titles, offices or duties as in effect immediately prior to such change, or shall remove Daly from, or fail to re-elect Daly to, any of such positions, which in either case shall have the effect of materially reducing the responsibility or authority of Daly as President of Resorts and President and Chief Executive Officer of Associates, or shall otherwise be materially inconsistent with the responsibility, authority or duties normally associated with such positions, or (iv) during the first 12 months of the term of this Agreement, Daly shall determine in good faith that he is unable to develop or maintain a satisfactory working relationship with the chief executive officer of Resorts. In such event, Daly shall be entitled to receive (i) his then-current Base Salary through the date of such termination, (ii) in the event that the applicable performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally, and (iii) continuation of his then-current Base Salary through the first anniversary of the date of such termination.

(2) Daly may also terminate this Agreement at any time without good reason by giving Vail at least one hundred twenty (120) days prior written notice. In such event, Daly shall be entitled to receive his then-current Base Salary through the date of termination.

(e) Termination Due To Disability. In the event that Daly becomes permanently disabled (as determined by the Board of Directors of Resorts in good faith), Vail shall have the right to terminate this Agreement upon written notice to Daly; provided, however, that Daly shall be entitled to receive (i) his then-current Base Salary through the date of such termination, and (ii) continuation of his then-current Base Salary through the earlier of (x) the scheduled expiration date of this Agreement (but in no event less than 12 months from the date of disability) or (y) the date on which his long-term disability insurance payments commence.

(f) Termination Due To Death. This Agreement shall be deemed automatically terminated upon the death of Daly. In such event, Daly's personal representative shall be entitled to receive (i) his then-current Base Salary through such date of termination, and (ii) in the event that the applicable performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally. In addition, Vail shall continue to provide such health, dental or other medical insurance coverage to Daly's surviving spouse and dependents at Vail's expense as is made available to spouses and dependents of other employees in similar positions through the first anniversary of such termination.

(g) Change in Control. Notwithstanding the above, in the event that at any time after a change in control of Vail (i) this Agreement is terminated by Vail without cause, (ii) this Agreement is terminated by Daly for good reason, or (iii) Vail gives notice of non-renewal of this Agreement, then in any such case Daly shall be entitled to receive (i) his then-current Base Salary through the date of such termination or non-renewal, (ii) in the event that the applicable performance targets for the year are achieved, a pro-rated bonus for the portion of the year in which such termination occurs, which pro-rated bonus shall be payable in the same form and at the same time as bonus payments are made to senior executives generally, and (iii) continuation of his then-current Base Salary for a period of 18 months from the date of termination or nonrenewal. For purposes of this Agreement, a change in control" shall mean the acquisition by any person or group of affiliated persons (other than Apollo Ski Partners, L.P. and its affiliates) of equity securities of Resorts or Associates representing either a majority of the combined ordinary voting power of all outstanding voting securities of Resorts or Associates or a majority of the common equity interest in Resorts or Associates.

(h) Other Benefits. During any period in which Daly is entitled to Base Salary continuation following termination or expiration of this Agreement under the terms of this Section 3, Daly shall also be entitled to continuation of then-current health, dental and other insurance benefits for Daly and his dependents at Vail's expense. Except as expressly set forth in this Section 3, Daly shall not be entitled to receive any compensation or other benefits in connection with termination of his employment; provided, however, that termination of Daly's employment hereunder shall not affect his right to receive deferred compensation earned prior to such termination (which amounts shall be payable at Vail's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plan) or his rights to vested retirement benefits in accordance with the terms of the applicable plan. Notwithstanding the foregoing, all deferred compensation shall be forfeited by Daly in the event of termination of employment pursuant to Section 3(b) or Section 3(d)(2) of this Agreement.

(i) Payment of Salary Continuation. Payment of Base Salary following termination of this Agreement as required by this Section 3 shall be made in accordance with Associates' normal payroll practices; provided, however, that in the event of a breach by Daly of the provisions of Sections 4 through 7, Vail shall be entitled to cease all such payments. No termination of this Agreement shall affect any of the rights and obligations of the parties hereto under Sections 4 through 7, but such rights and obligations shall survive such termination in accordance with the terms of such Sections.

4. Non Competition.

The provisions of this Section 4 shall apply for a period of one (1) year beginning with the date of the termination of Daly's employment with Vail for any reason. During such period, Daly will not, without the prior written consent of the Board, directly or indirectly, become associated, either as owner, employee, officer, director, independent contractor, agent, partner, advisor or in any other capacity calling for the rendition of personal services, with any individual, partnership, corporation, or other organization (i) in Eagle County, Colorado whose business or enterprise is competitive in any way with any of the businesses or enterprises of Vail and/or the Companies or (ii) in the states of Colorado and Utah whose business or enterprise is alpine or nordic ski area operation; provided, however, that the foregoing shall not preclude Daly from having passive investments in less than five percent (5%) of the outstanding capital stock of a competitive corporation which is listed on a national securities exchange or regularly traded in the over-the-counter market or which have been approved in writing by the Board.

(c) If, for any reason, any portion of this covenant shall be held to be unenforceable it shall be deemed to be reformed so that it is enforceable to the maximum extent permitted by law.

5. Document Return; Resignations.

Upon termination of Daly's employment with Vail for any reason, Daly agrees that he shall promptly surrender to Vail or the Companies all letters, papers, documents, instruments, records, books, products, and any other materials owned by Vail or the Companies or used by Daly in the performance of his duties under this Agreement. Additionally, upon termination of Daly's employment with Vail for any reason, Daly agrees to immediately resign from, and execute appropriate resignation letters relating to, all management or Board positions he may have by reason of his employment or involvement with Vail, specifically including but not limited to Vail, any of the Companies, the Beaver Creek Resort Company of Colorado and the various condominium associations in which Daly serves at the direction of Vail (the "Associations").

6. Confidentiality.

During the term of this Agreement, and at all times following the termination of Daly's employment with Vail for any reason, Daly shall not disclose, directly or indirectly, to any person, firm or entity, or any officer, director, stockholder, partner, associate, employee, agent or representative thereof, any confidential information or trade secrets of Vail or any of the Companies, the Beaver Creek Resort Company of Colorado or the Associations.

7. Nondisparagement.

For a period of five (5) years following the termination of Daly's employment with Vail for any reason, Daly agrees that he shall not make any statements disparaging of Vail or the Companies, the Board, and the officers, directors, stockholders, or employees of Vail or the Companies, the Beaver Creek Resort Company of Colorado or the Associations. Vail shall similarly not disparage Daly following such termination, it being understood that, subject to the terms of this Section 7, Vail and Daly, as appropriate, may respond truthfully to inquiries from prospective employers of Daly, the press and other relevant parties.

8. Injunctive Relief.

The parties acknowledge that the remedy at law for any violation or threatened violation of this Agreement will be inadequate and that, accordingly, either party shall be entitled to injunctive relief in the event of such a violation or threatened violation without being required to post bond or other surety. The above stated remedies shall be in addition to, and not in limitation of, any other rights or remedies to which either party is or may be entitled at law, in equity, or under this Agreement.

9. Non-Assignability.

It is understood that this Employment Agreement has been entered into personally by the parties. Neither party shall have the right to assign, transfer, encumber or dispose of any duties, rights or payments due hereunder, which duties, rights and payments with respect hereto are expressly declared to be non-assignable and non-transferable, being based upon the personal services of Daly, and any attempted assignment or transfer shall be null and void and without binding effect on either party; provided, however, that, subject to Daly's rights under Section 3(g) hereof, Vail may assign this Agreement to any affiliate or to any successor corporation.

10. Complete Agreement.

This Agreement constitutes the full understanding and entire employment agreement of the parties, and supersedes and is in lieu of any and all other understandings or agreements between Vail and Daly. Nothing herein is intended to limit any rights or duties Daly has under the terms of any applicable option, incentive or other similar agreements.

11. Arbitration.

Any controversy or claim arising out of or in relation to this Agreement or any breach thereof shall be settled by arbitration in Vail, Colorado in accordance with the Commercial Arbitration Rules then in effect of the American Arbitration Association (hereinafter "AAA Rules") before a panel of three arbitrators, one of whom shall be selected by Vail, the second of whom shall be selected by Daly and the third of whom shall be selected by the other two arbitrators; provided, however, that to the extent that any of the AAA Rules or any portion thereof is inconsistent with the provisions of this Section 11, the provisions of this Section shall govern. If for any reason the AAA Rules cannot be followed or if any one of the parties fails or refuses to select an arbitrator within thirty (30) days after the time of notification of demand for arbitration by the other, or if the arbitrators selected by the parties to this Agreement cannot agree on the selection of a third arbitrator within thirty (30) days after such time as Vail and Daly have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the Chief Judge of the Fifth Judicial District or, if that officer fails or refuses to make an appointment, by the President of the Colorado Bar Association. In the event that any controversy or claim is submitted for arbitration hereunder relating to the failure or refusal by Vail or Daly to perform in full all of its obligations hereunder, Vail or Daly, as applicable, shall have the burden of proof (as to both production of evidence and persuasion) with respect to the justification for such failure or refusal. Any award entered by the arbitrators shall be final, binding and non-appealable, and judgment may be entered thereon by any party in accordance with the applicable law in any court of competent jurisdiction. The arbitrators shall award the prevailing party its reasonable attorneys' fees and costs. The arbitrators shall not have the power to direct equitable relief.

12. Amendments.

Any amendment to this Agreement shall be made only in writing and signed by each of the parties hereto.

13. Governing Law.

The internal laws of the State of Colorado law shall govern the construction and enforcement of this Agreement.

14. Notices.

Any notice required or authorized hereunder shall be deemed delivered with deposited, postage prepaid, in the United States mail, certified, with return receipt requested, addressed to the parties as follows:

Andrew P. Daly
P.O. Box 1514
Vail, Colorado 81658

Vail Resorts, Inc.
Vail Associates, Inc.
P.O. Box 7
Vail, Colorado 81658
Attn: General Counsel

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 1st day of October, 1996.

EMPLOYER:

VAIL RESORTS, INC.

By:

VAIL ASSOCIATES, INC.

By:

EXECUTIVE:

/s/ Andrew P. Daly

Andrew P. Daly

EXHIBIT 10.11(p)

CREDIT AGREEMENT

among

THE VAIL CORPORATION
(D/B/A "VAIL ASSOCIATES, INC.")
Borrower

NATIONSBANK OF TEXAS, N.A.
Agent

and

THE LENDERS NAMED HEREIN

$340,000,000

JANUARY 3, 1997

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SCHEDULES AND EXHIBITS

CREDIT AGREEMENT

This Credit Agreement is entered into as of January 3, 1997, among The Vail Corporation, a Colorado corporation doing business as "Vail Associates, Inc." ("BORROWER"), the Lenders (defined below), and NationsBank of Texas, N.A., as Agent for itself and the other Lenders.

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower, Lenders, and Agent hereby agree as follows:

SECTION DEFINITIONS AND TERMS.

Definitions.

AFFILIATE means with respect to any Person (the "relevant Person") (i) any other Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "Controlling Person") or (ii) any Person (other than the relevant Person) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

AGENT means NationsBank of Texas, N.A., a national banking association, and its successor or successors as agent for Lenders under this Agreement.

APPLICABLE MARGIN means, for any day, the margin of interest over the Base Rate or LIBOR, as the case may be, that is applicable when any interest rate is determined under this Agreement, as follows:

(a) With respect to the Revolving Credit Tranche and the Tranche A Term Loan, the Applicable Margin is subject to adjustment (upwards or downwards, as appropriate) based on the ratio of Funded Debt to Resort EBITDA, as follows:

RATIO OF FUNDED DEBT TO RESORT EBITDA	APPLICABLE MARGIN FOR LIBOR LOANS	APPLICABLE MARGIN FOR BASE RATE LOANS
Less than 2.00 to 1.00	0.500%	0.000%
Greater than or equal to 2.00 to 1.00, but less than 2.75 to 1.00	0.750% if Subordinated Debt comprises 15% or less of Funded Debt and 0.625% if Subordinated Debt comprises more than 15% of Funded Debt	0.000%
Greater than or equal to 2.75 to 1.00, but less than 3.50 to 1.00	1.000% if Subordinated Debt comprises 15% or less of Funded Debt and 0.875% if Subordinated Debt comprises more than 15% of Funded Debt	0.000%

RATIO OF FUNDED DEBT TO RESORT EBITDA	APPLICABLE MARGIN FOR LIBOR LOANS	APPLICABLE MARGIN FOR BASE RATE LOANS
Greater than or equal to 3.50 to 1.00, but less than 4.00 to 1.00	1.375% if Subordinated Debt comprises 15% or less of Funded Debt and 1.250% if Subordinated Debt comprises more than 15% of Funded Debt	0.000%
Greater than or equal to 4.00 to 1.00	1.750% if Subordinated Debt comprises 15% or less of Funded Debt and 1.625% if Subordinated Debt comprises more than 15% of Funded Debt	0.250% if Subordinated Debt comprises 15% or less of Funded Debt and 0.125% if Subordinated Debt comprises more than 15% of Funded Debt

Prior to Agent's receipt of the Companies' consolidated unaudited Financial Statements for the Companies' fiscal year ended September 30, 1997, the ratio of Funded Debt to Resort EBITDA shall be deemed to be greater than 4.00 to 1.00 until the receipt of such Financial Statements (unless and until VRI has received Net Equity Proceeds of at least $65,000,000, whereupon the ratio shall be deemed to be greater than 2.75 to 1.00, but less than 3.50 to 1.00 until the receipt of such Financial Statements).

After Agent's receipt of the Companies' consolidated unaudited Financial Statements for the Companies' fiscal year ended September 30, 1997, the ratio of Funded Debt to Resort EBITDA shall be calculated on a consolidated basis for the Companies in accordance with GAAP for the most recently completed fiscal year of the Companies for which results are available. The ratio shall be determined from the Current Financials and any related Compliance Certificate. However, if Borrower fails to furnish to Agent the Current Financials and any related Compliance Certificate when required pursuant to SECTION 8.1, then the ratio shall be deemed to be greater than 4.00 to 1.00 until Borrower furnishes the required Current Financials and any related Compliance Certificate to Agent. Furthermore, if the Companies' audited Financial Statements subsequently delivered to Agent for such fiscal year pursuant to SECTION 8.1(A)(II) result in a different ratio, such revised ratio (whether higher or lower) shall govern effective as of the date of such delivery. For purposes of determining such ratio, Resort EBITDA for any fiscal year shall include on a pro forma basis all EBITDA for such period relating to assets acquired (including Restricted Subsidiaries formed or organized) during such period, but shall exclude on a pro forma basis all EBITDA for such period relating to any such assets disposed of in accordance with this Agreement during such period.

(b) With respect to the Tranche B Term Loan, the Applicable Margin is (i) 2.250% for LIBOR Loans and 0.750% for Base Rate Loans, if Subordinated Debt comprises 15% or less of Funded Debt, and (ii) 2.125% for LIBOR Loans and 0.625% for Base Rate Loans, if Subordinated Debt comprises more than 15% of Funded Debt. Notwithstanding the foregoing, if VRI receives Net Equity Proceeds of at least $65,000,000 within 60 days after Borrower's receipt of clearance for the Ralston Resorts Acquisition from the U.S. Justice Department under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, then the Applicable Margin for the Tranche B Term Loan is subject to adjustment (upwards or downwards, as appropriate) based on the ratio of Funded Debt to Resort EBITDA, as follows:

RATIO OF FUNDED DEBT TO RESORT EBITDA	APPLICABLE MARGIN FOR LIBOR LOANS	APPLICABLE MARGIN FOR BASE RATE LOANS
Less than 2.00 to 1.00	0.625%	0.000%
Greater than or equal to 2.00 to 1.00, but less than 2.75 to 1.00	0.875% if Subordinated Debt comprises 15% or less of Funded Debt and 0.750% if Subordinated Debt comprises more than 15% of Funded Debt	0.000%
Greater than or equal to 2.75 to 1.00, but less than 3.50 to 1.00	1.125% if Subordinated Debt comprises 15% or less of Funded Debt and 1.000% if Subordinated Debt comprises more than 15% of Funded Debt	0.000%
Greater than or equal to 3.50 to 1.00, but less than 4.00 to 1.00	1.500% if Subordinated Debt comprises 15% or less of Funded Debt and 1.375% if Subordinated Debt comprises more than 15% of Funded Debt	0.000%
Greater than or equal to 4.00 to 1.00	1.875% if Subordinated Debt comprises 15% or less of Funded Debt and 1.750% if Subordinated Debt comprises more than 15% of Funded Debt	0.375% if Subordinated Debt comprises 15% or less of Funded Debt and 0.250% if Subordinated Debt comprises more than 15% of Funded Debt

If VRI receives Net Equity Proceeds of at least $65,000,000 within 60 days after Borrower's receipt of clearance for the Ralston Resorts Acquisition from the U.S. Justice Department under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, then (x) prior to Agent's receipt of the Companies' unaudited consolidated Financial Statements for the Companies' fiscal year ended September 30, 1997, the ratio of Funded Debt to Resort EBITDA shall be deemed to be greater than 2.75 to 1.00, but less than 3.50 to 1.00, and (y) thereafter, the ratio shall be determined as described in the last paragraph of part (a) above of this definition.

APPLICABLE PERCENTAGE means, for any day, the commitment fee percentage applicable under SECTION 4.4 when commitment fees are determined under this Agreement. The Applicable Percentage is subject to adjustment (upwards or downwards, as appropriate) based on the ratio of Funded Debt to Resort EBITDA, as follows:

RATIO OF FUNDED DEBT TO RESORT EBITDA	APPLICABLE PERCENTAGE
Less than 2.00 to 1.00	0.200%
Greater than or equal to 2.00 to 1.00, but less than 2.75 to 1.00	0.250%
Greater than or equal to 2.75 to 1.00, but less than 3.50 to 1.00	0.300%
Greater than or equal to 3.50 to 1.00, but less than 4.00 to 1.00	0.375%
Greater than or equal to 4.00 to 1.00	0.500% if Subordinated Debt comprises 15% or less of Funded Debt and 0.375% if Subordinated Debt comprises more than 15% of Funded Debt

The ratio of Funded Debt to Resort EBITDA shall be determined as described in the second and third paragraphs of part (a) of the definition of "Applicable Margin."

APOLLO means any one or more of the following: Apollo Advisors, L.P., a Delaware limited partnership, or any fund, investment vehicle or account managed, advised or controlled by Apollo Advisors, L.P., or any of its Affiliates, other than the Companies.

BASE RATE means, for any day, the greater of (a) the annual interest rate most recently announced by Agent as its prime rate (which may not necessarily represent the lowest or best rate actually charged to any customer) in effect at its principal office in Dallas, Texas, automatically fluctuating upward and downward as specified in each announcement without special notice to Borrower or any other Person, and (b) the sum of the Federal Funds Rate plus 0.5%.

BASE RATE LOAN means a Loan bearing interest at the sum of the Base Rate plus the Applicable Margin.

BORROWER is defined in the preamble to this Agreement.

BUSINESS DAY means any day, other than Saturday, Sunday, and any other day that commercial banks are authorized or required by Law to be closed in Texas or New York or, for purposes of any LIBOR Loan, in London.

CAPITAL LEASE means any capital lease or sublease that has been (or under GAAP should be) capitalized on a balance sheet.

CHANGE OF CONTROL TRANSACTION means the occurrence of any transaction or event, other than the issuance and sale in a public offering of equity securities of VRI, as a result of which transaction or event Apollo shall cease to possess, and some other Person shall obtain, in either case directly or indirectly, the power to direct or cause the direction of the management or policies of VRI, whether through the ownership of voting securities, by contract or otherwise.

CLOSING DATE means the date on which counterparts of this Agreement have been executed and delivered to Agent by each party hereto in accordance with SECTION 14.11.

CODE means the Internal Revenue Code of 1986, as amended from time to time, and related rules and regulations from time to time in effect.

COLLATERAL is defined in SECTION 5.2.

COLLATERAL AGENCY AGREEMENT means the Collateral Agency Agreement dated as of November 23, 1993, among VHI, Borrower, Beaver Creek Associates, Inc., NationsBank of Texas, N.A., as agent for certain lenders to Borrower, NationsBank of Texas, N.A., as Collateral Agent, and the Indenture Trustees for the Vail Bonds named therein.

COMMITTED SUM means the aggregate amount (as reduced and canceled under this Agreement) stated beside a Lender's name for the Facility on SCHEDULE 1 as most recently amended under this Agreement.

COMPANIES means VRI and each of VRI's Restricted and Unrestricted Subsidiaries now or hereafter existing.

COMPLIANCE CERTIFICATE means a certificate substantially in the form of EXHIBIT E and signed by Borrower's Chief Financial Officer, together with the calculation worksheet described therein.

CONVERSION REQUEST means a request substantially in the form of EXHIBIT F.

CURRENT FINANCIALS means, at any time, the consolidated Financial Statements of the Companies most recently delivered to Agent under SECTION 6.1, 8.1(A) or 8.1(B), as the case may be.

DEBT of any Person means at any date, without duplication (and calculated in accordance with GAAP), (a) all Funded Debt of such Person, (b) all obligations of such Person to pay the deferred purchase price of property or services, other than (i) obligations under employment contracts or deferred employee compensation plans and (ii) trade accounts payable and other expenses or payables arising in the ordinary course of business, (c) all Debt of others secured by a Lien on any asset of such Person (or for which the holder of the Debt has an existing Right, contingent or otherwise, to be so secured), whether or not such Debt is assumed by such Person, and (d) all guarantees and other contingent obligations (as a general partner or otherwise) of such Person with respect to Debt of others.

DEBTOR RELIEF LAWS means the Bankruptcy Reform Act of 1978, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments or similar Laws affecting creditors' Rights from time to time in effect.

DEFAULT is defined in SECTION 11.

DEFAULT RATE means an annual rate of interest equal from day to day to the lesser of (a) the then-existing Base Rate plus 2%, and (b) the Maximum Rate.

DISTRIBUTION means, with respect to any shares of any capital stock or other equity securities issued by a Person, (a) the retirement, redemption, purchase or other acquisition for value of those securities by such Person, (b) the payment of any dividend on or with respect to those securities by such Person, (c) any loan or advance by that Person to, or other investment by that Person in, the holder of any of those securities, and (d) any other payment by that Person with respect to those securities.

EBITDA means earnings before interest expenses, taxes and non-cash operating charges (such as depreciation and amortization expense), and extraordinary gains and losses, calculated on a consolidated basis for the Companies in accordance with GAAP.

EMPLOYEE PLAN means an employee pension benefit plan covered by Title IV of ERISA and established or maintained by any Company.

ENVIRONMENTAL LAW means any Law that relates to the pollution or protection of ambient air, water or land or to Hazardous Substances.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and related rules and regulations.

EXCESS CASH FLOW means, in respect of any period, the following, calculated on a consolidated basis for the Restricted Companies in accordance with GAAP: (a) net income (excluding gains from dispositions of assets), plus depreciation and amortization expense, plus other noncash charges, minus other noncash income for such period, minus (b) the sum of Scheduled Principal Payments, voluntary prepayments of principal on the Term Loans and payments or prepayments of principal on other non-revolving indebtedness during such period, plus capital expenditures during such period (including permitted investments under SECTION 9.8(I)).

EXISTING CREDIT AGREEMENTS means (a) the Credit Agreement dated as of November 23, 1993, among Borrower, NationsBank of Texas, N.A., as agent, and the banks named therein (as amended by (i) the Amended and Restated Permanent Credit Agreement dated as of February 7, 1994, (ii) the First Amendment to Amended and Restated Permanent Credit Agreement dated as of June 1, 1994, (iii) the Second Amended and Restated Credit Agreement dated as of March 31, 1995, and (iv) the First Amendment to Second Amended and Restated Credit Agreement of even date herewith), providing for credit in an amount up to $105,000,000, and (b) the Credit Agreement dated as of March 31, 1995, among Borrower, NationsBank of Texas, N.A., as agent, and the banks named therein, providing for credit in an amount up to $30,000,000.

FACILITY means, collectively, the Revolving Credit Tranche, the Tranche A Term Loan and the Tranche B Term Loan.

FEDERAL FUNDS RATE means, for any day, the annual rate (rounded upwards, if necessary, to the nearest 0.01%) determined (which determination is conclusive and binding, absent manifest error) by Agent to be equal to the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers on that day, as published by the Federal Reserve Bank of New York on the next Business Day, or, if those rates are not published for any day, the average of the quotations at approximately 10:00 a.m. received by Agent from three federal funds brokers of recognized standing selected by Agent in its sole discretion.

FINANCIAL HEDGE means a swap, collar, floor, cap or other contract between Borrower and any Lender or an Affiliate of any Lender (or another Person reasonably acceptable to Agent), which is intended to reduce or eliminate the risk of fluctuations in interest rates and which is legal and enforceable under applicable Law.

FINANCIAL STATEMENTS of a Person means balance sheets, profit and loss statements, reconciliations of capital and surplus, and statements of cash flow prepared (a) according to GAAP, and (b) other than as stated in SECTION 1.3, in comparative form to prior year-end figures or corresponding periods of the preceding fiscal year, as applicable.

FOREST SERVICE ASSIGNMENTS means, collectively (a) Assignments in Trust of each of the Forest Service Permits, and (b) any replacement of all or any portion of the foregoing, as contemplated by SECTION 5.3(B).

FOREST SERVICE PERMITS means the Vail Forest Service Permits and the Ralston Forest Service Permits.

FUNDED DEBT means the following, calculated on a consolidated basis for the Restricted Companies in accordance with GAAP: (i) all obligations for borrowed money (whether as a direct obligation on a promissory note, bond, zero coupon bond, debenture or other similar instrument, or as an unfulfilled reimbursement obligation on a drawn letter of credit or similar instrument, or otherwise), plus (but without duplication) (ii) all Capital Lease obligations (other than the interest component of such obligations) of any Restricted Company.

FUNDING LOSS means any loss or expense that any Lender reasonably incurs because (a) Borrower fails or refuses (for any reason whatsoever, other than a default by Agent or the Lender claiming such loss or expense) to take any Loan that it has requested under this Agreement, or (b) Borrower pays any LIBOR Loan or converts any LIBOR Loan to a Base Rate Loan, in each case, before the last day of the applicable Interest Period.

GAAP means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time.

GUARANTOR means any Company which has executed and delivered a Guaranty.

GUARANTY means a guaranty substantially in the form of EXHIBIT B.

HAZARDOUS SUBSTANCE means any substance that is defined or classified as a hazardous waste, hazardous material, pollutant, contaminant or toxic or hazardous substance under any Environmental Law.

INTELLECTUAL PROPERTY means (a) common law, federal statutory, state statutory and foreign trademarks or service marks (including, without limitation, all registrations and pending applications and the goodwill of the business symbolized by or conducted in connection with any such trademark or service mark), trademark or service mark licenses and all proceeds of trademarks or service marks (including, without limitation, license royalties and proceeds from infringement suits), (b) United States and foreign patents (including, without limitation, all pending applications, continuations, continuations-in-part, divisions, reissues, substitutions and extensions of existing patents or applications), patent licenses and all proceeds of patents (including, without limitation, license royalties and proceeds from infringement suits), (c) copyrights (including, without limitation, all registrations and pending applications), copyright licenses and all proceeds of copyrights (including, without limitation, license royalties and proceeds from infringement suits), and (d) trade secrets, but does not include (i) any licenses (including, without limitation, liquor licenses) or any permits (including, without limitation, sales tax permits) issued by a Tribunal and in which (y) the licensee's or permittee's interest is defeasible by such Tribunal and (z) the licensee or permittee has no right beyond the terms, conditions and periods of the license or permit, or (ii) trade names or "dba"s to the extent they do not constitute trademarks or service marks.

INTEREST PERIOD is determined in accordance with SECTION 3.9.

LAWS means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees and judgments.

LC means (a) the Smith Creek LC and each existing letter of credit issued by Agent for the account of any of the Companies and described on SCHEDULE 2.3, and (b) each other letter of credit (in such form as shall be customary in respect of obligations of a similar nature and as shall be reasonably requested by Borrower) issued by Agent under this Agreement and an LC Agreement.

LC AGREEMENT means a letter of credit application and agreement (in form and substance satisfactory to Agent in its reasonable discretion) submitted by Borrower to Agent for an LC for the account of any Company.

LC EXPOSURE means, without duplication, the sum of (a) the aggregate face amount of all undrawn and uncancelled LCs, plus (b) the aggregate unpaid reimbursement obligations of Borrower under drawings or drafts under any LC.

LC REQUEST means a request substantially in the form of EXHIBIT G.

LC SUBFACILITY means a subfacility under the Revolving Credit Tranche for the issuance of LCs, as described in SECTION 2.3.

LENDERS means each of the lenders named on the attached SCHEDULE 1 or on the most recently amended SCHEDULE 1, if any, delivered by Agent under this Agreement, and, subject to this Agreement, their respective successors and assigns (but not any Participant who is not otherwise a party to this Agreement).

LIBOR means, with respect to any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "LIBOR" shall mean, for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page (or any successor page or any successor service for the purpose of displaying London interbank offered rates of major banks) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page (or any successor page), the applicable rate shall be the arithmetic mean of all such rates.

LIBOR LOAN means a Loan bearing interest at the sum of LIBOR plus the Applicable Margin.

LIEN means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

LITIGATION means any action by or before any Tribunal.

LOAN means any amount disbursed by any Lender to Borrower or on behalf of any Company under the Loan Papers, either as an original disbursement of funds, the continuation of an amount outstanding, or payment under an LC.

LOAN DATE is defined in SECTION 2.2(A).

LOAN PAPERS means (a) this Agreement and the Notes, (b) the Security Documents and documents related thereto and each Guaranty, (c) all LCs and LC Agreements, (d) any Financial Hedge between Borrower and any Lender or an Affiliate of any Lender, and (e) all renewals, extensions and restatements of, and amendments and supplements to, any of the foregoing.

LOAN REQUEST means a request substantially in the form of EXHIBIT D.

MATERIAL ADVERSE EVENT means any (a) material impairment of the ability of the Restricted Companies as a whole to perform their payment or other material obligations under the Loan Papers or material impairment of the ability of Agent or any Lender to enforce any of the material obligations of the Restricted Companies as a whole under the Loan Papers, or (b) material and adverse effect on the financial condition of the Restricted Companies as a whole.

MATERIAL AGREEMENT means, for any Person, any agreement (excluding purchase orders for material, services or inventory in the ordinary course of business) to which that Person is a party, by which that Person is bound, or to which any assets of that Person may be subject, and that is not cancelable by that Person upon 30 or fewer days' notice without liability for further payment, other than nominal penalty, and that requires that Person to pay more than $2,000,000 during any 12-month period.

MAXIMUM AMOUNT and MAXIMUM RATE respectively mean, for a Lender, the maximum non-usurious amount and the maximum non-usurious rate of interest that, under applicable Law, such Lender is permitted to contract for, charge, take, reserve or receive on the Obligation held by such Lender.

MULTIEMPLOYER PLAN means a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code to which any Company (or any Person that, for purposes of Title IV of ERISA, is a member of Borrower's controlled group or is under common control with Borrower within the meaning of Section 414 of the Code) is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

NET EQUITY PROCEEDS means the net cash proceeds received by the Companies from the issuance and sale of equity securities.

NOTE means a promissory note substantially in the form of EXHIBIT A-1, A-2, or A-3, as amended, supplemented or restated.

OBLIGATION means all present and future indebtedness and obligations, and all renewals, increases and extensions thereof, or any part thereof, now or hereafter owed to Agent and Lenders by the Companies under the Loan Papers, together with all interest accruing thereon, fees, costs and expenses (including, without limitation, all attorneys' fees and expenses incurred in the enforcement or collection thereof) payable under the Loan Papers or in connection with the protection of Rights under the Loan Papers.

PARTICIPANT is defined in SECTION 14.12(B).

PBGC means the Pension Benefit Guaranty Corporation, or any successor thereof, established under ERISA.

PERMITTED DEBT means:

(a) the Obligation;

(b) amounts owed, and all guarantee obligations in existence on the date hereof of any Company, in connection with the Vail Bonds and the Ralston Bonds;

(c) Subordinated Debt of VRI, VHI or Borrower and Debt incurred to refinance VRI's 12- 1/4% Senior Subordinated Notes Due 2002;

(d) Debt arising from endorsing negotiable instruments for collection in the ordinary course of business;

(e) contingent obligations of Borrower under the $10,115,000 Standby Bond Purchase Agreement between Borrower and Colorado National Bank, as Trustee, dated July 9, 1996;

(f) in addition to the foregoing, (i) Debt of Unrestricted Subsidiaries which is non-recourse to the Restricted Companies and their assets, (ii) fees and other amounts payable under the Forest Service Permits in the ordinary course of business, and (iii) inter-Company Debt between Restricted Companies;

(g) approximately $3,000,000 remaining outstanding under a $4,500,000 term loan payable by Ralston Resorts to National Australia Bank Limited in connection with the Keystone Conference Center and refinancings thereof; and

(h) in addition to the foregoing, up to $40,000,000 of additional Debt of the Companies in the aggregate at any point in time.

PERMITTED LIENS means:

(a) Liens directly securing the Obligation;

(b) Liens created by, or pursuant to, the Collateral Agency Agreement for the benefit of the holders of the Vail Bonds and the Debt Service Reserve Funds established pursuant to the Loan Agreements described in the Collateral Agency Agreement;

(c) Liens on the amounts in the Bond Fund, Redemption Fund and Rebate Fund established and maintained in accordance with the provisions of the documents executed in connection with the issuance of the Ralston Bonds;

(d) Liens on assets of Unrestricted Subsidiaries securing Debt which is non-recourse to the Restricted Companies and their assets;

(e) purchase money liens which encumber only the assets acquired;

(f) pledges or deposits made to secure payment of workers' compensation, unemployment insurance or other forms of governmental insurance or benefits or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions or other social security programs;

(g) good-faith pledges or deposits made to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations, surety or appeal bonds or indemnity, performance or other similar bonds in the ordinary course of business;

(h) encumbrances and restrictions on the use of real property which do not materially impair the use thereof;

(i) the following, if either (1) no amounts are due and payable and no Lien has been filed or agreed to, or (2) the validity or amount thereof is being contested in good faith by lawful proceedings diligently conducted, reserve or other provision required by GAAP has been made, levy and execution thereon have been (and continue to be) stayed or payment thereof is covered in full (subject to the customary deductible) by insurance: (i) Liens for Taxes; (ii) Liens upon, and defects of title to, property, including any attachment of property or other legal process prior to adjudication of a dispute on the merits; (iii) Liens imposed by operation of law (including, without limitation, Liens of mechanics, materialmen, warehousemen, carriers and landlords, and similar Liens); and (iv) adverse judgments on appeal;

(j) any interest or title of a lessor or licensor in assets being leased or licensed to a Company;

(k) licenses, leases or subleases granted to third Persons which do not interfere in any material respect with the business conducted by the Companies;

(l) any Lien on any asset of any corporation that becomes a Subsidiary of VRI, which Lien exists at the time such corporation becomes a Subsidiary of VRI and is not created in contemplation thereof;

(m) in respect of Water Rights, the provisions of the instruments evidencing such Water Rights and any matter affecting such Water Rights which does not affect the Companies' rights to sufficient quantity and quality of water to conduct business as in effect on the date hereof or any expansion planned as of the date hereof (including, without limitation, any Lien of the Colorado Water Conservation Board, or its successors and assigns, on stock owned by any Company in a Colorado ditch and reservoir company formed in accordance with the Colorado Corporation Code, as amended);

(n) in respect of the Forest Service Permits, the provisions of the instruments evidencing such permits and all rights of the United States and its agencies with respect thereto or with respect to the land affected thereby; and

(o) Liens on cash accounts not to exceed $250,000 in the aggregate at the FirstBank of Vail established in connection with collateralizing a portion, if any, of certain second mortgage loans made by such bank, and guaranteed by Borrower, as part of the Vail Associates Home Mortgage Program for Borrower's employees.

PERSON means any individual, partnership, entity or Tribunal.

PLEDGE AGREEMENTS means the following, each of even date herewith and substantially in the form of EXHIBIT C: (a) Pledge Agreement from VRI relating to the capital stock issued by VHI and each of VRI's other direct Restricted Subsidiaries, (b) Pledge Agreement from VHI relating to the capital stock issued by Borrower, (c) Pledge Agreement from Borrower relating to the capital stock issued by Ralston Resorts and Borrower's other direct Restricted Subsidiaries, (d) Pledge Agreement from Ralston Resorts relating to the capital stock issued by its Restricted Subsidiaries and its Rights with respect to Distributions from Keystone/Intrawest L.L.C., (e) Pledge Agreement from Vail Associates Real Estate Group, Inc., relating to the capital stock issued by its direct Restricted Subsidiaries, (f) Pledge Agreement from Beaver Creek Associates, Inc., relating to the capital stock issued by its Restricted Subsidiary, and (g) Pledge Agreement from Vail Associates Real Estate, Inc., relating to the capital stock issued by its Restricted Subsidiary and its 50% ownership interest in Slifer, Smith & Frampton/Vail Associates Real Estate, L.L.C.

POTENTIAL DEFAULT means the occurrence of any event or existence of any circumstance that would, upon notice or lapse of time or both, become a Default.

PRINCIPAL DEBT means, at any time, the unpaid principal balance of all Loans.

PRO RATA and PRO RATA PART means, when determined for any Lender, (a) with respect to the Revolving Credit Tranche, if no Principal Debt is outstanding, the proportion (stated as a percentage) that its commitment for such Tranche bears to Lenders' aggregate commitment for such Tranche, or if any Principal Debt is outstanding, the proportion (stated as a percentage) that its Principal Debt under such Tranche bears to all such Principal Debt, (b) with respect to the Tranche A Term Loan or the Tranche B Term Loan, the proportion (stated as a percentage) that its Principal Debt under such Tranche bears to all such Principal Debt, and (c) with respect to the Facility as a whole, if no Default or Potential Default exists, the proportion (stated as a percentage) that its Committed Sum bears to the Total Commitment, or if a Default or Potential Default exists, the proportion (stated as a percentage) that the Principal Debt owed to it bears to the aggregate Principal Debt owed to all Lenders.

PURCHASER is defined in SECTION 14.12(C).

QUARTERLY DATE means each March 31, June 30, September 30 and December 31.

RALSTON BONDS means (a) the Summit County, Colorado, Sports Facilities Refunding Revenue Bonds (Keystone Resorts Management, Inc. Project) Series 1990, in the original principal amount of $20,360,000, (b) the Summit County, Colorado, Sports Facilities Refunding Revenue Bonds (Keystone Resorts Management, Inc. Project) Series 1991, in the original principal amount of $3,000,000, and (c) refinancings of any of the foregoing.

RALSTON FOREST SERVICE PERMITS means (a) Term Special Use Permit Holder No. 5289-01 for Keystone ski area issued by the Service to Ralston Resorts on December 31, 1996, and expiring on December 31, 2032; (b) Term Special Use Permit Holder No. 5289-04 for Breckenridge ski area issued by the Service to Ralston Resorts on December 31, 1996, and expiring on December 31, 2029; (c) Term Special Use Permit Holder No. 5289-02 for Arapahoe Basin ski area issued by the Service to Ralston Resorts on December 31, 1996, and expiring on December 31, 2029; and (d) any replacements of any of the foregoing, as contemplated by SECTION 5.3(B).

RALSTON RESORTS means Ralston Resorts, Inc., a Colorado corporation.

RALSTON RESORTS ACQUISITION means Borrower's acquisition of all of the capital stock of Ralston Resorts from Ralston Foods, Inc., pursuant to the Stock Purchase Agreement.

REPRESENTATIVES means representatives, officers, directors, employees, attorneys and agents.

REQUIRED LENDERS means Lenders holding more than (a) 50% of the Total Commitment, if no Default or Potential Default exists, or (b) 50% of the outstanding Principal Debt, if a Default or Potential Default exists.

RESERVE REQUIREMENT means, with respect to any LIBOR Loan for the relevant Interest Period, the maximum aggregate reserve requirements (including all basic, supplemental, emergency, special, marginal and other reserves required by applicable Law) applicable to a member bank of the Federal Reserve System for eurocurrency fundings or liabilities.

RESORT EBITDA means EBITDA, minus EBITDA related to real estate activities, and minus any portion of EBITDA attributable to Unrestricted Subsidiaries.

RESPONSIBLE OFFICER means the chairman, president, chief executive officer or chief financial officer of Borrower.

RESTRICTED COMPANY means VRI, VHI, Borrower and all of VRI's other direct and indirect Subsidiaries (other than Unrestricted Subsidiaries).

RESTRICTED SUBSIDIARY means VHI, Borrower and all of VRI's other direct and indirect Subsidiaries (other than Unrestricted Subsidiaries).

REVOLVING CREDIT COMMITMENT means the amount (as reduced and canceled under this Agreement) so designated beside a Lender's name on SCHEDULE 1 as most recently amended under this Agreement.

REVOLVING CREDIT COMMITMENT USAGE means, at any time, the sum of (a) the aggregate Principal Debt under the Revolving Credit Tranche, plus (b) the LC Exposure.

REVOLVING CREDIT TERMINATION DATE means the earlier of (a) April 15, 2003, and (b) the effective date that the Lenders' commitments to lend under this Agreement are otherwise canceled or terminated.

REVOLVING CREDIT TRANCHE is defined in SECTION 2.1.

RIGHTS means rights, remedies, powers, privileges and benefits.

SCHEDULED PRINCIPAL PAYMENTS means the installments of principal due on the Term Loans as described on SCHEDULE 3.2.

SECURITY DOCUMENTS means, collectively, the Pledge Agreements, the Forest Service Assignments and any other security agreements or similar documents entered into by any Restricted Company from time to time pursuant to the Loan Papers, as amended, supplemented or restated.

SERVICE means the United States Department of Agriculture Forest Service or any successor agency.

SMITH CREEK BONDS means all Smith Creek Metropolitan District, Eagle County, Colorado Variable Rate Revenue Bonds, the initial series of which was Series 1995 in the original principal amount of $26,000,000.

SMITH CREEK INDENTURE means the Trust Indenture dated as of April 1, 1995, by and between Smith Creek Metropolitan District, as Issuer, and the Smith Creek Trustee, relating to the Smith Creek Bonds.

SMITH CREEK LC means an irrevocable transferable LC issued to the Smith Creek Trustee, under the terms of which it will be entitled to draw, with respect to the applicable series of Smith Creek Bonds, up to (a) an amount sufficient to pay (i) the principal of the "Outstanding Bonds" (as defined in the Smith Creek Indenture) when due, or (ii) the portion of the purchase price of Outstanding Bonds tendered or deemed tendered for purchase in accordance with the Smith Creek Indenture and not subsequently remarketed corresponding to the principal amount of such bonds, plus (b) an amount equal to approximately 210 days of accrued interest on the Outstanding Bonds (at 12% per annum or such higher rate as the Smith Creek Trustee may designate in accordance with the Smith Creek Indenture), to pay (i) interest on the Outstanding Bonds when due, or (ii) the portion of the purchase price of Outstanding Bonds tendered or deemed tendered for purchase in accordance with the Smith Creek Indenture and not subsequently remarketed corresponding to accrued interest then due on such bonds. The initial Smith Creek LC issued in connection with the Series 1995 Smith Creek Bonds, which will expire on October 15, 1999, will constitute an LC issued under this Agreement.

SMITH CREEK TRUSTEE means Key Bank of Colorado, as the Trustee under the Smith Creek Trust Indenture.

SOLVENT means, as to a Person, that (a) the aggregate fair market value of its assets exceeds its liabilities, (b) it has sufficient cash flow to enable it to pay its Debts as they mature, and (c) it does not have unreasonably small capital to conduct its businesses.

STOCK PURCHASE AGREEMENT means the Stock Purchase Agreement dated July 22, 1996, among VRI, Ralston Foods, Inc., and Ralston Resorts, as amended.

SUBORDINATED DEBT means (a) VRI's 12- 1/4% Senior Subordinated Notes Due 2002, currently in the amount of $62,647,000 and (b) any other unsecured indebtedness for borrowed money for which a Company is directly and primarily obligated that (i) does not have any stated maturity before the latest maturity of any part of the Obligation if such indebtedness was created after the Closing Date, (ii) has terms that are no more restrictive upon the Company than the terms of the Loan Papers, and (iii) is subordinated, upon terms satisfactory to Agent, to the payment and collection of the Obligation.

SUBSIDIARY means with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

TAXES means, for any Person, taxes, assessments or other governmental charges or levies imposed upon it, its income, or any of its properties, franchises or assets.

TERM LOANS means the Tranche A Term Loan and the Tranche B Term Loan.

TOTAL COMMITMENT means, at any time, the sum of all Committed Sums for all Lenders (as reduced or canceled under this Agreement) then in effect.

TRANCHE means each of the Revolving Credit Tranche, the Tranche A Term Loan and the Tranche B Term Loan.

TRANCHE A COMMITMENT means the amount (as reduced or canceled under this Agreement) so designated beside a Lender's name on SCHEDULE 1 as most recently amended under this Agreement.

TRANCHE A TERMINATION DATE means the earlier of (a) April 15, 2003, and (b) the effective date that Lenders' commitments to lend under this Agreement are otherwise canceled or terminated.

TRANCHE A TERM LOAN is defined in SECTION 2.1(B).

TRANCHE B COMMITMENT means the amount (as reduced or canceled under this Agreement) so designated beside a Lender's name on SCHEDULE 1 as most recently amended under this Agreement.

TRANCHE B TERMINATION DATE means the earlier of (a) April 15, 2004, and (b) the effective date that Lenders' commitments to lend under this Agreement are otherwise canceled or terminated.

TRANCHE B TERM LOAN is defined in SECTION 2.1(C).

TRIBUNAL means any (a) local, state, or federal judicial, executive, or legislative instrumentality, (b) private arbitration board or panel, or (c) central bank.

TYPE means any type of Loan determined with respect to the applicable interest option.

UCP means The Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 (as amended or modified).

UNRESTRICTED SUBSIDIARY means Vail Associates Investments, Inc., and any newly-formed Subsidiary created by Borrower pursuant to SECTION 8.12 (which may be a partnership, joint venture, corporation or other entity) (a) which does not own any Forest Service Permit or the stock of any Restricted Company (regardless of whether the Liens of the Security Documents relating to such assets have been released) or any of the assets described on SCHEDULE 2, (b) which has (and whose other partners, joint venturers or shareholders have) no Debt or other material obligation which is recourse to any Restricted Company or to the assets of any Restricted Company (other than with respect to limited guarantees or other recourse agreements of the Companies which are permitted to be incurred hereunder within the $40,000,000 of recourse Debt allowed under clause (h) of the definition of "Permitted Debt"), and (c) which has been designated by Borrower as an Unrestricted Subsidiary by notice to Agent.

VAIL BONDS means (a) the Eagle County, Colorado, Sports Facilities Revenue Refunding Bonds (Beaver Creek Associates Project) Series 1992, in the original principal amount of $19,600,000, (b) the Eagle County, Colorado, Sports and Housing Facilities Refunding Bonds (Vail Associates Project) Series 1992, in the original principal amount of $21,600,000, and (c) refinancings of any of the foregoing.

VAIL FOREST SERVICE PERMITS means (a) Ski Area Term Special Use Permit Holder No. 4056/01 issued by the Service to Borrower for the Vail ski area on November 23, 1993, and expiring on October 31, 2031; (b) Term Special Use Permit No. Holder 4191/01 issued by the Service to Borrower's wholly-owned subsidiary, Beaver Creek Associates, Inc., for the Beaver Creek ski area on January 29, 1980, and expiring on December 31, 2006; (c) Special Use Permit Holder No. 4191/02 issued by the Service to Beaver Creek Associates, Inc., on January 29, 1980, to supplement Term Special Use Permit Holder No. 4191/01, and expiring on December 31, 2006; and (d) any replacements of any of the foregoing, as contemplated by SECTION 5.3(B).

VHI means Vail Holdings, Inc., a Colorado corporation and the direct owner of Borrower.

VRI means Vail Resorts, Inc., a Delaware corporation and the indirect owner of Borrower.

WATER RIGHTS means all water rights and conditional water rights that are appurtenant to real property owned by the Companies or that have been used or are intended for use in connection with the conduct of the business of the Companies, including but not limited to (a) ditch, well, pipeline, spring and reservoir rights, whether or not adjudicated or evidenced by any well or other permit, (b) all rights with respect to groundwater underlying any real property owned by the Companies, (c) any permit to construct any water well, water from which is intended to be used in connection with such real property, and (d) all right, title and interest of the Companies under any decreed or pending plan of augmentation or water exchange plan.

1.2 Number and Gender of Words. The singular number includes the plural where appropriate and vice versa, and words of any gender include each other gender where appropriate.

1.3 Accounting Principles. Under the Loan Papers and any documents delivered thereunder, unless otherwise stated, (a) GAAP in effect on the date of this Agreement determines all accounting and financial terms and compliance with financial covenants, (b) otherwise, all accounting principles applied in a current period must be comparable in all material respects to those applied during the preceding comparable period, and (c) while VRI has any consolidated Restricted Subsidiaries, all accounting and financial terms and compliance with financial covenants must be on a consolidating and consolidated basis, as applicable.

SECTION 2 COMMITMENT.

2.1 Credit Facility.

(a) Subject to the provisions in the Loan Papers, each Lender shown on SCHEDULE 1 as providing a Revolving Credit Commitment hereby severally and not jointly agrees to lend to Borrower its Pro Rata Part (in accordance with its Revolving Credit Commitment) of one or more revolving Loans in an aggregate principal amount outstanding at any time up to such Lender's Revolving Credit Commitment which Borrower may borrow, repay, and reborrow under this Agreement (collectively for all Lenders, the "REVOLVING CREDIT TRANCHE"). Revolving Credit Loans are subject to the following conditions:

(i) Each Revolving Credit Loan must occur on a Business Day and no later than the Business Day immediately preceding the Revolving Credit Termination Date;

(ii) Each Revolving Credit Loan must be in an amount not less than (i) $500,000 or a greater integral multiple of $100,000 (if a Base Rate Loan), or (ii) $1,000,000 or a greater integral multiple of $100,000 (if a LIBOR Loan);

(iii) When determined, (i) Revolving Credit Commitment Usage may not exceed the aggregate commitment under the Revolving Credit Tranche (as such amount is reduced and canceled in accordance with this Agreement), and (ii) for any Lender, its Pro Rata Part of the Revolving Credit Commitment Usage may not exceed such Lender's Revolving Credit Commitment; and

(iv) During each fiscal year of the Companies there must be a period of at least 30 consecutive days (which period must include April 15th of such year) when the unused portion of the aggregate commitment under the Revolving Credit Tranche equals or exceeds $50,000,000.

(b) Subject to the provisions in the Loan Papers, each Lender shown on SCHEDULE 1 as providing a Tranche A Commitment hereby severally and not jointly agrees to lend to Borrower on the Closing Date its part of a single disbursement of funds in the amount of such Lender's Tranche A Commitment which, when repaid, may not be reborrowed hereunder (collectively for all Lenders, the "TRANCHE A TERM LOAN").

(c) Subject to the provisions in the Loan Papers, each Lender shown on SCHEDULE 1 as providing a Tranche B Commitment hereby severally and not jointly agrees to lend to Borrower on the Closing Date its part of a single disbursement of funds in the amount of such Lender's Tranche B Commitment which, when repaid, may not be reborrowed hereunder (collectively for all Lenders, the "TRANCHE B TERM LOAN").

2.2 Loan Procedure.

(a) Borrower may request a Loan by submitting to Agent a Loan Request, which is irrevocable and binding on Borrower. It must be received by Agent no later than 1:00 p.m. on the third Business Day preceding the date on which funds are requested (the "LOAN DATE") for any LIBOR Loan or no later than 1:00 p.m. on the Business Day immediately preceding the Loan Date for any Base Rate Loan. Agent shall promptly notify each Lender of its receipt of any Loan Request and its contents.

(b) Each Lender shall remit its applicable Pro Rata Part of each requested Loan under a Tranche for which such Lender has provided a commitment to Agent's principal office in Dallas, Texas, in funds that are available for immediate use by Agent by 11:00 a.m. on the applicable Loan Date. Subject to receipt of such funds, Agent shall (unless to its actual knowledge any of the applicable conditions precedent have not been satisfied by Borrower or waived by Required Lenders) make such funds available to Borrower as directed in the Loan Request.

(c) Absent contrary written notice from a Lender, Agent may assume that each Lender which has provided a commitment for the relevant Tranche has made its Pro Rata Part of the requested Loan available to Agent on the applicable Loan Date, and Agent may, in reliance upon such assumption (but shall not be required to), make available to Borrower a corresponding amount. If a Lender fails to make such Pro Rata Part of any requested Loan available to Agent on the applicable Loan Date, Agent may recover the applicable amount on demand (i) from that Lender, together with interest at the Federal Funds Rate during the period commencing on the date the amount was made available to Borrower by Agent and ending on (but excluding) the date Agent recovers the amount from that Lender, or (ii), if that Lender fails to pay its amount upon demand, then from Borrower, together with interest at an annual interest rate equal to the rate applicable to the requested Loan during the period commencing on the Loan Date and ending on (but excluding) the date Agent recovers the amount from Borrower. No Lender is responsible for the failure of any other Lender to fund any part of any Loan.

2.3 LC Subfacility.

(a) Subject to the terms and conditions of this Agreement and applicable Law, Agent agrees to issue LCs under the Revolving Credit Tranche upon Borrower's delivery of an LC Request and an LC Agreement, each of which must be received by Agent no later than 1:00 p.m. on the third Business Day preceding the date on which the requested LC is to be issued; provided that the LC Exposure may not exceed $60,000,000 and the Revolving Credit Commitment Usage may not exceed the aggregate commitment under the Revolving Credit Tranche (as such amount is reduced and canceled in accordance with this Agreement). Each LC (other than Smith Creek LCs) must expire no later than 13 months from its issuance; provided that any LC (other than Smith Creek LCs) may, at Borrower's request, provide that it is self-extending upon its expiration date for successive periods of 6 to 12 months each (as selected by Borrower), unless Agent has given the beneficiary thereunder at least 30 days (but no more than 120 days) prior written notice to the contrary (provided, however, that such notice shall in no event be given by Agent unless (i) Agent is directed so to do by Borrower or (ii) a Default exists). Amounts drawn under Smith Creek LCs are subject to reinstatement upon the terms set forth therein. In no event may any LC have an expiration date later than the Revolving Credit Termination Date.

(b) Immediately upon Agent's issuance of any LC, Agent shall be deemed to have sold and transferred to each Lender with a Revolving Credit Commitment, and each such Lender shall be deemed irrevocably and unconditionally to have purchased and received from Agent, without recourse or warranty, an undivided interest and participation (to the extent of such Lender's Pro Rata Part of the Revolving Credit Tranche) in the LC and all applicable Rights of Agent in the LC (other than Rights to receive the fronting fees provided for in SECTION 4.3). Agent shall provide a copy of each LC to each such Lender promptly after issuance.

(c) To induce Agent to issue and maintain LCs, and to induce Lenders to participate in issued LCs, Borrower agrees to pay or reimburse Agent (i) on or before the date when any draft or draw request is presented under any LC, the amount paid or to be paid by Agent (subject to a credit, in the case of a Smith Creek LC, for any portion of such reimbursement received by Agent directly from the Smith Creek Trustee for the account of Borrower under the Smith Creek Indenture) and (ii) promptly, upon demand, the amount of any additional fees Agent customarily charges for the application and issuance of an LC, for amending LC Agreements, for honoring drafts and draw requests, and taking similar action in connection with letters of credit. If Borrower (or, in the case of a drawing under a Smith Creek LC, the Smith Creek Trustee) has not reimbursed Agent for any drafts or draws paid or to be paid and Borrower has not requested a Loan to fund such reimbursement obligations within 24 hours following Agent's demand for reimbursement, Agent is irrevocably authorized to fund Borrower's reimbursement obligations as a Loan under the Revolving Credit Tranche(and the proceeds of the Loan shall be advanced directly to Agent to pay Borrower's unpaid reimbursement obligations). If funds cannot be advanced under the Revolving Credit Tranche because the Revolving Credit Commitment has been terminated under SECTION 12.1, then Borrower's reimbursement obligation shall constitute a demand obligation. Borrower's obligations under this SECTION 2.3(C) are absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense (other than payment) that Borrower may have at any time against Agent or any other Person. Agent shall promptly distribute reimbursement payments received from Borrower to all Lenders according to their Pro Rata Part of the Revolving Credit Tranche. From the date due to the date paid, unpaid reimbursement amounts accrue interest that is payable on demand at the Default Rate.

(d) Agent shall promptly notify Borrower of the date and amount of any draft or draw request presented for honor under any LC and the date and amount of any payment by Agent in connection therewith (but failure to give notice will not affect Borrower's obligations under this Agreement). Agent shall pay the requested amount upon presentment of a draft or draw request unless presentment on its face does not comply with the terms of the applicable LC. When making payment, Agent may disregard (i) any default or potential default that exists under any other agreement and (ii) obligations under any other agreement that have or have not been performed by the beneficiary or any other Person (and Agent is not liable for any of those obligations). Borrower's reimbursement obligations to Agent and Lenders, and each Lender's obligations to Agent, under this SECTION 2.3 are absolute and unconditional irrespective of, and Agent is not responsible for, (i) the validity, enforceability, sufficiency, accuracy or genuineness of documents or endorsements (even if they are in any respect invalid, unenforceable, insufficient, inaccurate, fraudulent or forged), (ii) any dispute by any Company with or any Company's claims, setoffs, defenses (other than payment), counterclaims or other Rights against Agent, any Lender or any other Person, or (iii) the occurrence of any Potential Default or Default.

(e) If Borrower (or, in the case of a drawing under a Smith Creek LC, the Smith Creek Trustee) fails to reimburse Agent as provided in SECTION 2.3(C) within 24 hours after Agent's demand for reimbursement, and funds cannot be advanced under the Revolving Credit Tranche to satisfy the reimbursement obligations, Agent shall promptly notify each Lender of Borrower's failure, of the date and amount paid, and of each Lender's Pro Rata Part under the Revolving Credit Tranche of the unreimbursed amount. Each Lender shall promptly and unconditionally make available to Agent in immediately available funds such Pro Rata Part of the unpaid reimbursement obligation. Funds are due and payable to Agent before the close of business on the Business Day when Agent gives notice to each Lender of Borrower's reimbursement failure (if notice is received by such Lender before 2:00 p.m.) (in the time zone where such Lender's office listed on SCHEDULE 1 is located) or on the next succeeding Business Day (if received after 2:00

p.m.). All amounts payable by any Lender accrue interest at the Federal Funds Rate from the day the applicable draft or draw is paid by Agent to (but not including) the date the amount is paid by the Lender to Agent.

(f) Borrower acknowledges that each LC is deemed issued upon delivery to the beneficiary or Borrower. If Borrower requests any LC be delivered to Borrower rather than the beneficiary, and Borrower subsequently cancels that LC, Borrower agrees to return it to Agent together with Borrower's written certification that it has never been delivered to the beneficiary. If any LC is delivered to the beneficiary under Borrower's instructions, Borrower's cancellation is ineffective without Agent's receipt of the beneficiary's written consent and the LC. BORROWER SHALL INDEMNIFY AGENT FOR ALL LOSSES, COSTS, DAMAGES, EXPENSES AND REASONABLE ATTORNEYS' FEES SUFFERED OR INCURRED BY AGENT RESULTING FROM ANY DISPUTE CONCERNING BORROWER'S CANCELLATION OF ANY LC.

(g) Agent agrees with each Lender that it will exercise and give the same care and attention to each LC as it gives to its other letters of credit. Each Lender and Borrower agree that, in paying any draft or draw under any LC, Agent has no responsibility to obtain any document (other than any documents expressly required by the respective LC) or to ascertain or inquire as to any document's validity, enforceability, sufficiency, accuracy or genuineness or the authority of any Person delivering it. Neither Agent nor its Representatives will be liable to any Lender or any Company for any LC's use or for any beneficiary's acts or omissions. Any action, inaction, error, delay or omission taken or suffered by Agent or any of its Representatives in connection with any LC, applicable draws, drafts or documents, or the transmission, dispatch or delivery of any related message or advice, if in good faith and in conformity with applicable Laws and in accordance with the standards of care specified in the UCP, is binding upon the Companies and Lenders and does not place Agent or any of its Representatives under any resulting liability to any Company or any Lender. AGENT AND ITS REPRESENTATIVES ARE NOT LIABLE TO ANY COMPANY OR ANY LENDER FOR ANY ACTION TAKEN OR OMITTED, IN THE ABSENCE OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, BY AGENT OR ITS REPRESENTATIVE IN CONNECTION WITH ANY LC.

(h) On the Revolving Credit Termination Date, or during the continuance of any Default under SECTION 11.3, or upon any demand by Agent during the continuance of any other Default, Borrower shall provide to Agent, for the benefit of Lenders, cash collateral in an amount equal to the then-existing LC Exposure. Any cash collateral provided by Borrower to Agent hereunder shall be deposited by Agent in an interest-bearing cash collateral account maintained with Agent at the office of Agent and invested in obligations issued or guaranteed by the United States and, upon cure of any Default or upon the surrender of any LC, Agent shall deliver the appropriate funds (together with interest earned with respect thereto) on deposit in such collateral account to Borrower.

(i) BORROWER SHALL PROTECT, INDEMNIFY, PAY AND SAVE AGENT, EACH LENDER AND THEIR RESPECTIVE REPRESENTATIVES HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LIABILITIES, DAMAGES, LOSSES, COSTS, CHARGES AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES) WHICH ANY OF THEM MAY INCUR OR BE SUBJECT TO AS A CONSEQUENCE OF THE ISSUANCE OF ANY LC, ANY DISPUTE ABOUT IT, OR THE FAILURE OF AGENT TO HONOR A DRAFT OR DRAW REQUEST UNDER ANY LC, UNLESS THEY ARISE AS A RESULT OF AGENT'S FAILURE TO ACT IN ACCORDANCE WITH THE PROCEDURES OF THE UCP (AS MODIFIED BY ANY LC AGREEMENT OR OTHER WRITING BETWEEN BORROWER AND AGENT).

(j) Although referenced in any LC, terms of any particular agreement or other obligation to the beneficiary are not incorporated into this Agreement in any manner. The fees and other amounts payable with respect to each LC are as provided in this Agreement, drafts and draws under each LC are part of the Obligation, and the terms of this Agreement control any conflict between the terms of this Agreement and any LC Agreement.

SECTION 3 TERMS OF PAYMENT.

3.1 Notes and Payments.

(a) Principal Debt under the Facility shall be evidenced by Notes, payable to each Lender in the stated principal amount of its Revolving Credit Commitment, its Tranche A Commitment, and/or its Tranche B Commitment, as applicable.

(b) Borrower must make each payment on the Obligation to Agent's principal office in Dallas, Texas, in funds that will be available for immediate use by Agent by 12:00 noon on the day due; otherwise, but subject to SECTION 3.8, those funds continue to accrue interest as if they were received on the next Business Day. Agent shall pay to each Lender any payment to which that Lender is entitled on the same day Agent receives the funds from Borrower if Agent receives the payment before 12:00 noon, and otherwise before 12:00 noon on the following Business Day. If and to the extent that Agent does not make payments to Lenders when due, unpaid amounts shall accrue interest at the Federal Funds Rate from the due date until (but not including) the payment date.

3.2 Interest and Principal Payments; Voluntary Commitment Reductions.

(a) Accrued interest on each LIBOR Loan is due and payable on the last day of its Interest Period. If any Interest Period with respect to a LIBOR Loan is a period greater than three months, then accrued interest is also due and payable on the date three months after the commencement of the Interest Period. Accrued interest on each Base Rate Loan is due and payable on each Quarterly Date (commencing December 31, 1996) and on the Revolving Credit Termination Date, the Tranche A Termination Date, and the Tranche B Termination Date, respectively, with respect to those portions of the Principal Debt due on such termination dates.

(b) The Principal Debt under the Revolving Credit Tranche is due and payable on the Revolving Credit Termination Date. The Principal Debt under the Term Loans is due and payable in installments as set forth on SCHEDULE 3.2. Upon any mandatory or voluntary prepayment of the Term Loans pursuant to SECTION 3.2(D) or (E), Agent shall prepare and distribute to Borrower and Lenders a revised SCHEDULE 3.2 reflecting the application of such prepayments in accordance with such Sections. In any event, any Principal Debt and accrued interest remaining outstanding under the Tranche A Term Loan is due and payable on the Tranche A Termination Date and any Principal Debt and accrued interest remaining outstanding under the Tranche B Term Loan is due and payable on the Tranche B Termination Date.

(c) If the Revolving Credit Commitment Usage ever exceeds the aggregate commitment under the Revolving Credit Tranche, Borrower shall pay Principal Debt under the Revolving Credit Tranche in at least the amount of that excess, together with (i) all accrued and unpaid interest on the principal amount so paid and (ii) any resulting Funding Loss.

(d) Borrower shall make mandatory prepayments on the Term Loans equal to the following amounts:

(i) Immediately upon receipt thereof, 100% of the net cash proceeds (after selling expenses and income taxes related thereto and any reserves for retained liabilities until such liabilities are extinguished) received by any Restricted Company from any disposition of:

(A) any asset described on SCHEDULE 2 (other than from the licensing of Intellectual Property, the sale of equipment for fair and adequate consideration which is replaced with new or upgraded equipment, or the sale of inventory, in each case in the ordinary course of business), and

(B) any other asset (including stock of Subsidiaries) in excess of $1,000,000 per disposition and in excess of $5,000,000 for all dispositions in any fiscal year of the Companies, other than (1) proceeds from dispositions of real estate made by the Companies in the ordinary course of their real estate activities, and (2) proceeds which are reinvested by the Companies in similar assets within 180 days;

(ii) On April 15th of each year, commencing with April 15, 1998, 50% of the Restricted Companies' Excess Cash Flow for their preceding fiscal year; and

(iii) Immediately upon receipt thereof, 100% of the first $65,000,000 of Net Equity Proceeds (or net cash proceeds received by the Companies from an issuance of Subordinated Debt) and 50% of any such net proceeds in excess of $100,000,000 (but, in each case, only to the extent such proceeds are not used to pay Subordinated Debt, including accrued interest and premium thereon).

Any mandatory payment of Principal Debt under this SECTION 3.2(D) on the Term Loans shall be (A) allocated pro rata between the Term Loans, and (B) then applied pro rata to all remaining installments of principal due on each Term Loan.

(e) Borrower may voluntarily reduce or prepay the Facility as follows:

(i) Without premium or penalty and upon giving at least two Business Days prior written and irrevocable notice to Agent, Borrower may terminate all or reduce part of the unused portion of the aggregate Revolving Credit Commitment. Each partial reduction (unless the remaining portion of such commitment is less) must be in an amount of not less than $5,000,000 or a greater integral multiple of $1,000,000, and shall be Pro Rata among all Lenders according to their respective Revolving Credit Commitments. Once terminated or reduced, such commitments may not be reinstated or increased.

(ii) Borrower may voluntarily prepay all or any part of the Principal Debt at any time without premium or penalty, subject to the following conditions:

(A) Agent must receive Borrower's written payment notice (which shall specify (1) the payment date, (2) the Type and amount of the Loan(s) to be paid, (3) whether such payment is to be applied to the Revolving Credit Tranche or to the Term Loans, and (4) which option Borrower elects under clause (E) below with respect to the application of any payment to the Term Loans; such notice shall constitute an irrevocable and binding obligation of Borrower to make a payment on the designated date) by 1:00 p.m. on (x) the third Business Day preceding the date of payment of a LIBOR Loan and (y) the date of payment of a Base Rate Loan;

(B) each partial payment on the Revolving Credit Tranche must be in a minimum amount of at least $500,000 if a Base Rate Loan or $1,000,000 if a LIBOR Loan or, in either case, a greater integral multiple of $100,000, and each partial payment on the Term Loans must be in a minimum amount of at least $5,000,000 or a greater integral multiple of $1,000,000;

(C) all accrued interest on the principal amount so to be prepaid must also be paid in full on the date of payment;

(D) Borrower shall pay any related Funding Loss upon demand; and

(E) any voluntary payment of Principal Debt on the Term Loans shall be (1) allocated pro rata between the Term Loans, and (2) then applied, at Borrower's option, either pro rata to the next two installments of principal due on each Term Loan or pro rata to all remaining installments of principal due on each Term Loan.

3.3 Interest Options. Except where specifically otherwise provided, Loans bear interest at an annual rate equal to the lesser of (a) the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin for the Interest Period, if any, selected by Borrower (in each case as designated or deemed designated by Borrower), as the case may be, and (b) the Maximum Rate. Each change in the Base Rate and Maximum Rate is effective, without notice to Borrower or any other Person, upon the effective date of change.

3.4 Quotation of Rates. A Responsible Officer of Borrower may call Agent before delivering a Loan Request to receive an indication of the interest rates then in effect, but the indicated rates do not bind Agent or Lenders or affect the interest rate that is actually in effect when Borrower delivers its Loan Request or on the Loan Date.

3.5 Default Rate. If permitted by Law, all past-due Principal Debt, Borrower's past-due payment and reimbursement obligations in connection with LCs, and past-due interest accruing on any of the foregoing bears interest from the date due (stated or by acceleration) at the Default Rate until paid, regardless whether payment is made before or after entry of a judgment.

3.6 Interest Recapture. If the designated interest rate applicable to any Loan exceeds the Maximum Rate, the interest rate on that Loan is limited to the Maximum Rate, but any subsequent reductions in the designated rate shall not reduce the interest rate thereon below the Maximum Rate until the total amount of accrued interest equals the amount of interest that would have accrued if that designated rate had always been in effect. If at maturity (stated or by acceleration), or at final payment of the Notes, the total interest paid or accrued is less than the interest that would have accrued if the designated rates had always been in effect, then, at that time and to the extent permitted by Law, Borrower shall pay an amount equal to the difference between (a) the lesser of the amount of interest that would have accrued if the designated rates had always been in effect and the amount of interest that would have accrued if the Maximum Rate had always been in effect, and (b) the amount of interest actually paid or accrued on the Notes.

3.7 Interest Calculations.

(a) Interest will be calculated on the basis of actual number of days elapsed (including the first day, but excluding the last day), but computed as if each calendar year consisted of 360 days for LIBOR Loans (unless the calculation would result in an interest rate greater than the Maximum Rate, in which event interest will be calculated on the basis of a year of 365 or 366 days, as the case may be), and 365 or 366 days, as the case may be, for Base Rate Loans. All interest rate determinations and calculations by Agent are conclusive and binding absent manifest error.

(b) The provisions of this Agreement relating to calculation of the Base Rate and LIBOR are included only for the purpose of determining the rate of interest or other amounts to be paid under this Agreement that are based upon those rates. Each Lender may fund and maintain its funding of all or any part of each Loan as it selects.

3.8 Maximum Rate. Regardless of any provision contained in any Loan Paper or any document related thereto, no Lender is entitled to contract for, charge, take, reserve, receive or apply, as interest on all or any part of the Obligation any amount in excess of the Maximum Rate, and, if Lenders ever do so, then any excess shall be treated as a partial payment of principal and any remaining excess shall be refunded to Borrower. In determining if the interest paid or payable exceeds the Maximum Rate, Borrower and Lenders shall, to the maximum extent permitted under applicable Law, (a) treat all Loans as but a single extension of credit (and Lenders and Borrower agree that is the case and that provision in this Agreement for multiple Loans is for convenience only), (b) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (c) exclude voluntary payments and their effects, and

(d) amortize, prorate, allocate and spread the total amount of interest throughout the entire contemplated term of the Obligation. However, if the Obligation is paid in full before the end of its full contemplated term, and if the interest received for its actual period of existence exceeds the Maximum Amount, Lenders shall refund any excess (and Lenders shall not, to the extent permitted by Law, be subject to any penalties provided by any Laws for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Amount).

3.9 Interest Periods. When Borrower requests any LIBOR Loan, Borrower may elect the applicable interest period (each an "INTEREST PERIOD"), which may be, at Borrower's option, one, two, three or six months, subject to the following conditions: (a) the initial LIBOR Interest Period commences on the applicable Loan Date or conversion date, and each subsequent LIBOR Interest Period commences on the day when the next preceding applicable Interest Period expires; (b) if any LIBOR Interest Period begins on a day for which no numerically corresponding Business Day in the calendar month at the end of the Interest Period exists, then the Interest Period ends on the last Business Day of that calendar month; (c) no LIBOR Interest Period for any portion of Principal Debt may extend beyond the scheduled payment date for that portion of Principal Debt; and (d) no more than 20 LIBOR Interest Periods may be in effect at one time.

3.10 Conversions. Subject to the dollar limits and denominations of SECTION 2.1(A)(II) (regardless of whether a conversion relates to a portion of the Revolving Credit Tranche or to a portion of one of the Term Loans) and the limitations on LIBOR Interest Periods of SECTION 3.9, Borrower may (a) convert all or part of a LIBOR Loan on the last day of the applicable Interest Period to a Base Rate Loan, (b) convert all or part of a Base Rate Loan at any time to a LIBOR Loan, and (c) elect a new Interest Period for all or part of a LIBOR Loan, in each case by delivering a Conversion Request to Agent no later than 1:00 p.m. on the third Business Day before the conversion date or the last day of the Interest Period, as the case may be (for conversion to a LIBOR Loan or election of a new Interest Period), and no later than 1:00 p.m. one Business Day before the last day of the Interest Period (for conversion to a Base Rate Loan). Absent Borrower's notice of conversion or election of a new Interest Period, a LIBOR Loan shall be converted to a Base Rate Loan when the applicable Interest Period expires.

3.11 Order of Application.

(a) Mandatory prepayments on the Term Loans under SECTION 3.2(D) and voluntary payments on the Term Loans under SECTION 3.2(E)(II) shall be applied as set forth in such Sections.

(b) If no Default or Potential Default exists, any other payment shall be applied to the Obligation in the order and manner as Borrower directs.

(c) If a Default or Potential Default exists or if Borrower fails to give direction, any other payment (including proceeds from the exercise of any Rights hereunder) shall be applied in the following order: (i) to all fees and expenses for which Agent or Lenders have not been paid or reimbursed in accordance with the Loan Papers (and if such payment is less than all unpaid or unreimbursed fees and expenses, then the payment shall be paid against unpaid and unreimbursed fees and expenses in the order of incurrence or due date); (ii) to accrued interest on the Principal Debt; and (iii) ratably to the remainder of the Obligation.

3.12 Sharing of Payments, Etc. If any Lender obtains any payment (whether voluntary, involuntary or otherwise) that exceeds its combined Pro Rata Part of the Tranche to which such payment relates (or which relates to a Tranche in which such Lender does not participate) then that Lender shall purchase from the other Lenders participations that will cause the purchasing Lender to share the excess payment ratably with each other Lender. If all or any portion of any excess payment is subsequently recovered from the purchasing Lender, then the purchase shall be rescinded and the purchase price restored to the extent of the recovery. Borrower agrees that any Lender purchasing a participation from another Lender under this section may, to the fullest extent permitted by Law, exercise all of its Rights of payment with respect to that participation as fully as if that Lender were the direct creditor of Borrower in the amount of that participation.

3.13 Booking Loans. To the extent permitted by Law, any Lender may make, carry or transfer its Loans at, to, or for the account of any of its branch offices or the office of any of its Affiliates. However, no Affiliate is entitled to receive any greater payment under SECTION 3.15 than the transferor Lender would have been entitled to receive with respect to those Loans.

3.14 Basis Unavailable or Inadequate for LIBOR. If, on or before any date when LIBOR is to be determined for a Loan, Agent or any Lender determines (and Required Lenders agree with that determination) that the basis for determining the applicable rate is not available or that the resulting rate does not accurately reflect the cost to Lenders of making or converting Loans at that rate for the applicable Interest Period, then Agent shall promptly notify Borrower and Lenders of that determination (which is conclusive and binding on Borrower absent manifest error) and the applicable Loan shall bear interest at the sum of the Base Rate plus the Applicable Margin. Until Agent notifies Borrower that those circumstances no longer exist, Lenders' commitments under this Agreement to make, or to convert to, LIBOR Loans are suspended.

3.15 Additional Costs.

(a) With respect to any LIBOR Loan, (i) if any present or future Law imposes, modifies, or deems applicable (or if compliance by any Lender with any requirement of any Tribunal results in) any Reserve Requirement, and if (ii) those reserves reduce any sums receivable by that Lender under this Agreement or increase the costs incurred by that Lender in advancing or maintaining any portion of any LIBOR Loan, then (iii) that Lender (through Agent) shall deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it for its reduction or increase (which certificate is conclusive and binding absent manifest error), and (iv) Borrower shall promptly pay that amount to that Lender upon demand. This paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement. This paragraph may be invoked by a Lender only if such Lender is generally invoking similar provisions against other Persons to which such Lender lends funds pursuant to facilities similar to the Facility.

(b) With respect to any Loan or LC, if any present or future Law regarding capital adequacy or compliance by Agent (as issuer of LCs) or any Lender with any request, directive or requirement now existing or hereafter imposed by any Tribunal regarding capital adequacy, or any change in its written policies or in the risk category of this transaction, reduces the rate of return on its capital as a consequence of its obligations under this Agreement to a level below that which it otherwise could have achieved (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material (and it may, in determining the amount, utilize reasonable assumptions and allocations of costs and expenses and use any reasonable averaging or attribution method), then (unless the effect is already reflected in the rate of interest then applicable under this Agreement) Agent or that Lender (through Agent) shall notify Borrower and deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it (which certificate is conclusive and binding absent manifest error), and Borrower shall promptly pay that amount to Agent or that Lender upon demand. This paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement. This paragraph may be invoked by a Lender only if such Lender is generally invoking similar provisions against other Persons to which such Lender lends funds pursuant to facilities similar to the Facility.

(c) Any Taxes payable by Agent or any Lender or ruled (by a Tribunal) payable by Agent or any Lender in respect of any Loan Paper or any document related thereto shall, if permitted by Law, be paid by Borrower, together with interest and penalties, if any (other than for Taxes imposed on or measured by the overall net income of Agent or that Lender and interest and penalties incurred as a result of the gross negligence or willful misconduct of Agent or any Lender). Agent or that Lender (through Agent) shall notify Borrower and deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount of payable Taxes, which certificate is conclusive and binding (absent manifest error), and Borrower shall promptly pay that amount to Agent for its account or the account of that Lender, as the case may be. If Agent or that Lender subsequently receives a refund of the Taxes paid to it by Borrower, then the recipient shall promptly pay the refund to Borrower.

3.16 Change in Laws. If any Law makes it unlawful for any Lender to make or maintain LIBOR Loans, then that Lender shall promptly notify Borrower and Agent, and (a) as to undisbursed funds, that requested Loan shall be made as a Base Rate Loan, and (b), as to any outstanding Loan, (i) if maintaining the Loan until the last day of the applicable Interest Period is unlawful, the Loan shall be converted to a Base Rate Loan as of the date of notice, and Borrower shall pay any related Funding Loss, or (ii) if not prohibited by Law, the Loan shall be converted to a Base Rate Loan as of the last day of the applicable Interest Period, or (iii) if any conversion will not resolve the unlawfulness, Borrower shall promptly pay the Loan, without penalty, together with any related Funding Loss. Concurrently with any payment contemplated by clause (iii) of the immediately preceding sentence, Borrower shall borrow a Base Rate Loan in an equal principal amount from such Lender (on which interest and principal shall be payable contemporaneously with the related LIBOR Loans of the other Lenders) and such Lender shall fund such Base Rate Loan.

3.17 Funding Loss. BORROWER AGREES TO INDEMNIFY EACH LENDER AGAINST, AND PAY TO IT UPON DEMAND, ANY FUNDING LOSS OF THAT LENDER. When any Lender demands that Borrower pay any Funding Loss, that Lender shall deliver to Borrower and Agent a certificate setting forth in reasonable detail the basis for imposing Funding Loss and the calculation of the amount, which calculation is conclusive and binding absent manifest error. The provisions of and undertakings and indemnification set forth in this paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement.

3.18 Foreign Lenders. Each Lender that is organized under the Laws of any jurisdiction other than the United States of America or any State thereof (a) represents to Agent and Borrower that (i) no Taxes are required to be withheld by Agent or Borrower with respect to any payments to be made to it in respect of the Obligation and (ii) it has furnished to Agent and Borrower two duly completed copies of U.S. Internal Revenue Service Form 4224 or Form 1001 (wherein it claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments under the Loan Papers) or Form W-8, or any other successor tax form acceptable to Agent and Borrower, and (b) covenants to (i) provide Agent and Borrower a new tax form upon the expiration, inaccuracy or obsolescence of any previously delivered form according to, and to the extent permitted by, Law, duly executed and completed by it, and (ii) comply from time to time with all Laws with regard to the withholding tax exemption. If any of the foregoing is not true or the applicable forms are not provided, then Borrower and Agent (without duplication) may deduct and withhold from interest payments under the Loan Papers United States federal income tax at the full rate applicable under the Code. In addition, Borrower shall not be required to make any payments contemplated by SECTION 3.15(C) to the extent that such payments would not have been payable if such Lender had furnished the appropriate form (properly and accurately completed in all respects) which it was otherwise required to furnish in accordance with this SECTION 3.18.

3.19 Affected Lender's Obligation to Mitigate. Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition which would entitle it to exercise any rights under SECTIONS 3.15 OR 3.16, it shall use commercially reasonable efforts to make, fund or maintain the affected Loans of such Lender through another lending office of such Lender if (a) as a result thereof the additional moneys which would otherwise be required to be paid in respect of such Loans of such Lender would be reduced or the illegality or other adverse circumstances which would otherwise affect such Loans of such Lender would cease to exist or the increased cost which would otherwise be required to be paid in respect of such Loans would be reduced and (b) the making, funding or maintaining of such Loans through such other lending office would not otherwise materially adversely affect such Loans or such Lender.

3.20 Replacement Lender. In the event Borrower becomes obligated to pay any additional amounts to any Lender pursuant to SECTIONS 3.15 OR 3.16 as a result of any event or condition described in any of such Sections, then, unless such Lender has theretofore taken steps to remove or cure, and has removed or cured, the conditions creating the cause of such obligation to pay such additional amounts, Borrower may designate a substitute lender acceptable to Agent (such lender herein called a "REPLACEMENT LENDER") to purchase such Lender's rights and obligations with respect to its entire Pro Rata Part hereunder with respect to the Facility as a whole, without recourse to or warranty by, or expense to, such Lender in accordance with SECTION 14.12(C) for a purchase price equal to the outstanding principal amounts payable to such Lender with respect to such Pro Rata Part, plus any accrued and unpaid interest and accrued and unpaid fees and charges in respect of such Pro Rata Part and on other terms reasonably satisfactory to Agent. Upon such purchase by the Replacement Lender and payment of all other amounts owing to the Lender being replaced hereunder, such Lender shall no longer be a party hereto or have any rights or obligations hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender with respect to such Pro Rata Part hereunder.

SECTION 4 FEES.

4.1 Treatment of Fees. The fees described in this SECTION 4 (a) are not compensation for the use, detention, or forbearance of money, (b) are in addition to, and not in lieu of, interest and expenses otherwise described in this Agreement, (c) are payable in accordance with SECTION 3.1(B), (d) are non-refundable, and (e) to the fullest extent permitted by Law, bear interest, if not paid when due, at the Default Rate.

4.2 Underwriting and Administrative Fees. Borrower shall pay to NationsBank of Texas, N.A. the fees described in the letter agreement between them of even date herewith.

4.3 LC Fees. Borrower shall pay to Agent for the Pro Rata benefit of Lenders according to their Revolving Credit Commitments a fee for the issuance of each LC (which fee may, subject to the provisions of this Agreement, be included in a Loan) equal to (a) the Applicable Margin for LIBOR Loans under the Revolving Credit Tranche (as in effect from day to day while such LC is outstanding), multiplied by (b) the face amount of such LC as it exists from day to day, payable in arrears on each Quarterly Date during the life of such LC, and on the expiry date of such LC, calculated on the basis of the actual number of days elapsed (including the first day, but excluding the last day), but computed as if each calendar year consisted of 360 days. In addition, Borrower shall pay to Agent for its own account a fronting fee for the issuance of each LC equal to 0.125% of the face amount of such LC (but in no event less than $350).

4.4 Commitment Fee. Borrower shall pay to Agent for the ratable account of Lenders a commitment fee, payable as it accrues on each Quarterly Date and on the Revolving Credit Termination Date, equal to the Applicable Percentage (per annum), of the amount by which the aggregate commitment under the Revolving Credit Tranche exceeds the average daily Commitment Usage, in each case during the calendar quarter (or portion thereof) ending on such date, calculated on the basis of the actual number of days elapsed (including the first day, but excluding the last day) in a calendar year of 365 or 366 days, as the case may be.

SECTION 5 SECURITY.

5.1 Guaranties. All obligations of Borrower under the Loan Papers to which it is a party shall be guaranteed in accordance with a Guaranty of even date herewith, executed by each Restricted Company (other than Borrower).

5.2 Collateral.

(a) All obligations of Borrower under the Loan Papers to which it is a party shall be secured to the extent and in the manner provided in the appropriate Security Document by the following (the "COLLATERAL") (i) a first Lien on all capital stock issued to VRI by its direct Restricted Subsidiaries, (ii) a first Lien on all capital stock issued to Ralston Resorts by its Restricted Subsidiaries and on its Rights with respect to Distributions from Keystone/Intrawest L.L.C., (iii) a second Lien on all capital stock issued to VHI by Borrower, (iv) a second Lien on all capital stock issued to Borrower or Borrower's Restricted Subsidiaries by all companies which were Restricted Subsidiaries of Borrower prior to the Ralston Acquisition, and the Companies' 50% interest in Slifer, Smith & Frampton/Vail Associates Real Estate, L.L.C., (v) a first Lien on all capital stock issued to Borrower or any Restricted Subsidiary of Borrower by Ralston Resorts and any

Restricted Subsidiaries of Borrower created or acquired after the Ralston Acquisition; (vi) a second Lien on each of the Vail Forest Service Permits, and (vii) a first Lien on each of the Ralston Forest Service Permits.

(b) Upon receipt by the Companies of Net Equity Proceeds of at least $65,000,000 and the application of such proceeds in prepayment of Subordinated Debt and/or Principal Debt in accordance with SECTION 3.2(D)(III), Liens created by the Security Documents shall terminate and Agent and Lenders shall release their interests in the Collateral. Upon compliance with the provisions of the immediately preceding sentence or in accordance with the provisions of SECTION 14.13, Agent will, at the expense of Borrower, deliver to Borrower any Collateral that is in its possession and execute and deliver such documents, certificates or other instruments as Borrower may reasonably request to evidence the termination of such Liens and the release of the Collateral.

5.3 Additional Security and Guaranties.

(a) Lenders may, without notice or demand and without affecting any Person's obligations under the Loan Papers, from time to time (i) receive and hold additional collateral from any Person for the payment of all or any part of the Obligation and exchange, enforce or release all or any part of that collateral and (ii) accept and hold any endorsement or guaranty of payment of all or any part of the Obligation and release any endorser or guarantor, or any Person who has given any other security for the payment of all or any part of the Obligation, or any other Person in any way obligated to pay all or any part of the Obligation; provided, however, that the provisions of this SECTION 5.3(A) shall in no event be construed to obligate any Company to deliver to any Lender additional collateral.

(b) Borrower may from time to time substitute for any existing Forest Service Permit another permit, license or grant of right if (i) Borrower determines that such substitution is in the best interests of the Companies, (ii) such substitute permit, license or grant of right contains terms no less beneficial to the Companies than those contained in the existing Forest Service Permit which it is intended to replace, and (iii) such substitution does not impair in any material respect the rights of Agent and Lenders. Upon receipt from Borrower of notice that the Service has agreed to issue a new permit, license or grant of right in replacement of an existing Forest Service Permit, and that Borrower elects to exercise its rights under this SECTION 5.3(B), Agent shall release to Borrower or (if so requested by Borrower) to the Service directly all instruments in Agent's possession constituting the Lien on the existing Forest Service Permit to be replaced. Agent shall also execute and deliver any and all releases, termination agreements or other similar documents requested by the Service or reasonably requested by Borrower in connection therewith. Upon receipt of such instruments and documents, Borrower shall deliver to Agent, or cause the Service so to deliver to Agent, the new permit, license or grant of right, together with the Service's standard form collateral assignment agreement relating thereto reflecting a Lien of the same priority as the one released.

5.4 Financing Statements. Borrower will execute, or cause to be executed, financing statements, stock powers and other writings in the form and content reasonably required by Agent, and Borrower will pay all costs of filing any financing, continuation or termination statements, or other action taken by Agent relating to the Collateral, including, without limitation, costs and expenses of any Lien search reasonably required by Agent.

SECTION 6 CONDITIONS PRECEDENT.

6.1 Initial Advance. In addition to the items described in SECTION 6.2, Lenders will not be obligated to fund the initial Loan, and Agent will not be obligated to issue the initial LC, unless the unused portion of the Revolving Credit Commitment will be at least $50,000,000 after giving effect to the Ralston Resorts Acquisition and all Loans and LCs outstanding under the Revolving Credit Tranche at the close of business on the date the initial Loan is made or the initial LC is issued and Agent has received each of the following items:

(a) the Promissory Notes;

(b) a Guaranty executed by each Restricted Company (other than Borrower);

(c) (i) each Pledge Agreement (together with (A) the stock certificates for shares subjected to a first Lien under the Pledge Agreements and blank stock powers for such certificates, and (B) a letter agreement between Agent and the Collateral Agent under the Collateral Agency Agreement pursuant to which (x) Agent appoints Collateral Agent as its agent for purposes of perfecting its security interest in the shares held by the Collateral Agent under the Collateral Agency Agreement which are subjected to a second Lien under the Pledge Agreements, and (y) the Collateral Agent accepts such appointment and acknowledges the second Lien in favor of Agent),

(ii) the Forest Service Assignments, and

(iii) UCC-1 Financing Statements with respect to the foregoing;

(d) a Second Amendment to the Pledge Agreement dated as of November 23, 1993 (as amended by a First Amendment thereto dated July 1994), among Borrower, VHI, Beaver Creek Associates, Inc., Vail Associates Real Estate Group, Inc., and Vail Associates Real Estate, Inc., as obligors, and NationsBank of Texas, N.A., as the Collateral Agent under the Collateral Agency Agreement, deleting all references therein which would obligate the pledgors thereunder to pledge the stock of any future subsidiaries of any such pledgor (together with appropriate UCC-3 Amendments);

(e) the initial Loan Request or the initial LC Request and LC Agreement;

(f) an Officers' Certificate for each Company, relating to Articles of Incorporation, Bylaws, Resolutions, and Incumbency;

(g) Certificates of Existence and Good Standing (Account Status) for each Company from its state of organization and each other state where it does business, each dated after September 15, 1996;

(h) Legal opinions of James S. Mandel, and special New York counsel to Borrower;

(i) Payment in full of all amounts then due Agent under SECTION 8.7 or the fee letter described in SECTION 4.2;

(j) Lien Search Reports for each Company from the State of Colorado, the Colorado county in which it has its principal place of business and each other state where it does business, each dated after September 15, 1996;

(k) Copies of the Stock Purchase Agreement and the Shareholder Agreement referred to therein (and the Ralston Resorts Acquisition shall have been consummated as described in SECTION 7.22);

(l) (i) Financial Statements showing the consolidated financial condition and results of operations of the Companies and Ralston Resorts and its Subsidiaries, respectively, as of, and for the years ended on, September 30, 1993, 1994 and 1995, and in the case of Ralston Resorts and its Subsidiaries only, the nine-month period ended June 30, 1996, accompanied in each case by the unqualified opinion of a firm of nationally-recognized independent certified public accountants, based on an audit using generally accepted auditing standards, that such Financial Statements were prepared in accordance with GAAP and present fairly, in all material respects, such financial conditions and results, together with a copy of any management letter prepared by such accounting firm in connection with such audit, (ii) any Financial Statements for the Companies or for Ralston Resorts and its Subsidiaries prepared for any interim financial period ending after the periods covered in the Financial Statements delivered under clause (i) above, and (iii) a pro forma balance sheet of the Companies as of the Closing Date giving effect to the Ralston Resorts Acquisition and the transactions contemplated hereby and reflecting estimated purchase price accounting adjustments, and such other information relating to the Ralston Resorts Acquisition as Agent may require;

(m) Copies of all governmental, shareholder and third party consents and approvals (including, without limitation, those required under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended) necessary in connection with the Ralston Resorts Acquisition and the related financings and other transactions contemplated hereby; and

(n) Evidence that all amounts owed under the Existing Credit Agreements have been paid in full, no letters of credit remain outstanding thereunder, and all financing commitments thereunder have been terminated.

6.2 Each Advance. Lenders will not be obligated to fund (as opposed to continue or convert) any Loan (including the initial Loans), and Agent will not be obligated to issue (as opposed to extend) any LC (including the initial LCs), unless on the applicable date (and after giving effect to the requested Loan or LC): (a) Agent shall have timely received a Loan Request or LC Request (together with the applicable LC Agreement), as the case may be; (b) Agent shall have received any applicable LC fee; (c) all of the representations and warranties of the Companies in the Loan Papers are true and correct in all material respects (unless they speak to a specific date or are based on facts which have changed by transactions contemplated or permitted by this Agreement); (d) no Material Adverse Event, Default or Potential Default exists; and (e) the funding of the Loan or issuance of the LC is permitted by Law. Upon Agent's reasonable request, Borrower shall deliver to Agent evidence substantiating any of the matters in the Loan Papers that are necessary to enable Borrower to qualify for the Loan or LC. Each condition precedent in this Agreement is material to the transactions contemplated by this Agreement, and time is of the essence with respect to each condition precedent. Subject to the prior approval of Required Lenders, Lenders may fund any Loan, and Agent may issue any LC, without all conditions being satisfied, but, to the extent permitted by Law, that funding and issuance shall not be deemed to be a waiver of the requirement that each condition precedent be satisfied as a prerequisite for any subsequent funding or issuance, unless Required Lenders specifically waive each item in writing.

SECTION 7 REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Agent and Lenders as follows:

7.1 Regulation U. No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulations U or G of the Board of Governors of the Federal Reserve System, as amended.

7.2 Corporate Existence, Good Standing, Authority and Compliance. Each Company is duly organized, validly existing and in good standing under the Laws of the jurisdiction in which it is incorporated or organized as identified on SCHEDULE 7.2 (or any revised SCHEDULE 7.2 delivered by Borrower to Lenders pursuant to SECTION 8.12, 9.10 or 9.11). Except where failure is not a Material Adverse Event, each Restricted Company (a) is duly qualified to transact business and is in good standing as a foreign corporation or other entity in each jurisdiction where the nature and extent of its business and properties require due qualification and good standing as identified on SCHEDULE 7.2 (or any such revised SCHEDULE 7.2), and (b) possesses all requisite authority, permits and power to conduct its business as is now being, or is contemplated by this Agreement to be, conducted.

7.3 Subsidiaries. VRI has no Subsidiaries, other than as disclosed on SCHEDULE 7.3 (or on any revised SCHEDULE 7.3 delivered by Borrower to Lenders pursuant to SECTION 8.12, 9.10 or 9.11). All of the outstanding shares of capital stock (or similar voting interests) of the Companies are duly authorized, validly issued, fully paid and nonassessable, and are owned of record and beneficially as set forth thereon, free and clear of any Liens, restrictions, claims or Rights of another Person, other than Permitted Liens, and are not subject to any warrant, option or other acquisition Right of any Person or subject to any transfer restriction, other than restrictions imposed by (a) securities Laws and general corporate Laws, and (b) the Security Documents.

7.4 Authorization and Contravention. The execution and delivery by each Company of each Loan Paper or related document to which it is a party and the performance by it of its obligations thereunder (a) are within its corporate power, (b) have been duly authorized by all necessary corporate action, (c) require no action by or filing with any Tribunal (other than any action or filing that has been taken or made on or before the date of this Agreement), (d) do not violate any provision of its charter or bylaws, (e) do not violate any provision of Law or any order of any Tribunal applicable to it, other than violations that individually or collectively are not a Material Adverse Event, (f) do not violate any Material Agreements to which it is a party, or (g) do not result in the creation or imposition of any Lien (other than the Liens created pursuant to the Security Documents) on any asset of any Company.

7.5 Binding Effect. Upon execution and delivery by all parties thereto, each Loan Paper which is a contract will constitute a legal and binding obligation of each Company party thereto, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws and general principles of equity.

7.6 Financial Statements; Fiscal Year. The Current Financials were prepared in accordance with GAAP and, together with the notes thereto, present fairly, in all material respects, the consolidated financial condition, results of operations, and cash flows of the Companies as of, and for the portion of the fiscal year ending on the date or dates thereof (subject only to normal year-end adjustments). Except for transactions directly related to, or specifically contemplated by, the Loan Papers, no subsequent material adverse changes have occurred in the consolidated financial condition of the Companies from that shown in the Current Financials. The fiscal year of each Company ends on September 30.

7.7 Litigation. Except as disclosed on SCHEDULE 7.7 (or on any revised SCHEDULE 7.7 delivered by Borrower to Lenders), (a) no Company (other than as a creditor or claimant) is subject to, or aware of the threat of, any Litigation that is reasonably likely to be determined adversely to any Company and, if so adversely determined, is a Material Adverse Event, (b) no outstanding or unpaid judgments against any Company exist as of the date hereof, and (c) no Company is a party to, or bound by, any judicial or administrative order, judgment, decree or consent decree relating to any past or present practice, omission, activity or undertaking which constitutes a Material Adverse Event.

7.8 Taxes. All Tax returns of each Company required to be filed have been filed (or extensions have been granted) before delinquency, other than returns for which the failure to file is not a Material Adverse Event, and all Taxes shown as due and payable as of the date hereof in such returns have been paid before delinquency, other than Taxes for which the criteria for Permitted Liens (as specified in clause (f) of the definition of "Permitted Liens") have been satisfied or for which nonpayment is not a Material Adverse Event.

7.9 Environmental Matters. Except as disclosed on SCHEDULE 7.9 (or any revised SCHEDULE 7.9 delivered by Borrower to Lenders) and except for conditions, circumstances or violations that are not, individually or in the aggregate, a Material Adverse Event, no Company (a) knows of any environmental condition or circumstance adversely affecting any Company's properties or operations, (b) has, to its knowledge, received any written report of any Company's violation of any Environmental Law, or (c) knows that any Company is under any obligation imposed by a Tribunal to remedy any violation of any Environmental Law. Except as disclosed on SCHEDULE 7.9 (or any such revised SCHEDULE 7.9), each Company believes that its properties and operations do not violate any Environmental Law, other than violations that are not, individually or in the aggregate, a Material Adverse Event. No facility of any Company is used for, or to the knowledge of any Company has been used for, treatment or disposal of any Hazardous Substance or storage of Hazardous Substances, other than in material compliance with applicable Environmental Laws.

7.10 Employee Plans. Except where occurrence or existence is not a Material Adverse Event, (a) no Employee Plan has incurred an "accumulated funding deficiency" (as defined in section 302 of ERISA or section 412 of the Code), (b) no Company has incurred liability under ERISA to the PBGC in connection with any Employee Plan (other than required insurance premiums, all of which have been paid), (c) no Company has withdrawn in whole or in part from participation in a Multiemployer Plan, (d) no Company has engaged in any "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the Code), and (e) no "reportable event" (as defined in section 4043 of ERISA) has occurred with respect to an Employee Plan, excluding events for which the notice requirement is waived under applicable PBGC regulations.

7.11 Properties and Liens.

(a) Each Company has good and marketable title to all its material property reflected on the Current Financials (other than for property that is obsolete or that has been disposed of in the ordinary course of business or, after the date of this Agreement, as otherwise permitted by SECTION 9.10 or SECTION 9.11).

(b) Except for Permitted Liens, no Lien exists on any property of any Company (including, without limitation, the Forest Service Permits and the Water Rights), and the execution, delivery, performance or observance of the Loan Papers will not require or result in the creation of any Lien (other than the Liens created pursuant to the Security Documents) on any Company's property.

(c) As of the date hereof, the Forest Service Permits constitute all of the material licenses, permits or leases from the United States Federal Government held by the Companies for use in connection with their respective skiing businesses.

(d) Each of the Water Rights is, to the knowledge of the Companies, in full force and effect and, to the knowledge of the Companies, there is no material default or existing condition which with the giving of notice or the passage of time or both would cause a material default under any Water Right that is material to the operation of the Companies. Subject to the available supply and to the terms and conditions of the applicable decrees, the Companies' Water Rights provide a dependable, legal and physical snowmaking, irrigation and domestic water supply for the operation of the Companies' businesses.

7.12 Chief Executive Offices. Each Company's chief executive office is located as shown on SCHEDULE 7.2 (or any revised SCHEDULE 7.2 delivered by Borrower to Lenders).

7.13 Government Regulations. No Company is subject to regulation under the Investment Company Act of 1940, as amended, or the Public Utility Holding Company Act of 1935, as amended.

7.14 Transactions with Affiliates. Except as set forth in SCHEDULE 7.14, no Restricted Company is a party to any transaction with any Affiliate (other than another Restricted Company), except upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate.

7.15 Debt. After the funding of the Loans made on the Closing Date and the payment of certain Debts with the proceeds thereof as described in SECTION 8.2, no Company will be an obligor on any Debt, other than Permitted Debt.

7.16 Material Agreements. All Material Agreements to which any Restricted Company is a party are in full force and effect, and no default or potential default exists on the part of any Restricted Company thereunder that is a Material Adverse Event.

7.17 Labor Matters. There are no binding agreements of any type with any labor union, labor organization, collective bargaining unit or employee group to which any Company is bound, other than Ralston Resorts' collective bargaining agreements with the Breckenridge Professional Ski Patrol Association and Keystone Professional Ski Patrol Association and agreements which may be entered into after the date of this Agreement which do not constitute a Material Adverse Event. No actual or threatened strikes, labor disputes, slow downs, walkouts, or other concerted interruptions of operations by the employees of any Company that constitute a Material Adverse Event exist. Hours worked by and payment made to employees of the Companies have not been in violation of the Fair Labor Standards Act or any other applicable Law dealing with labor matters, other than any violations, individually or collectively, that are not a Material Adverse Event. All payments due from any Company for employee health and welfare insurance have been paid or accrued as a liability on its books, other than any nonpayments that are not, individually or collectively, a Material Adverse Event.

7.18 Solvency. On each Loan Date, Borrower is, and after giving effect to the requested Loan will be, Solvent.

7.19 Trade Names. No Company has used or transacted business under any other corporate or registered trade name during the five years preceding the Closing Date, other than as disclosed on the attached SCHEDULE 7.19.

7.20 Intellectual Property. Each Company owns (or otherwise holds rights to use) all material Intellectual Property, licenses, permits and trade names necessary to continue to conduct its businesses as presently conducted by it and proposed to be conducted by it immediately after the date of this Agreement. To its knowledge, each Company is conducting its business without infringement or claim of infringement of any license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property right of others, other than any infringements or claims that, if successfully asserted against or determined adversely to any Company, would not, individually or collectively, constitute a Material Adverse Event. To the knowledge of any Company as of the date hereof, no infringement or claim of infringement by others of any material Intellectual Property, license, permit, trade name, or other intellectual property of any Company exists, other than claims which will not cause a Material Adverse Event.

7.21 Full Disclosure. Each material fact or condition relating to the Loan Papers or the financial condition, business or property of any Company has been disclosed to Agent. All information furnished by any Company to Agent in connection with the Loan Papers on or before the date of this Agreement was, taken as a whole, true and accurate in all material respects or based on reasonable estimates on the date the information is stated or certified.

7.22 Stock Purchase Agreement. The Ralston Resorts Acquisition has been consummated as of the Closing Date in accordance with the Stock Purchase Agreement and in compliance with all applicable Laws.

SECTION 8 AFFIRMATIVE COVENANTS. So long as Lenders are committed to fund Loans and Agent is committed to issue LCs under this Agreement, and thereafter until the Obligation is paid in full, Borrower covenants and agrees as follows:

8.1 Items to be Furnished. Borrower shall cause the following to be furnished to each Lender:

(a) With respect to each fiscal year of the Companies:

(i) Promptly after preparation, unaudited Financial Statements showing the consolidated financial condition and results of operations of the Companies as of the last day of such fiscal year and for such fiscal year, accompanied by a Compliance Certificate with respect to such Financial Statements (for purposes of adjusting the Applicable Margin and the Applicable Percentage in accordance with the definitions of such terms); and

(ii) Promptly after preparation, and no later than 120 days after the last day of each fiscal year of the Companies, Financial Statements showing the consolidated financial condition and results of operations of the Companies as of, and for the year ended on, that last day, accompanied by: (A) the unqualified opinion of a firm of nationally-recognized independent certified public accountants, based on an audit using generally accepted auditing standards, that the Financial Statements were prepared in accordance with GAAP and present fairly, in all material respects, the consolidated financial condition and results of operations of the Companies, (B) any management letter prepared by the accounting firm delivered in connection with its audit, (C) a certificate from the accounting firm to Agent indicating that during its audit it obtained no knowledge of any Default or Potential Default or, if it obtained knowledge, the nature and period of existence thereof, and (D) a Compliance Certificate with respect to the Financial Statements.

(b) Promptly after preparation, and no later than 60 days after the last day of each fiscal quarter of the Companies, Financial Statements showing the consolidated financial condition and results of operations of the Companies for the fiscal quarter and for the period from the beginning of the current fiscal year to the last day of the fiscal quarter, accompanied by a Compliance Certificate with respect to the Financial Statements.

(c) Promptly after receipt, a copy of each interim or special audit report and management letter issued by independent accountants with respect to any Company or its financial records.

(d) Notice, promptly after any Company knows or has reason to know, of (i) the existence and status of any Litigation that, if determined adversely to any Company, would be a Material Adverse Event, (ii) any change in any material fact or circumstance represented or warranted by any Company in connection with any Loan Paper, (iii) the receipt by any Company of notice of any violation or alleged violation of any Environmental Law or ERISA (which individually or collectively with other violations or allegations is reasonably likely to constitute a Material Adverse Event), or (iv) a Default or Potential Default, specifying the nature thereof and what action the Companies have taken, are taking, or propose to take.

(e) Promptly after filing, copies of all material reports or filings filed by or on behalf of any Company with any securities exchange or the Securities and Exchange Commission (including, without limitation, copies of each Form 10-K, Form 10-Q and Form S-8 filed by or on behalf of VRI with the Securities and Exchange Commission within 15 days after filing).

(f) Promptly upon reasonable request by Agent or Required Lenders (through Agent), information (not otherwise required to be furnished under the Loan Papers) respecting the business affairs, assets and liabilities of the Companies (including, but not limited to, seasonal operating statistics, annual budgets, etc.) and opinions, certifications and documents in addition to those mentioned in this Agreement; provided, however, that Agent and Lenders shall not disclose to any third Person any data or information obtained thereby in accordance with the provisions of this paragraph (f), except (i) with the prior written consent of the appropriate Company, (ii) to the extent necessary to comply with Law or the ruling of any Tribunal in which event, Agent and/or such Lenders shall notify the appropriate Company as promptly as practicable (and, if possible, prior to making such disclosure) and shall seek confidential treatment of the information desired, (iii) at the request of any banking or other regulatory authority, or (iv) to their respective Representatives to the extent such disclosure is necessary in connection with the transactions contemplated by the Loan Papers.

8.2 Use of Proceeds. Borrower will use some or all of the proceeds of the initial Loan to (i) repay all amounts payable under the Existing Credit Agreements and terminate the financing commitments thereunder, and (ii) refinance certain Debt of Ralston Resorts in connection with the Ralston Resorts Acquisition. Borrower will use all other proceeds of Loans and LCs to pay fees and expenses incurred in connection with the Ralston Resorts Acquisition, for seasonal working capital, to make advances to other Companies permitted by SECTION 9.8, and for other general corporate purposes and capital expenditures of the Companies. No part of the proceeds of any LC draft or drawing or of any Loan will be used, directly or indirectly, for a purpose that violates any Law, including without limitation, the provisions of Regulations G or U.

8.3 Books and Records. Each Company will maintain books, records and accounts necessary to prepare financial statements in accordance with GAAP.

8.4 Inspections. Upon reasonable request, each Company will allow Agent (or its Representatives) to inspect any of its properties, to review reports, files and other records and to make and take away copies, to conduct tests or investigations, and to discuss any of its affairs, conditions and finances with its other creditors, directors, officers, employees or representatives from time to time, during reasonable business hours; provided, however, that Agent and its Representatives shall not disclose to any Person any data or information obtained thereby in accordance with the provisions of this SECTION 8.4 which is not a matter of public knowledge, except (i) with the prior written consent of the appropriate Company, (ii) to the extent necessary to comply with Law or the ruling of any Tribunal in which event, Agent and/or its Representatives shall notify the appropriate Company as promptly as practicable (and, if possible, prior to making such disclosure) and shall seek confidential treatment of the information desired, (iii) at the request of any banking or other regulatory authority, or (iv) to their respective Representatives to the extent such disclosure is necessary in connection with the transactions contemplated by the Loan Papers. Any of the Lenders (or their Representatives) may accompany Agent during such inspections.

8.5 Taxes. Each Restricted Company will promptly pay when due any and all Taxes, other than Taxes which are being contested in good faith by lawful proceedings diligently conducted, against which reserve or other provision required by GAAP has been made; provided, however, that all such Taxes shall, in any event, be paid prior to any levy for execution in respect of any Lien on any property of a Restricted Company.

8.6 Payment of Obligations. Each Company will pay (or renew and extend) all of its obligations at such times and to such extent as may be necessary to prevent a Material Adverse Event (except for obligations, other than Funded Debt, which are being contested in good faith by appropriate proceedings); provided that Borrower shall not and shall not permit any other Company to repay advances from Apollo, other than as provided in SECTION 9.9.

8.7 Expenses. Borrower shall promptly pay upon demand (a) all reasonable and customary costs, fees, and expenses paid or incurred by Agent and its Affiliates, in connection with the arrangement, syndication and negotiation of the Facility and the negotiation, preparation, delivery and execution of the Loan Papers and any related amendment, waiver, or consent (including in each case, without limitation, the reasonable fees and expenses of Agent's counsel) and (b) all reasonable costs and expenses of Lenders and Agent incurred by Agent or any Lender in connection with the enforcement of the obligations of any Company arising under the Loan Papers or the exercise of any Rights arising under the Loan Papers (including, but not limited to, reasonable attorneys' fees and court costs), all of which shall be a part of the Obligation and shall bear interest, if not paid upon demand, at the Default Rate until paid.

8.8 Maintenance of Existence, Assets, and Business.

(a) Except as otherwise permitted by SECTION 9.11, each Company will (i) maintain its corporate existence and good standing in its state of incorporation and its authority to transact business in all other states where failure to maintain its authority to transact business is a Material Adverse Event; (ii) maintain all Water Rights, licenses, permits and franchises necessary for its business where failure is a Material Adverse Event; and (iii) keep all of its assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear excepted) and make all necessary repairs and replacements.

(b) No Company will change its name in any manner (except by registering additional trade names, in which event Borrower shall promptly supply Lenders with a revised SCHEDULE 7.19), unless such Company shall have given the Agent prior notice thereof.

8.9 Insurance. Each Company will maintain with financially sound, responsible, and reputable insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates) insurance concerning its properties and businesses against casualties and contingencies and of types and in amounts (and with co-insurance and deductibles) as is customary in the case of similar businesses. At Agent's request, each Company will deliver to Agent certificates of insurance for each policy of insurance and evidence of payment of all premiums.

8.10 Preservation and Protection of Rights. Each Company will perform the acts and duly authorize, execute, acknowledge, deliver, file and record any additional writings as Agent or Required Lenders may reasonably deem necessary or appropriate to perfect and maintain the Liens created pursuant to the Security Documents.

8.11 Environmental Laws. Each Company will (a) conduct its business so as to comply in all material respects with all applicable Environmental Laws and shall promptly take required corrective action to remedy any non-compliance with any Environmental Law, except where failure to comply or take action would not be a Material Adverse Event, and (b) establish and maintain a management system designed to ensure compliance with applicable Environmental Laws and minimize material financial and other risks to each Company arising under applicable Environmental Laws or as the result of environmentally related injuries to Persons or property, except where failure to comply would not be a Material Adverse Event. Borrower shall deliver reasonable evidence of compliance with the foregoing covenant to Agent within 30 days after any written request from Required Lenders, which request shall be made only if Required Lenders reasonably believe that a failure to comply with the foregoing covenant would be a Material Adverse Event.

8.12 Subsidiaries. Subject to SECTION 9.8, the Companies may create or acquire additional Subsidiaries (including Unrestricted Subsidiaries); provided that (a) each Person that becomes a Restricted Subsidiary after the date of this Agreement (whether as a result of acquisition, creation or otherwise) shall execute and deliver a Guaranty within 10 days after becoming a Restricted Subsidiary, (b) Borrower shall deliver to Agent revised SCHEDULES 7.2 and 7.3 reflecting such new Subsidiary within 10 days after it becomes a Subsidiary, and (c) until the release, if any, of the Collateral pursuant to SECTION 5.2(B), the appropriate Companies shall pledge to Agent for the benefit of Lenders all stock or other ownership interests of each such new Restricted Subsidiary owned by such Companies within 10 days after it becomes a Restricted Subsidiary.

8.13 Indemnification. BORROWER SHALL INDEMNIFY, PROTECT AND HOLD AGENT AND LENDERS AND THEIR RESPECTIVE AFFILIATES, REPRESENTATIVES, SUCCESSORS AND ASSIGNS AND ATTORNEYS (COLLECTIVELY, THE "INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS AND PROCEEDINGS AND ALL COSTS, EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL ATTORNEYS' FEES AND LEGAL EXPENSES WHETHER OR NOT SUIT IS BROUGHT) AND DISBURSEMENTS OF ANY KIND OR NATURE (THE "INDEMNIFIED LIABILITIES") THAT MAY AT ANY TIME BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST THE INDEMNIFIED PARTIES, IN ANY WAY RELATING TO OR ARISING OUT OF (A) THE DIRECT OR INDIRECT RESULT OF THE VIOLATION BY ANY COMPANY OF ANY ENVIRONMENTAL LAW, (B) ANY COMPANY'S GENERATION, MANUFACTURE, PRODUCTION, STORAGE, RELEASE, THREATENED RELEASE, DISCHARGE, DISPOSAL OR PRESENCE IN CONNECTION WITH ITS PROPERTIES OF A HAZARDOUS SUBSTANCE (INCLUDING, WITHOUT LIMITATION, (I) ALL DAMAGES OF ANY USE, GENERATION, MANUFACTURE, PRODUCTION, STORAGE, RELEASE, THREATENED RELEASE, DISCHARGE, DISPOSAL OR PRESENCE, OR (II) THE COSTS OF ANY ENVIRONMENTAL INVESTIGATION, MONITORING, REPAIR, CLEANUP OR DETOXIFICATION AND THE PREPARATION AND IMPLEMENTATION OF ANY CLOSURE, REMEDIAL OR OTHER PLANS), OR (C) THE LOAN PAPERS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN. HOWEVER, ALTHOUGH EACH INDEMNIFIED PARTY HAS THE RIGHT TO BE INDEMNIFIED FOR ITS OWN ORDINARY NEGLIGENCE, NO INDEMNIFIED PARTY HAS THE RIGHT TO BE INDEMNIFIED FOR ITS OWN FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE PROVISIONS OF AND UNDERTAKINGS AND INDEMNIFICATION SET FORTH IN THIS PARAGRAPH SHALL SURVIVE THE SATISFACTION AND PAYMENT OF THE OBLIGATION AND TERMINATION OF THIS AGREEMENT.

8.14 Interest Rate Hedging. Borrower shall enter into Financial Hedges for an aggregate notional amount of at least $75,000,000 on terms reasonably acceptable to Agent within 60 days after the Closing Date.

SECTION 9 NEGATIVE COVENANTS. So long as Lenders are committed to fund Loans and Agent is committed to issue LCs under this Agreement, and thereafter until the Obligation is paid in full, Borrower covenants and agrees as follows:

9.1 Taxes. No Company shall use any portion of the proceeds of any Loan to pay the wages of employees, unless a timely payment to or deposit with the United States of America of all amounts of Tax required to be deducted and withheld with respect to such wages is also made.

9.2 Payment of Obligations. No Company shall voluntarily prepay principal of, or interest on, any Funded Debt, other than the Obligation, if a Default or Potential Default exists (or would result from such payment).

9.3 Employee Plans. Except where a Material Adverse Event would not result, no Company shall permit any of the events or circumstances described in SECTION 7.10 to exist or occur.

9.4 Debt. No Company shall create, incur or suffer to exist any Debt, other than Permitted Debt.

9.5 Liens. No Company shall (a) create, incur or suffer or permit to be created or incurred or to exist any Lien upon any of its assets, other than Permitted Liens, or (b) enter into or permit to exist any arrangement or agreement that directly or indirectly prohibits any Company from creating or incurring any Lien, other than the Loan Papers, the Bond Documents described in the Collateral Agency Agreement and leases or licenses that prohibit Liens on the leased or licensed property.

9.6 Transactions with Affiliates.

(a) Except as set forth on SCHEDULE 7.14, no Restricted Company shall guaranty, obtain any letter of credit or similar instrument in support of, or create, incur or suffer to exist any Lien upon any of its assets as security for, any Debt or other obligation of any Affiliate (other than Debts or other obligations of another Restricted Company).

(b) No Restricted Company shall enter into or suffer to exist any transaction with any Affiliate (other than another Restricted Company), unless (i) such transaction is an advance or equity contribution to an Unrestricted Subsidiary permitted by SECTION 9.8(I), (ii) such transaction is described in SECTION 9.9 or on SCHEDULE 7.14, or (iii) such transaction is upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate.

9.7 Compliance with Laws and Documents. No Company shall (a) violate the provisions of any Laws or rulings of any Tribunal applicable to it or of any Material Agreement to which it is a party if that violation alone, or when aggregated with all other violations, would be a Material Adverse Event, (b) violate the provisions of its charter or bylaws if such violation would cause a Material Adverse Event, or (c) repeal, replace or amend any provision of its charter or bylaws if that action would be a Material Adverse Event.

9.8 Loans, Advances and Investments. Except as permitted by SECTION 9.9 or SECTION 9.11, no Restricted Company shall make or suffer to exist any loan, advance, extension of credit or capital contribution to, make any investment in, or purchase or commit to purchase any stock or other securities or evidences of Debt of, or interests in, any other Person, other than:

(a) expense accounts for and other loans or advances to its directors, officers and employees in the ordinary course of business;

(b) marketable obligations issued or unconditionally guaranteed by the United States Government or issued by any of its agencies and backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition;

(c) short-term investment grade domestic and eurodollar certificates of deposit or time deposits that are fully insured by the Federal Deposit Insurance Corporation or are issued by commercial banks organized under the Laws of the United States of America or any of its states having combined capital, surplus, and undivided profits of not less than $100,000,000 (as shown on its most recently published statement of condition);

(d) commercial paper and similar obligations rated "P-1" by Moody's Investors Service, Inc., or "A-1" by Standard & Poors Ratings Group (a division of McGraw Hill, Inc.);

(e) readily marketable tax-free municipal bonds of a domestic issuer rated "A-2" or better by Moody's Investors Service, Inc., or "A" or better by Standard & Poors Ratings Group (a division of McGraw Hill, Inc.), and maturing within one year from the date of issuance;

(f) mutual funds or money market accounts investing primarily in items described in clauses (b) through (e) above;

(g) demand deposit accounts maintained in the ordinary course of business;

(h) current trade and customer accounts receivable that are for goods furnished or services rendered in the ordinary course of business and that are payable in accordance with customary trade terms;

(i) in addition to items covered elsewhere in this definition, but subject to SECTIONS 8.12 and 9.14, investments in any Person (including purchases of stock or other securities or evidence of Debt of, assets of, or loans, advances, extensions of credit or capital contributions to such Person, but excluding capital appreciation and accrued interest), provided that all such investments (when added to those made by Unrestricted Subsidiaries) made in (i) Unrestricted Subsidiaries, (ii) Persons that are not Affiliates of Borrower after such investment (excluding investments in Keystone/Intrawest LLC existing on the date of this Agreement and the existing obligation of Ralston Resorts to contribute to Keystone/Intrawest LLC additional land which had a book value as of June 30, 1996, of $8,900,000), and (iii) Apollo shall not in the aggregate exceed 15% of the Companies' consolidated net worth at the time of determination; and

(j) the following investments:

(i) Housing Revenue Bonds, Series A-1, A-2, A-3, and B-2, issued by Eagle Bend Affordable Housing Corporation, held in the face amount of $800,000;

(ii) Housing Revenue Bonds, Series 1993C, issued by Lake Creek Affordable Housing Corporation, held in the face amount of $1,166,250;

(iii) the possible purchase of bonds with respect to Borrower's contingent obligations under the $10,115,000 Standby Bond Purchase Agreement between Borrower and Colorado National Bank, as Trustee, dated July 9, 1996;

(iv) a secured loan of $300,000 made to Andrew P. Daly in 1991, a secured loan of $438,750 to be made to Lucinda M. Daly, and a secured loan of $350,000 to be made to Mr. and Mrs. James P. Thompson; and

(v) Workers compensation reserve account, established pursuant to a self-insurance permit from the State of Colorado Department of Labor, invested exclusively in items described in clauses (b) through (f) above.

9.9 Management Fees and Distributions. No Company shall make any Distribution, except as follows:

(a) if no Default or Potential Default exists (or would result therefrom), the Companies may pay management fees to Apollo of up to $500,000 (in cash and/or services) in any fiscal year of the Companies;

(b) VRI may make payments of up to $55,000,000 in connection with its distribution of a nontransferable right to receive up to $5.00 per share of VRI's Common Stock to all stockholders of record on October 11, 1996, and a related payable accruing to certain option holders (provided that such payments may only be made to the extent the Companies receive sufficient gross proceeds under contracts existing as of September 30, 1996, for the sale of certain real estate and related amenities); and

(c) any Company may make Distributions to a Restricted Company.

9.10 Sale of Assets. No Company shall sell, assign, lease, transfer or otherwise dispose of all or any material portion of the assets described in SCHEDULE 2, if the ratio described in SECTION 10.1 would increase as a result of such disposition after any application of proceeds thereof to the Term Loans under SECTION 3.2(D)(I)(A). Any sale of assets is subject to the mandatory prepayment provisions of SECTION 3.2(D)(I).

9.11 Mergers and Dissolutions. No Restricted Company shall merge or consolidate with any other Person (unless Borrower or, if Borrower is not a party to such merger or consolidation, a Restricted Subsidiary is the surviving entity in connection with any such merger or consolidation) or liquidate, wind up or dissolve (or suffer any liquidation or dissolution). Prior to any such merger or consolidation, Borrower shall deliver any notice and legal opinion required by SECTION 2(B)(II) of the relevant Pledge Agreement, if applicable. Promptly after such merger or consolidation, Borrower shall deliver to Agent revised SCHEDULES 7.2 and 7.3 reflecting any merger or consolidation.

9.12 Assignment. No Company shall assign or transfer any of its Rights or cause to be delegated its duties or obligations under any of the Loan Papers.

9.13 Fiscal Year and Accounting Methods. No Company shall change its fiscal year or its method of accounting (other than immaterial changes in methods or as required by GAAP).

9.14 New Businesses. No Restricted Company shall engage in any business, except the businesses in which they are presently engaged and any other business reasonably related to the Companies' current operations or the resort, leisure or ski business; provided, however, that the foregoing shall not be construed to prohibit the cessation by any Company of its business activities or the sale or transfer of the business or assets of such Company to the extent not otherwise prohibited by this Agreement.

9.15 Government Regulations. No Company shall conduct its business in a way that it becomes regulated under the Investment Company Act of 1940, as amended, or the Public Utility Holding Company Act of 1935, as amended.

SECTION 10 FINANCIAL COVENANTS. So long as Lenders are committed to fund Loans and Agent is committed to issue LCs under this Agreement, and thereafter until the Obligation is paid and performed in full (except for provisions under the Loan Papers expressly intended to survive payment of the Obligation and termination of the Loan Papers), Borrower covenants and agrees as follows to comply with each of the following ratios. For purposes of determining each such ratio, Resort EBITDA for any period shall include on a pro forma basis all EBITDA for such period relating to assets acquired (including Restricted Subsidiaries formed or acquired) during such period, but shall exclude on a pro forma basis all EBITDA for such period relating to any such assets disposed of in accordance with this Agreement during such period.

10.1 Maximum Leverage Ratio. As calculated as of the last day of each fiscal quarter of the Companies, the Companies shall not permit the ratio of (x) the unpaid principal amount of Funded Debt existing as of such last day to (y) Resort EBITDA for the four fiscal quarters ending on such last day to exceed the following:

MAXIMUM LEVERAGE RATIO IF FACILITY IS SECURED	MAXIMUM LEVERAGE RATIO IF FACILITY IS NO LONGER SECURED (PURSUANT TO (S) 5.2(B))
As of the last day of each fiscal quarter occurring after the Closing Date through and including December 31, 1998: 4.75 to 1.00	As of the last day of each fiscal quarter occurring after the Closing Date through and including December 31, 1998: 4.25 to 1.00
As of the last day of each fiscal quarter commencing with March 31, 1999, through and including December 31, 1999: 4.25 to 1.00	As of the last day of each fiscal quarter commencing with March 31, 1999: 3.75 to 1.00
As of the last day of each fiscal quarter commencing with March 31, 2000: 4.00 to 1.00	

10.2 Minimum Fixed Charge Coverage Ratio. As calculated as of the last day of each fiscal quarter of the Companies, the Companies shall not permit the ratio of (x) Resort EBITDA for the four fiscal quarters ending on such last day minus Adjusted Capital Expenditures to (y) Scheduled Principal Payments and interest on the Obligation and scheduled principal and interest payments on all other Funded Debt (other than with respect to principal payments on VRI's 12-1/4% Senior Subordinated Notes Due 2002) in such four fiscal quarters to be less than the following:

As of the last day of each fiscal quarter occurring after the Closing Date through and including June 30, 1999:	1.15 to 1.00
As of the last day of each fiscal quarter commencing with September 30, 1999, through and including June 30, 2000:	1.20 to 1.00
As of the last day of each fiscal quarter commencing with September 30, 2000:	1.25 to 1.00

For purposes of clause (y) of such ratio for the four-quarter periods ending on December 31, 1996, March 31, 1997, and June 30, 1997, payments of principal and interest shall be calculated as though all such Debt was incurred at the beginning of such four-quarter period. As used in this SECTION 10.2, "ADJUSTED CAPITAL EXPENDITURES" means (a) for the four fiscal quarters ending any December 31, the lesser of (i) the Companies' actual capital expenditures during such four fiscal quarters, and (ii) $25,000,000, and (b) for the four fiscal quarters ending on any March 31, June 30, or September 30, the lesser of (i) the Companies' actual capital expenditures during such four fiscal quarters, and (ii) $15,000,000.

10.3 Interest Coverage Ratio. As calculated as of the last day of each fiscal quarter of the Companies, the Companies shall not permit the ratio of (x) Resort EBITDA for the four fiscal quarters ending on such last day to (y) payments of interest on Funded Debt in such four fiscal quarters to be less than the following:

As of the last day of each fiscal quarter occurring after the Closing Date through and including June 30, 1998:	2.25 to 1.00
As of the last day of each fiscal quarter commencing with September 30, 1998, through and including June 30, 1999:	2.50 to 1.00
As of the last day of each fiscal quarter commencing with September 30, 1999, through and including June 30, 2000:	2.75 to 1.00
As of the last day of each fiscal quarter commencing with September 30, 2000:	3.00 to 1.00

For purposes of clause (y) of such ratio for the four-quarter periods ending on December 31, 1996, March 31, 1997, and June 30, 1997, the payments of interest on Funded Debt shall be calculated as though such Funded Debt was incurred at the beginning of such four-quarter period.

SECTION 11 DEFAULT. The term "DEFAULT" means the occurrence of any one or more of the following events:

11.1 Payment of Obligation. The failure or refusal of any Company to pay (i) any principal payment contemplated by SECTION 3.2(B) of this Agreement after such payment becomes due and payable hereunder, (ii) any principal payment (other than those contemplated by SECTION 3.2(B)) or interest payment contemplated to be made hereunder within 3 Business Days after demand therefor by Agent, (iii) any amount contemplated to be paid hereunder in respect of fees, costs, expenses or indemnities within 10 Business Days after demand therefor by Agent and (iv) any amount in respect of its reimbursement obligations in connection with any drawing under an LC within 3 Business Days after demand therefor by Agent.

11.2 Covenants. The failure or refusal of any Company to punctually and properly perform, observe, and comply with:

(a) Any covenant, agreement or condition applicable to it contained in SECTIONS 8.2, 8.14, 9 (other than SECTIONS 9.1, 9.3, 9.6 and 9.7) or 10; or

(b) Any other covenant, agreement or condition applicable to it contained in any Loan Paper (other than the covenants to pay the Obligation and the covenants in clause (a) preceding), and failure or refusal continues for 30 days.

11.3 Debtor Relief. Any Restricted Company (a) fails to pay its Debts generally as they become due, (b) voluntarily seeks, consents to, or acquiesces in the benefit of any Debtor Relief Law, or (c) becomes a party to or is made the subject of any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the Rights of Agent or any Lender granted in the Loan Papers (unless, if the proceeding is involuntary, the applicable petition is dismissed within 60 days after its filing).

11.4 Judgments and Attachments. Any Restricted Company fails, within 60 days after entry, to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $5,000,000 (individually or collectively) or any warrant of attachment, sequestration or similar proceeding against any assets of any Restricted Company having a value (individually or collectively) of $5,000,000, which is neither (a) stayed on appeal nor (b) diligently contested in good faith by appropriate proceedings and adequate reserves have been set aside on its books in accordance with GAAP.

11.5 Government Action. Any Tribunal condemns, seizes or otherwise appropriates, or takes custody or control of all or any substantial portion of the assets described on SCHEDULE 2.

11.6 Misrepresentation. Any material representation or warranty made by any Company in connection with any Loan Paper at any time proves to have been materially incorrect when made; provided that if such Company made such representation or warranty in good faith without any knowledge on the part of the Companies that it was materially incorrect, such misrepresentation shall not constitute a Default if the Companies notify Agent of such misrepresentation within 5 Business Days after such Company has knowledge thereof.

11.7 Ownership. There shall occur a Change of Control Transaction.

11.8 Default Under Other Agreements. (a) Any Restricted Company fails to pay when due (after lapse of any applicable grace period) any recourse Debt in excess (individually or collectively) of $5,000,000; (b) any default exists under any agreement to which any Restricted Company is a party, the effect of which is to cause, or to permit any Person (other than a Restricted Company) to cause, any recourse obligation in excess (individually or collectively) of $5,000,000 to become due and payable by any Restricted Company before its stated maturity, except to the extent such obligation is declared to be due and payable as a result of the sale of any asset to which it relates; or (c) an "Enforcement Notice" is delivered by the Beaver Creek Indenture Trustee or the Vail Indenture Trustee under the Collateral Agency Agreement (and has not been rescinded or withdrawn).

11.9 Validity and Enforceability of Loan Papers. Except in accordance with its terms or as otherwise expressly permitted by this Agreement, any Loan Paper at any time after its execution and delivery ceases to be in full force and effect in any material respect or is declared to be null and void or its validity or enforceability is contested by any Company party thereto or any Company denies that it has any further liability or obligations under any Loan Paper to which it is a party.

11.10 Employee Plans. Except where occurrence or existence is not a Material Adverse Event, (a) an Employee Plan incurs an "accumulated funding deficiency" (as defined in section 302 of ERISA or section 412 of the Code), (b) a Company incurs liability under ERISA to the PBGC in connection with any Employee Plan (other than required insurance premiums paid when due), (c) a Company withdraws in whole or in part from participation in a Multiemployer Plan, (d) a Company engages in any "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the Code), or (e) a "reportable event" (as defined in section 4043 of ERISA) occurs with respect to an Employee Plan, excluding events for which the notice requirement is waived under applicable PBGC regulations.

SECTION 12 RIGHTS AND REMEDIES.

12.1 Remedies Upon Default.

(a) If a Default exists under SECTION 11.3, the commitment to extend credit under this Agreement automatically terminates, the entire unpaid balance of the Obligation automatically becomes due and payable without any action of any kind whatsoever, and Borrower must provide cash collateral in an amount equal to the then-existing LC Exposure.

(b) If any Default exists, subject to the terms of SECTION 13.5(B), Agent may (with the consent of, and must, upon the request of, Required Lenders), do any one or more of the following: (i) if the maturity of the Obligation has not already been accelerated under SECTION 12.1(A), declare the entire unpaid balance of all or any part of the Obligation immediately due and payable, whereupon it is due and payable; (ii) terminate the commitments of Lenders to extend credit or to continue or convert any Loan under this Agreement; (iii) reduce any claim to judgment; (iv) demand Borrower to provide cash collateral in an amount equal to the

LC Exposure then existing; and (v) exercise any and all other legal or equitable Rights afforded by the Loan Papers, the Laws of the State of New York, or any other applicable jurisdiction. In addition, Agent may (with the consent of, and must, upon the request of, Lenders holding at least 50% of the Revolving Credit Commitment) terminate the Revolving Credit Commitment.

12.2 Company Waivers. TO THE EXTENT PERMITTED BY LAW, EACH COMPANY WAIVES PRESENTMENT AND DEMAND FOR PAYMENT, PROTEST, NOTICE OF INTENTION TO ACCELERATE, NOTICE OF ACCELERATION AND NOTICE OF PROTEST AND NONPAYMENT, AND AGREES THAT ITS LIABILITY WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATION IS NOT AFFECTED BY ANY RENEWAL OR EXTENSION IN THE TIME OF PAYMENT OF ALL OR ANY PART OF THE OBLIGATION, BY ANY INDULGENCE, OR BY ANY RELEASE OR CHANGE IN ANY SECURITY FOR THE PAYMENT OF ALL OR ANY PART OF THE OBLIGATION.

12.3 Performance by Agent. If any covenant, duty or agreement of any Company is not performed in accordance with the terms of the Loan Papers, Agent may, while a Default exists, at its option (but subject to the approval of Required Lenders), perform or attempt to perform that covenant, duty or agreement on behalf of that Company (and any amount expended by Agent in its performance or attempted performance is payable by the Companies, jointly and severally, to Agent on demand, becomes part of the Obligation, and bears interest at the Default Rate from the date of Agent's expenditure until paid). However, Agent does not assume and shall never have, except by its express written consent, any liability or responsibility for the performance of any covenant, duty or agreement of any Company.

12.4 Not in Control. None of the covenants or other provisions contained in any Loan Paper shall, or shall be deemed to, give Agent or Lenders the Right to exercise control over the assets (including, without limitation, real property), affairs, or management of any Company; the power of Agent and Lenders is limited to the Right to exercise the remedies provided in this SECTION 12.

12.5 Course of Dealing. The acceptance by Agent or Lenders of any partial payment on the Obligation shall not be deemed to be a waiver of any Default then existing. No waiver by Agent, Required Lenders or Lenders of any Default shall be deemed to be a waiver of any other then-existing or subsequent Default. No delay or omission by Agent, Required Lenders or Lenders in exercising any Right under the Loan Papers will impair that Right or be construed as a waiver thereof or any acquiescence therein, nor will any single or partial exercise of any Right preclude other or further exercise thereof or the exercise of any other Right under the Loan Papers or otherwise.

12.6 Cumulative Rights. All Rights available to Agent, Required Lenders, and Lenders under the Loan Papers are cumulative of and in addition to all other Rights granted to Agent, Required Lenders, and Lenders at law or in equity, whether or not the Obligation is due and payable and whether or not Agent, Required Lenders, or Lenders have instituted any suit for collection, foreclosure, or other action in connection with the Loan Papers.

12.7 Application of Proceeds. Any and all proceeds ever received by Agent or Lenders from the exercise of any Rights pertaining to the Obligation shall be applied to the Obligation according to SECTION 3.11.

12.8 Diminution in Value of Collateral. Neither Agent nor any Lender has any liability or responsibility whatsoever for any diminution in or loss of value of any collateral now or hereafter securing payment or performance of all or any part of the Obligation (other than diminution in or loss of value caused by its gross negligence or willful misconduct).

12.9 Certain Proceedings. The Companies will promptly execute and deliver, or cause the execution and delivery of, all applications, certificates, instruments, registration statements and all other documents and papers Agent or Required Lenders reasonably request in connection with the obtaining of any consent, approval, registration, qualification, permit, license or authorization of any Tribunal or other Person necessary or appropriate for the effective exercise of any Rights under the Loan Papers. Because Borrower agrees that Agent's and Required Lenders' remedies at Law for failure of the Companies to comply with the provisions of this paragraph would be inadequate and that failure would not be adequately compensable in damages, Borrower agrees that the covenants of this paragraph may be specifically enforced.

SECTION 13 AGREEMENT AMONG LENDERS.

13.1 Agent.

(a) Each Lender appoints Agent (and Agent accepts appointment) as its nominee and agent, in its name and on its behalf pursuant to the terms and conditions of the Loan Papers: (i) to act as its nominee and on its behalf in and under all Loan Papers; (ii) to arrange the means whereby its funds are to be made available to Borrower under the Loan Papers; (iii) to take any action that it properly requests under the Loan Papers (subject to the concurrence of other Lenders as may be required under the Loan Papers); (iv) to receive all documents and items to be furnished to it under the Loan Papers; (v) to be the secured party, mortgagee, beneficiary, recipient and similar party in respect of any collateral for the benefit of Lenders; (vi) to promptly distribute to it all material information, requests, documents and items received from any Company under the Loan Papers; (vii) to promptly distribute to it its ratable part of each payment (whether voluntary, as proceeds of collateral upon or after foreclosure, as proceeds of insurance thereon, or otherwise) in accordance with the terms of the Loan Papers; and (viii) to deliver to the appropriate Persons requests, demands, approvals, and consents received from it.

(b) If the initial or any successor Agent ever ceases to be a party to this Agreement or if the initial or any successor Agent ever resigns (whether voluntarily or at the request of Required Lenders), then Required Lenders shall appoint the successor Agent from among Lenders (other than the resigning Agent). If Required Lenders fail to appoint a successor Agent within 30 days after the resigning Agent has given notice of resignation or Required Lenders have removed the resigning Agent, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which must be a commercial bank having a combined capital and surplus of at least $1,000,000,000 (as shown on its most recently published statement of condition). Upon its acceptance of appointment as successor Agent, the successor Agent succeeds to and becomes vested with all of the Rights of the prior Agent, and the prior Agent is discharged from its duties and obligations of Agent under the Loan Papers (but, when used in connection with LCs issued and outstanding before the appointment of the successor Agent, "Agent" shall continue to refer solely to NationsBank of Texas, N.A. (but, any LCs issued or renewed after the appointment of any successor Agent shall be issued or renewed by the successor Agent)), and each Lender shall execute the documents as any Lender, the resigning or removed Agent, or the successor Agent reasonably request to reflect the change. After any Agent's resignation or removal as Agent under the Loan Papers, the provisions of this SECTION 13 inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Papers.

(c) Agent, in its capacity as a Lender, has the same Rights under the Loan Papers as any other Lender and may exercise those Rights as if it were not acting as Agent; the term "Lender" shall, unless the context otherwise indicates, include Agent; and Agent's resignation or removal shall not impair or otherwise affect any Rights that it has or may have in its capacity as an individual Lender. Each Lender and Borrower agree that Agent is not a fiduciary for Lenders or for Borrower but simply is acting in the capacity described in this Agreement to alleviate administrative burdens for Borrower and Lenders, that Agent has no duties or responsibilities to Lenders or Borrower, except those expressly set forth in the Loan Papers, and that Agent in its capacity as a Lender has all Rights of any other Lender.

(d) Agent may now or hereafter be engaged in one or more loan, letter of credit, leasing or other financing transactions with Borrower, act as trustee or depositary for Borrower, or otherwise be engaged in other transactions with Borrower (collectively, the "OTHER ACTIVITIES") not the subject of the Loan Papers. Without limiting the Rights of Lenders specifically set forth in the Loan Papers, Agent is not responsible to account to Lenders for those other activities, and no Lender shall have any interest in any other activities, any present or future guaranties by or for the account of Borrower that are not contemplated or included in the Loan

Papers, any present or future offset exercised by Agent in respect of those other activities, any present or future property taken as security for any of those other activities, or any property now or hereafter in Agent's possession or control that may be or become security for the obligations of Borrower arising under the Loan Papers by reason of the general description of indebtedness secured or of property contained in any other agreements, documents, or instruments related to any of those other activities (but, if any payments in respect of those guaranties or that property or the proceeds thereof is applied by Agent to reduce the Obligation, then each Lender is entitled to share ratably in the application as provided in the Loan Papers).

13.2 Expenses. Each Lender shall pay its Pro Rata Part (based on the Facility as a whole) of any reasonable expenses (including, without limitation, court costs, reasonable attorneys' fees and other costs of collection) incurred by Agent (while acting in such capacity) in connection with any of the Loan Papers if Agent is not reimbursed from other sources within 30 days after incurrence. Each Lender is entitled to receive its Pro Rata Part (based on the Facility as a whole) of any reimbursement that it makes to Agent if Agent is subsequently reimbursed from other sources.

13.3 Proportionate Absorption of Losses. Except as otherwise provided in the Loan Papers, nothing in the Loan Papers gives any Lender any advantage over any other Lender insofar as the Obligation is concerned or to relieve any Lender from absorbing its Pro Rata Part of any losses sustained with respect to any portion of the Obligation in which it participates (except to the extent unilateral actions or inactions by any Lender result in Borrower or any other obligor on the Obligation having any credit, allowance, setoff, defense, or counterclaim solely with respect to all or any part of that Lender's portion of the Obligation).

13.4 Delegation of Duties; Reliance. Lenders may perform any of their duties or exercise any of their Rights under the Loan Papers by or through Agent, and Lenders and Agent may perform any of their duties or exercise any of their Rights under the Loan Papers by or through their respective Representatives. Agent, Lenders and their respective Representatives (a) are entitled to rely upon (and shall be protected in relying upon) any written or oral statement believed by it or them to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinion of counsel selected by Agent or that Lender (but nothing in this clause (a) permits Agent to rely on (i) oral statements if a writing is required by this Agreement or (ii) any other writing if a specific writing is required by this Agreement), (b) are entitled to deem and treat each Lender as the owner and holder of its portion of the Principal Debt for all purposes until, subject to SECTION 14.12, written notice of the assignment or transfer is given to and received by Agent (and any request, authorization, consent or approval of any Lender is conclusive and binding on each subsequent holder, assignee or transferee of or Participant in that Lender's portion of the Principal Debt until that notice is given and received), (c) are not deemed to have notice of the occurrence of a Default unless a responsible officer of Agent, who handles matters associated with the Loan Papers and transactions thereunder, has actual knowledge or Agent has been notified by a Lender or Borrower, and (d) are entitled to consult with legal counsel (including counsel for Borrower), independent accountants, and other experts selected by Agent and are not liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of counsel, accountants, or experts.

13.5 Limitation of Agent's Liability.

(a) NEITHER AGENT NOR ANY OF ITS AFFILIATES, REPRESENTATIVES, SUCCESSORS OR ASSIGNS WILL BE LIABLE FOR ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY IT OR THEM UNDER THE LOAN PAPERS IN GOOD FAITH AND BELIEVED BY IT OR THEM TO BE WITHIN THE DISCRETION OR POWER CONFERRED UPON IT OR THEM BY THE LOAN PAPERS OR BE RESPONSIBLE FOR THE CONSEQUENCES OF ANY ERROR OF JUDGMENT (EXCEPT FOR FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), AND NONE OF THEM HAS A FIDUCIARY RELATIONSHIP WITH ANY LENDER BY VIRTUE OF THE LOAN PAPERS (BUT NOTHING IN THIS AGREEMENT NEGATES THE OBLIGATION OF AGENT TO ACCOUNT FOR FUNDS RECEIVED BY IT FOR THE ACCOUNT OF ANY LENDER).

(b) Unless indemnified to its satisfaction, Agent may not be compelled to do any act under the Loan Papers or to take any action toward the execution or enforcement of the powers thereby created or to prosecute or defend any suit in respect of the Loan Papers. If Agent requests instructions from Lenders, or

Required Lenders, as the case may be, with respect to any act or action in connection with any Loan Paper, Agent is entitled to refrain (without incurring any liability to any Person by so refraining) from that act or action unless and until it has received instructions. In no event, however, may Agent or any of its Representatives be required to take any action that it or they determine could incur for it or them criminal or onerous civil liability or that is contrary to any Loan Paper or applicable Law. Without limiting the generality of the foregoing, no Lender has any right of action against Agent as a result of Agent's acting or refraining from acting under this Agreement in accordance with instructions of Required Lenders (or of all Lenders, if instructions from all Lenders is specifically required by the terms of the Loan Papers).

(c) Agent is not responsible to any Lender or any Participant for, and each Lender represents and warrants that it has not relied upon Agent in respect of, (i) the creditworthiness of any Company and the risks involved to that Lender, (ii) the effectiveness, enforceability, genuineness, validity or due execution of any Loan Paper (other than by Agent), (iii) any representation, warranty, document, certificate, report or statement made therein (other than by Agent) or furnished thereunder or in connection therewith, (iv) the adequacy of any collateral now or hereafter securing the Obligation or the existence, priority or perfection of any Lien now or hereafter granted or purported to be granted on the collateral under any Loan Paper, or (v) the observance of or compliance with any of the terms, covenants or conditions of any Loan Paper on the part of any Company. EACH LENDER AGREES TO INDEMNIFY AGENT AND ITS REPRESENTATIVES AND HOLD THEM HARMLESS FROM AND AGAINST (BUT LIMITED TO SUCH LENDER'S PRO RATA PART, BASED ON THE FACILITY AS A WHOLE, OF) ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, REASONABLE EXPENSES AND REASONABLE DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER THAT MAY BE IMPOSED ON, ASSERTED AGAINST, OR INCURRED BY THEM IN ANY WAY RELATING TO OR ARISING OUT OF THE LOAN PAPERS OR ANY ACTION TAKEN OR OMITTED BY THEM UNDER THE LOAN PAPERS IF AGENT AND ITS REPRESENTATIVES ARE NOT REIMBURSED FOR SUCH AMOUNTS BY ANY COMPANY. Although Agent and its Representatives have the right to be indemnified under this Agreement for its or their own ordinary negligence, Agent and its Representatives do not have the right to be indemnified under this Agreement for its or their own fraud, gross negligence or willful misconduct.

13.6 Default; Collateral. While a Default exists, Lenders agree to promptly confer in order that Required Lenders or Lenders, as the case may be, may agree upon a course of action for the enforcement of the Rights of Lenders; and Agent is entitled to refrain from taking any action (without incurring any liability to any Person for so refraining) unless and until it has received instructions from Required Lenders. In actions with respect to any property of Borrower, Agent is acting for the ratable benefit of each Lender. Agent shall hold, for the ratable benefit of all Lenders, any security it receives for the Obligation or any guaranty of the Obligation it receives upon or in lieu of foreclosure.

13.7 Limitation of Liability. No Lender or any Participant will incur any liability to any other Lender or Participant, except for acts or omissions in bad faith, and neither Agent nor any Lender or Participant will incur any liability to any other Person for any act or omission of any other Lender or any Participant.

13.8 Relationship of Lenders. The Loan Papers and the documents delivered in connection therewith do not create a partnership or joint venture among Agent and Lenders or among Lenders.

13.9 Collateral Matters.

(a) Each Lender authorizes and directs Agent to enter into the Security Documents for the ratable benefit of Lenders and the other secured parties identified therein. Each Lender agrees that any action taken by Agent concerning any Collateral with the consent of, or at the request of, Required Lenders in accordance with the provisions of the Loan Papers, and the exercise by Agent (with the consent of, or at the request of, Required Lenders) of powers concerning the Collateral set forth in any Loan Paper, together with other reasonably incidental powers, shall be authorized by and binding upon all Lenders.

(b) Agent is authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, from time to time before a Default or Potential Default, to take any action with respect to any Collateral or Security Documents that may be necessary to perfect and maintain perfected the Liens upon the Collateral granted by the Security Documents.

(c) Agent has no obligation whatsoever to any Lender or to any other Person to assure that the Collateral exists or is owned by any Company or is cared for, protected or insured or has been encumbered or that the Liens granted under the Security Documents have been properly or sufficiently or lawfully created, perfected, protected or enforced, or are entitled to any particular priority.

(d) Agent shall exercise the same care and prudent judgment with respect to the Collateral and the Security Documents as it normally and customarily exercises in respect of similar collateral and security documents.

(e) Lenders irrevocably authorize Agent to release any Lien upon any Collateral in accordance with SECTION 5.2(B) or 5.3(B).

13.10 Benefits of Agreement. None of the provisions of this SECTION 13 inure to the benefit of any Company or any other Person other than Agent and Lenders; consequently, no Company or any other Person is entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of Agent or any Lender to comply with these provisions.

SECTION 14 MISCELLANEOUS.

14.1 Headings. The headings, captions and arrangements used in any of the Loan Papers are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify or modify the terms of the Loan Papers, nor affect the meaning thereof.

14.2 Nonbusiness Days; Time. Any payment or action that is due under any Loan Paper on a non-Business Day may be delayed until the next-succeeding Business Day (but interest shall continue to accrue on any applicable payment until payment is in fact made) unless the payment concerns a LIBOR Loan, in which case if the next-succeeding Business Day is in the next calendar month, then such payment shall be made on the next-preceding Business Day. Unless otherwise indicated, all time references (e.g., 1:00 p.m.) are to Dallas, Texas time.

14.3 Communications. Unless otherwise specifically provided, whenever any Loan Paper requires or permits any consent, approval, notice, request or demand from one party to another, communication must be in writing (which may be by telex or telecopy) to be effective and shall be deemed to have been given (a) if by telex, when transmitted to the appropriate telex number and the appropriate answerback is received, (b) if by telecopy, when transmitted to the appropriate telecopy number (and all communications sent by telecopy must be confirmed promptly thereafter by telephone; but any requirement in this parenthetical shall not affect the date when the telecopy shall be deemed to have been delivered), (c) if by mail, on the third Business Day after it is enclosed in an envelope and properly addressed, stamped, sealed, and deposited in the appropriate official postal service, or (d) if by any other means, when actually delivered. Until changed by notice pursuant to this Agreement, the address (and telecopy number) for each party to a Loan Paper is set forth on the attached SCHEDULE 1.

14.4 Form and Number of Documents. The form, substance, and number of counterparts of each writing to be furnished under the Loan Papers must be satisfactory to Agent and its counsel, each in its reasonable discretion.

14.5 Exceptions to Covenants. The Companies may not take or fail to take any action that is permitted as an exception to any of the covenants contained in any Loan Paper if that action or omission would result in the breach of any other covenant contained in any Loan Paper.

14.6 Survival. All covenants, agreements, undertakings, representations and warranties made in any of the Loan Papers survive all closings under the Loan Papers and, except as otherwise indicated, are not affected by any investigation made by any party.

14.7 Governing Law. The Laws (other than conflict-of-laws provisions) of the State of New York and of the United States of America govern the Rights and duties of the parties to the Loan Papers and the validity, construction, enforcement and interpretation of the Loan Papers.

14.8 Invalid Provisions. Any provision in any Loan Paper held to be illegal, invalid or unenforceable is fully severable; the appropriate Loan Paper shall be construed and enforced as if that provision had never been included; and the remaining provisions shall remain in full force and effect and shall not be affected by the severed provision. Agent, Lenders, and the Companies shall negotiate, in good faith, the terms of a replacement provision as similar to the severed provision as may be possible and be legal, valid and enforceable.

14.9 Venue; Service of Process; Jury Trial. EACH PARTY TO ANY LOAN PAPER, IN EACH CASE FOR ITSELF, ITS SUCCESSORS AND ASSIGNS (AND IN THE CASE OF BORROWER, FOR EACH OTHER COMPANY), (a) IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF TEXAS, (b) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS AND THE OBLIGATION BROUGHT IN DISTRICT COURTS OF DALLAS OR HARRIS COUNTY, TEXAS, OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN OR SOUTHERN DISTRICT OF TEXAS, DALLAS OR HOUSTON DIVISION, (c) IRREVOCABLY WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY OF THE AFOREMENTIONED COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (d) IRREVOCABLY AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO ANY LOAN PAPER ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS OR THE OBLIGATION MAY BE BROUGHT IN ONE OF THE AFOREMENTIONED COURTS, AND (e) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY LOAN PAPER. The scope of each of the foregoing waivers is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Borrower (for itself and on behalf of each other Company) acknowledges that these waivers are a material inducement to Agent's and each Lender's agreement to enter into a business relationship, that Agent and each Lender has already relied on these waivers in entering into this Agreement, and that Agent and each Lender will continue to rely on each of these waivers in related future dealings. Borrower (for itself and on behalf of each other Company) further warrants and represents that it has reviewed these waivers with its legal counsel, and that it knowingly and voluntarily agrees to each waiver following consultation with legal counsel. THE WAIVERS IN THIS SECTION 14.9 MAY NOT BE MODIFIED EXCEPT IN ACCORDANCE WITH SECTION 14.10, AND SHALL, EXCEPT TO THE EXTENT WAIVED OR MODIFIED IN ACCORDANCE WITH SECTION 14.10, APPLY TO ANY SUBSEQUENT AMENDMENTS, SUPPLEMENTS OR PLACEMENTS TO OR OF THIS OR ANY OTHER LOAN PAPER. In the event of Litigation, this Agreement may be filed as a written consent to a trial by the court.

14.10 Amendments, Consents, Conflicts and Waivers.

(a) Unless otherwise specifically provided, (i) this Agreement may be amended only by an instrument in writing executed by Borrower, Agent and Required Lenders and supplemented only by documents delivered or to be delivered in accordance with the express terms of this Agreement, and (ii) the other Loan Papers may only be the subject of an amendment, modification or waiver that has been approved by Required Lenders and Borrower.

(b) Any amendment to or consent or waiver under any Loan Paper that purports to waive any mandatory prepayment or change the allocation of any payment among the Revolving Credit Loans, the Tranche A Loans and the Tranche B Loans must be by an instrument in writing executed by Borrower, Agent, Lenders holding at least 50% of the Revolving Credit Commitment, Lenders holding at least 50% of the Tranche A Commitment and Lenders holding at least 50% of the Tranche B Commitment. Any amendment to or consent or waiver that purports to reactivate (or would have the effect of reactivating) the Revolving Credit Commitment after its termination pursuant to SECTION 12.1 must be by an instrument in writing executed by Borrower, Agent and Lenders holding at least 50% of the Revolving Credit Commitment. Any amendment to or consent or waiver under any Loan Paper that purports to accomplish any of the following must be by an instrument in writing executed by Borrower and Agent and executed (or approved, as the case may be) by each Lender: (i) extend the due date, decrease the amount of, or reallocate among the Tranches any scheduled payment of the Obligation; (ii) decrease any rate or amount of interest, fees or other sums payable to Agent or Lenders under this Agreement (except such reductions as are contemplated by this Agreement); (iii) change the definition of "Committed Sum," "Required Lenders," "Revolving Credit Commitment," "Revolving Credit Termination Date," "Tranche A Commitment," "Tranche A Termination Date," "Tranche B Commitment," or "Tranche B Termination Date;" (iv) increase any one or more Lenders' Committed Sums; (v) waive compliance with, amend or release (in whole or in part) the Guaranties of VRI or all or substantially all of the Restricted Subsidiaries; (vi) consent to the release of any material portion of the Collateral (other than pursuant to SECTION 5.2(B) or 5.3(B), which may be released by Agent alone in accordance with SECTION 13.9(E)); or (vii) change this clause (b), SECTION 9.12 or any other matter specifically requiring the consent of all Lenders under this Agreement.

(c) Any conflict or ambiguity between the terms and provisions of this Agreement and terms and provisions in any other Loan Paper is controlled by the terms and provisions of this Agreement.

(d) No course of dealing or any failure or delay by Agent, any Lender, or any of their respective Representatives with respect to exercising any Right of Agent or any Lender under this Agreement operates as a waiver thereof. A waiver must be in writing and signed by Agent and Lenders (or Required Lenders, if permitted under this Agreement) to be effective, and a waiver will be effective only in the specific instance and for the specific purpose for which it is given.

14.11 Multiple Counterparts. Each Loan Paper (other than the Notes) may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of thereof, it shall not be necessary to produce or account for more than one counterpart. Each Lender need not execute the same counterpart of this Agreement so long as identical counterparts are executed by Borrower, each Lender, and Agent. This Agreement shall become effective when counterparts of this Agreement have been executed and delivered to Agent by each Lender, Agent and Borrower, or, in the case only of Lenders, when Agent has received telecopied, telexed or other evidence satisfactory to it that each Lender has executed and is delivering to Agent a counterpart of this Agreement.

14.12 Successors and Assigns; Participation.

(a) The Loan Papers bind and inure to the benefit of the parties hereto, any intended beneficiary thereof, and each of their respective successors and permitted assigns. No Lender may transfer, pledge, assign, sell any participation in, or otherwise encumber its portion of the Obligation, except as permitted by this SECTION 14.12.

(b) Any Lender may, in the ordinary course of its business, at any time sell to one or more Persons (each a "PARTICIPANT") participating interests in all or any part of its Rights and obligations under the Loan Papers. The selling Lender shall remain a "Lender" under this Agreement (and the Participant shall not constitute a "Lender" under this Agreement) and its obligations under this Agreement shall remain unchanged. The selling Lender shall remain solely responsible for the performance of its obligations under the Loan Papers and shall remain the holder of its share of the Principal Debt for all purposes under this Agreement. Borrower and Agent shall continue to deal solely and directly with the selling Lender in connection with that Lender's Rights and obligations under the Loan Papers. Participants have no Rights under the Loan Papers, other than certain voting Rights as provided below. Subject to the following, each Lender may obtain (on behalf of its Participants) the benefits of SECTION 3 with respect to all participations in its part of the Obligation outstanding from time to time so long as Borrower is not obligated to pay any amount in excess of the amount that would be due to that Lender under SECTION 3 calculated as though no participation have been made. No Lender may sell any participating interest under which the Participant has any Rights to approve any amendment, modification or waiver of any Loan Paper, except to the extent the amendment, modification or waiver extends the due date for payment of any principal, interest or fees due under the Loan Papers or reduces the interest rate or the amount of principal or fees applicable to the Obligation (except reductions contemplated by this Agreement). Except in the case of the sale of a participating interest to another Lender, the relevant participation agreement shall prohibit the Participant from transferring, pledging, assigning, selling participation in, or otherwise encumbering its portion of the Obligation.

(c) Any Lender may at any time, in the ordinary course of its business, (i) without the consent of Borrower or Agent, assign all or any part of its Rights and obligations under the Loan Papers to any of its Affiliates (each a "PURCHASER") and (ii) upon the prior written consent of Borrower (if no Default or Potential Default exists) and Agent (which will not be unreasonably withheld), assign to any other Person (each of which is also a "PURCHASER") all or any part (but if less than all, then not less than $5,000,000) of its Rights and obligations under the Loan Papers. In each case, the Purchaser shall assume those Rights and obligations under an assignment agreement substantially in the form of the attached EXHIBIT H. Each assignment under this SECTION 14.12(C) shall include a ratable interest in the assigning Lender's Rights and obligations under the Facility with respect to the Tranche or Tranches affected by such assignment. Upon (i) delivery of an executed copy of the assignment agreement to Borrower and Agent and the recordation thereof in the Register provided for in SECTION 14.12(D) and (ii) with respect to each assignment after the completion of the primary syndication described above, payment of a fee of $3,500 from the transferor to Agent, from and after the effective date specified in the Assignment Agreement (which shall be after the date of delivery), the Purchaser shall for all purposes be a Lender party to this Agreement and shall have all the Rights and obligations of a Lender under this Agreement to the same extent as if it were an original party to this Agreement with commitments as set forth in the assignment agreement, and the transferor Lender shall be released from its obligations under this Agreement to a corresponding extent, and, except as provided in the following sentence, no further consent or action by Borrower, Lenders or Agent shall be required. Upon the consummation of any transfer to a Purchaser under this clause (c), the then-existing SCHEDULE 1 shall automatically be deemed to reflect the name, address, Revolving Credit Commitment, Tranche A Commitment, and/or Tranche B Commitment, as the case may be, and Committed Sum of such Purchaser, Agent shall deliver to Borrower and Lenders an amended SCHEDULE 1 reflecting those changes, Borrower shall execute and deliver to each of the transferor Lender and the Purchaser a Note or Notes, as applicable, in the face amount of its Revolving Credit Commitment, Tranche A Commitment, and/or Tranche B Commitment, as the case may be, following transfer, and, upon receipt of its new Note or Notes, as applicable, the transferor Lender shall return to Borrower the relevant Note or Notes previously delivered to it under this Agreement. A Purchaser is subject to all the provisions in this section as if it were a Lender signatory to this Agreement as of the date of this Agreement.

(d) Agent shall maintain at its address on SCHEDULE 1 a copy of each Lender assignment agreement delivered to it in accordance with the terms of SECTION 14.12(C) and a register for the recordation of the principal amount, Type and Interest Period of each Loan and the names, addresses and Commitments of each Lender from time to time (the "REGISTER"). Agent will make reasonable efforts to maintain the accuracy of the Register and to promptly update the Register from time to time, as necessary. The entries in the Register shall be conclusive in the absence of manifest error and Borrower, Agent and Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and each Lender, at any reasonable time and from time to time upon reasonable prior notice.

(c) This SECTION 14.12 relates to absolute assignments and, notwithstanding SECTION 14.12(A), does not prohibit assignments creating security interests. Specifically, without limitation, any Lender may at any time, without the consent of Borrower or Agent, assign all or any part of its Rights under the Loan Papers to a Federal Reserve Bank without releasing the transferor Lender from its obligations thereunder.

14.13 Discharge Only Upon Payment in Full; Reinstatement in Certain Circumstances. Each Company's obligations under the Loan Papers remain in full force and effect until the Total Commitment is terminated and the Obligation is paid in full (except for provisions under the Loan Papers expressly intended to survive payment of the Obligation and termination of the Loan Papers). If at any time any payment of the principal of or interest on any Note or any other amount payable by Borrower or any other obligor on the Obligation under any Loan Paper is rescinded or must be restored or returned upon the insolvency, bankruptcy or reorganization of Borrower or otherwise, the obligations of each Company under the Loan Papers with respect to that payment shall be reinstated as though the payment had been due but not made at that time.

14.14 ENTIRETY. THE RIGHTS AND OBLIGATIONS OF THE COMPANIES, LENDERS AND AGENT SHALL BE DETERMINED SOLELY FROM WRITTEN AGREEMENTS, DOCUMENTS AND INSTRUMENTS, AND ANY PRIOR ORAL AGREEMENTS AMONG THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THOSE WRITINGS. THIS AGREEMENT AND THE OTHER WRITTEN LOAN PAPERS (EACH AS AMENDED IN WRITING FROM TIME TO TIME) EXECUTED BY ANY COMPANY, ANY LENDER OR AGENT REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES. This Agreement supersedes all prior written agreements and understandings relating to the subject matter hereof, including, without limitation, the Offering Memorandum dated September 1996, and may be supplemented only by documents delivered in accordance with the terms hereof.

EXECUTED as of the day and year first mentioned.

THE VAIL CORPORATION

By: ____
Name: ____
____

NATIONSBANK OF TEXAS, N.A.

By: ____
Frank M. Johnson
Senior Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: ____
Andrew T. Fay
Vice President

COLORADO NATIONAL BANK

By: ____

William J. Sullivan
Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: ____
Mischa Zabotin
Vice President

BANKERS TRUST COMPANY

By: ____
Name: ____
Title: ____

BANK OF AMERICA ILLINOIS

By: ____
Name: ____
Title:____

FLEET NATIONAL BANK

By: ____
Guy G. Smith
Senior Vice President

HARRIS TRUST AND SAVINGS BANK

By: ____
James H. Colley
Vice President

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
LOS ANGELES AGENCY

By: ____
Paul Clifford
Deputy General Manager

NORWEST BANK COLORADO, NATIONAL
ASSOCIATION

By: ____

Sandra A. Sauer
Vice President

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.

By: ____
Name: ____
Title: ____

VAN KAMPEN AMERICAN CAPITAL PRIME RATE
INCOME TRUST

By: ____
Jeffrey W. Maillet
Senior Vice President and Portfolio Manager

KEY BANK OF COLORADO

By: ____
Name: ____
Title:____

MARINE MIDLAND BANK

By: ____
John Lyons
Senior Vice President

THE NIPPON CREDIT BANK, LTD., LOS ANGELES
AGENCY

By: ____
Name: ____
Title: ____

CITY NATIONAL BANK

By: ____
David A. Nelson
Vice President

EXHIBIT 10.11(q)

FIRST AMENDMENT TO PLEDGE AGREEMENT

This First Amendment to Pledge Agreement (this "AMENDMENT") is entered into as of July *, 1994 among the undersigned. Capitalized terms used but not defined in this Amendment (unless otherwise indicated) have the meaning given such terms in the Pledge Agreement (defined below).

RECITALS

1. THE VAIL CORPORATION, a Colorado corporation (with its successors, the "BORROWER"), VAIL ASSOCIATES, INC., a Colorado corporation (with its successors, "VAIL"), BEAVER CREEK ASSOCIATES, INC., a Colorado corporation (with its successors, "BEAVER CREEK"), VAIL ASSOCIATES REAL ESTATE GROUP, INC., a Colorado corporation (with its successors, "VAREG"), and VAIL ASSOCIATES REAL ESTATE, INC., a Colorado corporation (with its successors, "VARE")(the Borrower, Vail, Beaver Creek, VAREG and VARE collectively, the "OBLIGORS" and each individually, an "OBLIGOR"), and NATIONSBANK OF TEXAS, N.A., as collateral agent (with its successors in such capacity, the "COLLATERAL AGENT") for the Secured Parties identified in that certain Collateral Agency Agreement, dated as of November 23, 1993 (as amended or replaced from time-to-time, the "COLLATERAL AGREEMENT"), executed that certain Pledge Agreement dated as of November 23, 1993 (the "PLEDGE AGREEMENT").

A. Borrower and NationsBank of Texas, N.A., as Agent, executed and delivered that certain Credit Agreement dated as of November 23, 1993. Subsequently, Borrower, doing business as "Vail Associates, Inc.," the Banks listed on SCHEDULE 1 to the Credit Agreement (defined below) ("BANKS"), and NATIONSBANK OF TEXAS, N.A., as Agent for itself and the other Banks ("AGENT"), executed that Amended and Restated Permanent Credit Agreement dated as of February 7, 1994 (as amended, modified, or restated, the "CREDIT AGREEMENT").

B. Borrower, Agent, and Banks executed that First Amendment to Amended and Restated Permanent Credit Agreement dated as of June 1, 1994 (the "FIRST AMENDMENT"). The First Amendment included the addition of an Unrestricted Subsidiary (as defined in the Credit Agreement) in which VARE owns a 50 percent interest. Borrower, Collateral Agent, and the Obligors now desire to amend the Pledge Agreement to include as part of the Pledged Stock the 50 percent interest of VARE in that Unrestricted Subsidiary.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned agree as follows:

1. Amendment to Pledge Agreement. The Pledge Agreement is amended as follows:

(a) The definition of "Pledged Stock" is amended by deleting the existing definition in its entirety and substituting the following in its place:

PLEDGED STOCK means (a) any membership interest in Slifer, Smith & Frampton\Vail Associates Real Estate, L.L.C. and (b) all of the issued and outstanding capital stock now owned or hereafter acquired by Vail or any Subsidiary of Vail (other than any Unrestricted Subsidiary which is not a direct Subsidiary of Vail) in the corporations identified on EXHIBIT C, including any additional or substitute membership interests or shares of capital stock now owned or hereafter acquired by Vail or any such Subsidiary of Vail in each such corporation issued after the date hereof and any membership interest or capital stock of any corporation that shall become a Subsidiary of Vail (other than any Unrestricted Subsidiary which is not a direct Subsidiary of Vail) at any time or from time to time and all the capital stock which is required to be included in this definition pursuant to the provisions of SECTION 2.B.(D) of this agreement.

(b) EXHIBIT C (Pledged Stock) to the Pledge Agreement shall be amended by deleting the existing exhibit in its entirety and substituting in its place the amended EXHIBIT C attached to this Amendment.

2. Representations and Warranties. Borrower and each other Obligor represent and warrant to Banks that the execution and delivery of this Amendment has been authorized by all requisite corporate action on the part of Borrower and each other Obligor and will not violate their respective organizational documents. Borrower and each other Obligor further represent and warrant to Banks that (a) the representations and warranties in each Loan Paper (as defined in the Credit Agreement) to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (except to the extent that (i) such representations and warranties speak to a specific date or (ii) the facts on which such representations and warranties are based have been changed by transactions contemplated by the Credit Agreement), (b) Borrower and each other Obligor is in full compliance with all covenants and agreements contained in each Loan Paper (as defined in the Credit Agreement) to which it is a party, and (c) no Enforcement Notice is in effect.

3. Counterparts. This Amendment may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank,
Signatures on Immediately Following Page.]

IN WITNESS WHEREOF, this Amendment is executed as of the date set out in the preamble to this Amendment.

VAIL HOLDINGS, INC., fka Vail Associates, Inc.
THE VAIL CORPORATION, dba Vail Associates, Inc.

By:____
Gerald E. Flynn, Senior Vice President of each of the foregoing entities.

BEAVER CREEK ASSOCIATES, INC.
VAIL ASSOCIATES REAL ESTATE GROUP, INC.
VAIL ASSOCIATES REAL ESTATE, INC.

By:____
Gerald E. Flynn, Vice President of each of the foregoing entities.

NATIONSBANK OF TEXAS, N.A.,
as COLLATERAL AGENT

By:____
Frank M. Johnson, Vice President

EXHIBIT C

PLEDGED STOCK

CORPORATE NAMES	AUTHORIZED AND OUTSTANDING SHARES	PAR VALUE	PLEDGED STOCK\INTEREST	PERCENTAGE OWNED
Vail Food Services, Inc.	1,000	$1.00	1,000	100%
Vail Associates Real Estate, Inc.	1,000/1/	$1.00	800	80%
The Vail Corporation	1,000	$1.00	1,000	100%
Beaver Creek Consultants, Inc.	1,000	$1.00	1,000	100%
Beaver Creek Associates, Inc.	1,000	$1.00	1,000	100%
Vail Associates Consultants, Inc.	1,000	$1.00	1,000	100%
Beaver Creek Food Services, Inc.	1,000	$1.00	1,000	100%
Vail Associates Hospitality Corporation	1,000/2/	$1.00	800	80%
Piney River Ranch, Inc.	1,000	$1.00	1,000	100%
Vail Associates Ranch & Land Company	1,000	$1.00	1,000	100%
Vail Trademarks, Inc.	1,000	$1.00	1,000	100%
Vail Associates Real Estate Group, Inc.	1,000	$1.00	1,000	100%
Vail Associates Holdings, Ltd.	1,000	$1.00	1,000	100%
Vail Associates Management Company	1,000	$1.00	1,000	100%
Vail/Arrowhead, Inc.	1,000	$1.00	1,000	100%
Slifer, Smith & Frampton\Vail Associates Real Estate, L.L.C.	NA	NA	50%	50%/3/

/1/ 20% of the outstanding shares of common stock owned by Theodore E. Ryczek.

/2/ 20% of the outstanding shares of common stock owned by Bradley R. Tjossem.

/3/ The remaining 50% Membership Interest is owned by Slifer, Smith & Frampton, Inc.

EXHIBIT 10.11(r)

SECOND AMENDMENT TO PLEDGE AGREEMENT

This Second Amendment to Pledge Agreement (this "AMENDMENT") is entered into as of December 30, 1996 among the undersigned. Capitalized terms used but not defined in this Amendment (unless otherwise indicated) have the meaning given such terms in the Pledge Agreement (defined below).

RECITALS

1. THE VAIL CORPORATION, a Colorado corporation (with its successors, "BORROWER") and NationsBank of Texas, N.A., as agent (with its successors in such capacity, "AGENT"), and the banks party thereto ("BANKS") entered into that certain Credit Agreement dated as of November 23, 1993 (as amended by (i) that certain Amended and Restated Permanent Credit Agreement dated as of February 7, 1994, (ii) that certain First Amendment to Amended and Restated Permanent Credit Agreement dated as of June 1, 1994, (iii) that certain Second Amended and Restated Credit Agreement dated as of March 31, 1995, (iv) that certain First Amendment to Second Amended and Restated Credit Agreement dated as of December 30, 1996, and (v) as further amended from time to time, the "CREDIT AGREEMENT").

A. Borrower, VAIL ASSOCIATES, INC., a Colorado corporation (now known as Vail Holdings, Inc., with its successors, "VHI"), BEAVER CREEK ASSOCIATES, INC., a Colorado corporation (with its successors, "BEAVER CREEK"), VAIL ASSOCIATES REAL ESTATE GROUP, INC., a Colorado corporation (with its successors, "VAREG"), and VAIL ASSOCIATES REAL ESTATE, INC., a Colorado corporation (with its successors, "VARE") (Borrower, VHI, Beaver Creek, VAREG and VARE collectively, the "OBLIGORS" and each individually, an "OBLIGOR"), and NATIONSBANK OF TEXAS, N.A., as collateral agent (with its successors in such capacity, the "COLLATERAL AGENT") for the Secured Parties identified in that certain Collateral Agency Agreement, dated as of November 23, 1993 (as amended or replaced from time to time, the "COLLATERAL AGREEMENT"), executed that certain Pledge Agreement dated as of November 23, 1993 (as amended by that certain First Amendment to Pledge Agreement dated July, 1994 , and as further amended from time to time, the "PLEDGE AGREEMENT").

B. Obligors and Banks now desire to amend the Pledge Agreement as set out in this Amendment and have directed the Collateral Agent to so amend the Pledge Agreement.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned agree as follows:

1. Amendments to Pledge Agreement.

(a) The Pledge Agreement's definition of "Pledged Stock" is amended by deleting the existing definition in its entirety and substituting the following:

"Pledged Stock means (a) any membership interest in Slifer, Smith & Frampton/Vail Associates Real Estate, L.L.C. and (b) all of the issued and outstanding capital stock now owned or hereafter acquired by Vail or any Subsidiary of Vail (other than any Unrestricted Subsidiary) in the corporations identified on EXHIBIT C, including any additional or substitute membership interests or shares of capital stock now owned or hereafter acquired by Vail or any such Subsidiary of Vail in each such corporation issued after the date hereof and all the capital stock which is required to be included in this definition pursuant to the provisions of Section 2.B.(d) of this agreement."

(b) Section 2.B.(d) of the Pledge Agreement is hereby amended by deleting such Section in its entirety and substituting the following:

"(d) The Pledged Stock will at all times include all of the issued and outstanding capital stock of each corporation identified on Exhibit C which is a wholly-owned Subsidiary of Vail and the Borrower (other than director's qualifying shares and shares released from the security interest created hereby) and, in the case of each other Subsidiary of Vail or the Borrower identified on Exhibit C, all of the issued and outstanding capital stock of such Subsidiary owned by Vail or the Borrower or any Subsidiary (other than an Unrestricted Subsidiary) of Vail or the Borrower (other than director's qualifying shares and shares released from the security interest created hereby)."

(c) Exhibit C (Pledged Stock) to the Pledge Agreement is hereby amended by deleting such Exhibit in its entirety and substituting Exhibit C annexed to this Amendment.

2. Representations and Warranties. Each Obligor represents and warrants to Banks that the execution and delivery of this Amendment has been authorized by all requisite corporate action on the part of each Obligor and will not violate its organizational documents. Each Obligor further represents and warrants to Banks that (a) the representations and warranties in each Loan Paper (as defined in the Credit Agreement) to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (except to the extent that (i) such representations and warranties speak to a specific date or (ii) the facts on which such representations and warranties are based have been changed by transactions contemplated or permitted by the Credit Agreement), (b) no Material Adverse Event (as defined in the Credit Agreement) has occurred and no Default or Potential Default (each as defined in the Credit Agreement) has occurred and is continuing, and (c) no Enforcement Notice is in effect.

3. Counterparts. This Amendment may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument.

4. Governing Law. This Amendment must be construed--and its performance enforced--under New York law.

This Amendment is executed as of the date set forth in the preamble.

[Remainder of Page Left Intentionally Blank, Signatures on Following Pages]

VAIL HOLDINGS, INC., fka Vail Associates, Inc.

By:____
Name:____
Title:____

THE VAIL CORPORATION, dba Vail Associates, Inc.

By:____
Name:____
Title:____

BEAVER CREEK ASSOCIATES, INC.

By:____
Name:____
Title:____

VAIL ASSOCIATES REAL ESTATE GROUP, INC.

By:____
Name:____
Title:____

VAIL ASSOCIATES REAL ESTATE, INC.

By:____
Name:____
Title:____

NATIONSBANK OF TEXAS, N.A.,
as Collateral Agent

By:____
Frank M. Johnson, Senior Vice President

The undersigned directed the Collateral Agent to obtain, and hereby accept, this Second Amendment to Pledge Agreement:

NATIONSBANK OF TEXAS, N.A.,
as a Bank and as Agent

By:____
Frank M. Johnson, Senior Vice President

NORWEST BANK COLORADO, NATIONAL
ASSOCIATION, as a Bank

By:____
Name:____
Title:____

THE FIRST NATIONAL BANK OF BOSTON,
as a Bank

By:____
Name:____
Title:____

COLORADO NATIONAL BANK, as a Bank

By:____
Name:____
Title:____

EXHIBIT C

PLEDGED STOCK

CORPORATE NAMES	AUTHORIZED AND OUTSTANDING SHARES	PAR VALUE	PLEDGED STOCK\INTEREST	PERCENTAGE OWNED
Vail Food Services, Inc.	1,000	$1.00	1,000	100%
Vail Associates Real Estate, Inc.	1,000/1/	$1.00	800	80%
The Vail Corporation	1,000	$1.00	1,000	100%
Beaver Creek Consultants, Inc.	1,000	$1.00	1,000	100%
Beaver Creek Associates, Inc.	1,000	$1.00	1,000	100%
Vail Associates Consultants, Inc.	1,000	$1.00	1,000	100%
Beaver Creek Food Services, Inc.	1,000	$1.00	1,000	100%
Vail/Beaver Creek Resort Properties, Inc. (formerly Vail Associates Hospitality Corporation)	1,000/2/	$1.00	800	80%
Piney River Ranch, Inc.	1,000	$1.00	1,000	100%
Vail Associates Ranch and Land Company	1,000	$1.00	1,000	100%
Vail Trademarks, Inc.	1,000	$1.00	1,000	100%
Vail Associates Real Estate Group, Inc.	1,000	$1.00	1,000	100%
Vail Associates Holdings, Ltd.	1,000	$1.00	1,000	100%

- ---------------------

/1/ 20% of the outstanding shares of common stock owned by Theodore E. Ryczek.

/2/ 20% of the outstanding shares of common stock owned by Paul A. Jeppson.

Vail Associates Management Company	1,000	$1.00	1,000	100%
Vail/Arrowhead, Inc.	1,000	$1.00	1,000	100%
Slifer, Smith & Frampton\Vail Associates Real Estate, L.L.C.	NA	NA	50%	50%/3/

- ---------------------

/3/ The remaining 50% Membership Interest is owned by Slifer, Smith & Frampton, Inc.

EXHIBIT 10.21

Execution Copy

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") entered into as of July 29, 1996, by and between Vail Resorts, Inc., a Delaware corporation with its principal office in Avon, Colorado (the "Company"), and Adam M. Aron, a resident of Avon, Colorado ("Executive").

WHEREAS, the Company wishes to employ Executive as its Chairman of the Board and Chief Executive Officer and both parties desire to enter into an employment agreement to reflect Executive's new capacity upon the terms and conditions set forth herein:

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment. The Company hereby employs Executive as its Chairman of the Board and Chief Executive Officer. Executive shall also serve as a member of the Company's Board of Directors (the "Board") and its Executive Committee. Executive shall also serve as Chairman of each of Vail Associates, Inc. and Vail Associates Real Estate Group, Inc., the Company's principal subsidiaries. Executive hereby accepts such employment and agrees to perform his duties and responsibilities in accordance with the terms, conditions and provisions hereinafter set forth.

1.1. Employment Term. The term of Executive's employment under this Agreement shall commence as of the date hereof (the "Effective Date") and shall continue until September 30, 1999; provided, however, that on and after October 1, 1997, the Agreement shall automatically renew with the term of the Agreement always being at least two years. Notwithstanding the foregoing, Executive's employment and this Agreement may be terminated in accordance with Section 5 hereof. The period commencing on the Effective Date and ending on the date on which the term of Executive's employment under the Agreement shall terminate is hereinafter referred to as the "Employment Term."

1.2 Duties and Responsibilities. Executive shall serve as the Company's Chairman of the Board and Chief Executive Officer and in such other senior positions, if any, to which he may be elected by the Board during the Employment Term. During the Employment Term, Executive shall perform all duties and accept all responsibilities incident to, and not inconsistent with, such positions as may be reasonably assigned to him by the Board.

1.3 Extent of Service. During the Employment Term, Executive agrees to use his best efforts to carry out his duties and responsibilities under Section 1.2 hereof and, consistent with the other provisions of this Agreement, to devote substantially all his business time, attention and energy thereto except to the extent required by Executive's outside board directorships, civic or charitable activities. Executive agrees not be become engaged in any other business, civic or charitable activity which, in his reasonable judgment, is likely to materially interfere with his ability to discharge his duties and responsibilities to the Company. Executive agrees to resign from or discontinue any other business, civic or charitable activity which, in the reasonable judgment of the Board, is likely to materially interfere with his ability to discharge his duties and responsibilities to the Company.

1.4 Base Salary. For all the services rendered by Executive hereunder, the Company shall pay Executive a base salary ("Base Salary"), commencing on the Effective Date, at the annual rate of $560,000, payable in installments at such times as the Company customarily pays its other senior level executives (but in any event no less often than monthly). Executive's Base Salary for each fiscal year of the Company commencing after the Effective Date shall be reviewed for appropriate adjustment (but shall not be reduced below $560,000 in any case) by the Board pursuant to its normal performance review policies for senior level executives.

1.5 Retirement and Benefit Coverages. During the Employment Term, Executive shall be entitled to participate in all (a) employee pension and retirement plans and programs ("Retirement Plans") and (b) welfare benefit plans and programs ("Benefit Coverages"), in each case as made available to the Company's senior level executives as a group or to its employees generally and as such Retirement Plans or Benefit Coverages may be in effect from time to time. However, Executive specifically acknowledges that the Company has no pension plan in effect as of the Effective Date. In addition, Executive shall be entitled to (i) the Company's regular holiday and vacation policy, (ii) annual membership in any clubs owned or managed by the Company (which shall terminate concurrently with the date of termination of the Employment Term pursuant to Section 5.1, 5.2, 5.3 or 5.6 and on the 90th day following the date of termination of the Employment Term pursuant to Section 5.4 or 5.5), (iii) customary use of the Company's products or services at no charge, and (iv) an additional $5.0 million of term life insurance and $500,000 of annual disability income protection (assuming Executive can medically qualify for coverage at reasonable cost).

1.6 Relocation Reimbursement. Executive shall be entitled to up to $250,000 to reimburse all documented moving and relocation expenses, including a tax equivalency payment (i.e., a "gross-up" for state and federal income taxes). Reimbursement shall be made to Executive within 15 days of written request therefor accompanied by appropriate documentation of such expenses, and shall include repayment of (i) all costs incurred by Executive in selling his residences in Florida and Illinois, including legal fees, transfer and stamp taxes, brokers' commissions, and other customary closing costs; (ii) all costs of moving and/or storing Executive's furniture, other possessions and automobiles; and (iii) all costs of commuting between Colorado and Illinois for Executive or his family for up to 13 months; provided, however, in no case shall the Company's obligation to reimburse Executive in accordance with this Section exceed $250,000 including the tax equivalency payment.

1.7(a) Special Incentive Compensation. Executive shall be entitled to a bonus at the annual rate of $250,000 ($20,833.33 per full month of service) for the period from the Effective Date through September 30, 1997, to be paid on October 1, 1997.

1.7(b) Annual Incentive/Long-Term Incentive Program. On or after October 1, 1997, Executive shall be entitled to participate in a short-term or long-term incentive compensation program established by the Company for its senior level executives generally. Payments under such programs shall depend upon achievement of certain business performance targets specified and approved annually in advance by the Board (or a Committee thereof) in its sole discretion; provided, however, that Executive's "target opportunity" under any such program shall be at least at the highest level of target award for any other senior level executive, with Executive's bonus being at least $250,000 annually if the Company achieves the performance targets for such year. Executive's short-term and long-term incentive compensation shall be paid to him in the same form and at the same times that such compensation is paid to the Company's senior level executives generally. Executive specifically acknowledges that a portion of such incentive compensation may be deferred subject to subsequent year financial performance of the Company, if such a provision is consistent with the Company's then-existing compensation program for other senior level executives.

1.8 Restricted Stock. Executive shall be entitled to receive, as of the Effective Date, 18,750 shares of the Company's common stock, $.01 par value (the "Restricted Stock"). The number of shares of Restricted Stock shall be increased by 2,679 shares on March 31, 1997 in the event that both the Company's initial public offering of common stock (the "IPO") and the Company's proposed acquisition of Ralston Resorts, Inc. (the "Acquisition") have not occurred by such date. The certificates representing the Restricted Stock shall be retained by the Company until such shares have vested. Except as provided in Sections 5 and 6 below, Executive's right to 20% of such shares shall vest as of the completion of each year of Executive's employment beginning on the Effective Date. Prior to vesting, Executive shall be entitled to vote the shares of Restricted Stock and to be credited with any dividends attributable to such shares; provided, however, that no payment of such dividends shall be made unless and until, and only to the extent that, the related shares are vested; and provided, further, that the Restricted Stock shall not be entitled to receive any of the proceeds of the $55.0 million special dividend as described in the Company's 1996 S-2 filing. Upon termination of the Employment Term for any reason, that portion of the Restricted Stock that is not vested (after giving effect to any acceleration of vesting pursuant to Sections 5 and 6) shall be forfeited by Executive.

1.9 Stock Options. Executive shall receive, as of the Effective Date, an option to purchase 130,000 shares of common stock of the Company divided into Tranche A and Tranche B of 65,000 shares each (the "Option"), which Option shall be a "non-qualified stock option" for federal income tax purposes. The number of shares subject to the Option shall be adjusted for stock splits, stock combinations or stock dividends but not for equity additions. The Option exercise price shall be $40 per share, subject to reduction to $35 per share on March 31, 1997 in the event that the IPO and the Acquisition have not occurred by such date. Except as provided in Sections 5 and 6 below, the Option shall vest with respect to 20% of the shares covered thereby as of the completion of each year of Executive's employment beginning on the Effective Date. Upon termination of the Employment Term for any reason, that portion of the Option that is not vested (after giving effect to any acceleration of vesting pursuant to Sections 5 and 6) shall expire and be forfeited. The Option shall have a 10 year term; provided, however, that in the event of earlier termination of the Employment Term, the Option shall expire 90 days after the date of such termination if such termination is pursuant to Sections 5.3 or 5.6, and shall expire nine months after the date of such termination if such termination is for any other reason. Executive shall be credited with any dividends attributable to shares covered by the Option other than regular dividends paid out of the Company's current earnings in accordance with a multi-year dividend policy adopted and consistently applied by the Board (it being understood that, since the Company's current policy is not to pay regular dividends, the payment of dividends under a new dividend policy that is intended in good faith to result in periodic dividends over a multi-year period shall be deemed regular dividends). Payment of such credited dividends shall be made at the time of, and only if and to the extent that, the Option becomes vested and the shares are purchased upon exercise of the Option; provided, however, that the shares subject to the Option shall not be entitled to receive the proceeds of, and the related exercise price shall not be adjusted on account of, the $55.0 million special dividend as described in the Company's 1996 S-2 filing.

1.10 Home Purchase. The Company shall purchase a home of Executive's choosing in the Vail Valley for Executive's use as his personal residence during the Employment Term and extending through but not beyond 90 days thereafter. It shall be a condition of Executive's employment that Executive live in such residence, and that the residence be located at the Company's Vail, Beaver Creek, or Arrowhead resorts for the convenience of the Company. From such residence Executive shall be expected by the Company to observe the operation of the resorts, be on immediate 24-hour call in case of accident or emergency, maintain a Company telephone extension in the residence, as well as entertain customers and others important to the Company. The purchase price for such residence shall not exceed $1.5 million, unless the Company at its sole option chooses to fund a higher purchase price. The Company shall pay for the real estate taxes, property insurance, homeowner's association assessments, and exterior painting as needed, and shall provide that the major operational systems of the residence are functional. Otherwise, Executive shall provide and pay for the maintenance of the residence, including snow removal and landscaping, interior painting as needed, insurance on Executive's possessions, maintenance or replacement (if necessary) of appliances, and other incidental repair. The Company agrees not to require Executive to change his residence during the Employment Term other than in connection with the relocation of Executive's office to another location in Eagle County, Summit County or the Denver metropolitan area. The foregoing shall not preclude Executive, at his sole option, from changing his personal residence to a new home during the Employment Term so long as such new residence meets all of the requirements of this Section and Executive bears all costs or losses resulting from such change, including all brokerage commissions, transfer and stamp taxes, assessments and other charges as well as any sale of the previous home.

1.11 Reimbursement of Expenses. Executive shall be reimbursed for customary travel, entertainment and other out-of-pocket expenses reasonably incurred by him on behalf of the Company in the performance of his duties hereunder, which reimbursement shall be made in accordance with the Company's normal reimbursement policies.

2. Confidential Information. Executive recognizes and acknowledges that, by reason of his employment by and service to the Company before, during and, if applicable, after the Employment Term, he has had and will continue to have access to certain confidential and proprietary information relating to the Company's business, which may include, but is not limited to, trade secrets, trade "know-how", customer information, supplier information, cost and pricing information, marketing and sales techniques, strategies and programs, computer programs and software and financial information (collectively referred to as ''Confidential Information"). Executive acknowledges that such Confidential Information is a valuable and unique asset of the Company and Executive covenants that he will not at any time during the course of his employment use any Confidential Information or divulge or disclose any Confidential Information to any person, firm or corporation except in connection with Executive's good faith belief as to the proper performance of his duties for the Company. Executive also covenants that, at any time after the termination of his employment, he will not directly or indirectly use any Confidential Information for any purpose or divulge or disclose any Confidential Information to any person, firm or corporation, unless such information is in the public domain through no fault of Executive or except when required to do so by a court of law, by any governmental agency having supervisory authority over the business of the Company or over Executive or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information, in which case Executive will inform the Company in writing promptly of such required disclosure.

3. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) During his employment by the Company and for a period of one year thereafter, Executive will not, except with the prior written consent of the Board, directly or indirectly own, manage, operate, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit his name to be used in connection with, any business or enterprise that is engaged in a "Competing Enterprise," which is defined as an entity whose operations are conducted within the ski industry in North America or in the real estate development, lodging or hospitality industries in the State of Colorado. Notwithstanding the foregoing, Executive may participate, own, finance, manage, obtain employment or otherwise be connected with a larger regional, national or international business or enterprise (a "New Employer") which owns or operates a

Competing Enterprise as a brand, branch, division, subsidiary or affiliate provided that (i) the Competing Enterprise accounts for less than 10% of the New Employer's annual revenues and annual net income on both a historical or pro forma basis for the New Employer's most recently completed fiscal year, and (ii) Executive's duties for the New Employer are not primarily related to the conduct of such Competing Enterprise.

(b) The foregoing restrictions shall not be construed to prohibit the ownership by Executive of less than five percent (5%) of any class of securities of any corporation which is engaged in any of the foregoing businesses having a class of securities registered pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), provided that such ownership represents a passive investment and that neither Executive nor any group of persons including Executive in any way, either directly or indirectly, manages or exercises control of any such corporation, guarantees any of its financial obligations, otherwise takes any part in its business (other than exercising his rights as a shareholder), or seeks to do any of the foregoing.

(c) Executive further covenants and agrees that, during his employment by the Company and for the period of one year thereafter, Executive will not solicit for another business or enterprise any person who is a managerial or higher level employee of the Company at the time of Executive's termination.

(d) During Executive's employment and for a period of five years thereafter, Executive agrees that he shall not make any public statements disparaging of the Company or its subsidiaries, the Board, or the officers, directors, stockholders, or employees of the Company or its subsidiaries. The Company shall similarly not disparage Executive following such termination. Notwithstanding the foregoing, the parties may respond truthfully to inquiries from governmental agencies or from prospective employers of Executive. Similarly, nothing in this provision is intended to prevent either party from seeking to enforce the provisions of this Agreement through appropriate proceedings.

4. Equitable Relief.

(a) Executive acknowledges and agrees that the restrictions contained in Sections 2 and 3 are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of the Company, that the Company would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by the Company should Executive breach any of the provisions of those Sections. Executive represents and acknowledges that (i) he has been advised by the Company to consult his own legal counsel in respect of this Agreement, and (ii) that he has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with his counsel.

(b) Executive further acknowledges and agrees that a breach of any of the restrictions in Sections 2 and 3 cannot be adequately compensated by monetary damages. Executive agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as an equitable accounting of all earnings, profits and other benefits arising from any violation of Sections 2 or 3 hereof, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event that any of the provisions of Sections 2 or 3 hereof should ever be adjudicated to exceed the time, geographic, service, or other limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum time, geographic, service, or other limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law.

5. Termination. The Employment Term shall terminate upon the occurrence of any one of the following events:

5.1 Disability. The Company may terminate the Employment Term if Executive is unable substantially to perform his duties and responsibilities hereunder to the full extent required by the Board by reason of illness, injury or incapacity for six consecutive months, or for more than nine months in the aggregate during any period of 12 calendar months (a "Disability"); provided, however, that the Company shall continue to pay Executive his Base Salary until the Company acts to terminate the Employment Term and Executive shall be entitled to all Restricted Stock and Options that are vested as of the date of such termination. In addition, in the event Executive executes a written release in connection with such termination (such release to be effective only if the Company executes such release) substantially in the form attached hereto as Annex I (the "Release"), Executive shall be entitled to receive (i) upon the achievement of the Company's performance targets for such year, a pro rata portion of the incentive compensation Executive would have received under the plans described in Section 1.7(b) for the year in which such termination occurred, which amounts shall be payable in accordance with the terms of the applicable plan, (ii) all deferred incentive compensation earned by Executive with respect to prior years, which amounts shall be payable at the Company's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plan, (iii) all amounts (including accrued vacation pay but excluding severance compensation) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (iv) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. In addition, if Executive executes the Release, all unvested shares of Restricted Stock and Tranche A of the Option shall automatically become 100% vested upon termination of the Employment Term pursuant to this Section 5.1. The Company shall have no further liability or obligation to Executive for compensation under this Agreement. In the event of any dispute under this Section 5.1 and to the extent determined by the Board to be job-related and consistent with business necessity, Executive shall submit to a physical examination by a licensed physician selected by the Board and approved by Executive, such approval not to be unreasonably withheld.

5.2 Death. The Employment Term shall terminate in the event of Executive's death. In such event, the Company shall pay to Executive's executors, legal representatives or administrators, as applicable, an amount equal to the installment of his Base Salary set forth in Section 1.4 hereof for the month in which he dies. In addition, Executive's estate shall be entitled to receive (i) previously vested shares of Restricted Stock and Options, (ii) upon the achievement of the Company's performance targets for such year, a pro rata portion of the incentive compensation Executive would have received under the plans described in Section 1.7(b) for the year in which such termination occurred, which amounts shall be payable in accordance with the terms of the applicable plan, (iii) all deferred incentive compensation earned by Executive with respect to prior years, which amounts shall be payable at the Company's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plan, (iv) all amounts (including accrued vacation pay but excluding severance compensation) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (v) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. In addition, all unvested shares of Restricted Stock and Tranche A of the Option shall automatically become 100% vested upon termination of the Employment Term pursuant to this Section 5.2. The Company shall have no further liability or obligation under this Agreement to his executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through him.

5.3 Cause. The Company may terminate the Employment Term at any time for "cause" upon written notice to Executive, in which event all payments under this Agreement shall cease, except for (i) Base Salary to the extent already earned or accrued, (ii) previously vested shares of Restricted Stock and Options, (iii) all amounts (including accrued vacation pay but excluding severance compensation) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (iv) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. For purposes of this Agreement, Executive's employment may be terminated for "cause" if (i) Executive is convicted of a felony, (ii) in the reasonable determination of the Board, Executive has (x) committed an act of fraud, embezzlement, or theft in connection with Executive's duties in the course of his employment with the Company, or (y) engaged in gross mismanagement or gross negligence in the course of his employment with the Company or (iii) Executive has breached his obligations under this Agreement, including inattention to or neglect of duties, and shall not have remedied such breach within 30 days after receiving written notice from the Board specifying the details thereof; provided, however, that in any case under clause (ii) or (iii), the act or failure to act by Executive is materially harmful to the reputation, goodwill or business position of the Company or its subsidiaries.

5.4 Termination Without Cause.

(a) The Company may terminate the Employment Term at any time without cause upon written notice to Executive; provided, however, that in the event that such notice is given, Executive shall be under no obligation to render any additional services to the Company and shall be allowed to seek other employment, subject to the restrictions set forth in Section 3(a). Upon any such termination, except as provided in Section 5.4(b) below, Executive shall be entitled to receive, as liquidated damages for the failure of the Company to continue to employ Executive, only the amount due to Executive under the Company's then-current severance pay plan for employees and (i) Base Salary to the extent already earned or accrued, (ii) all deferred incentive compensation earned by Executive with respect to prior years, which amounts shall be payable at the Company's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plans, (iii) previously vested shares of Restricted Stock and Options, (iv) all amounts (including accrued vacation pay) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (v) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. The Company shall have no further liability or obligation to Executive for compensation under this Agreement.

(b) Notwithstanding the foregoing, upon such termination, in the event that Executive executes the Release, Executive shall be entitled to receive, in lieu of the payments described in subsection (a) hereof, which Executive agrees to waive, as liquidated damages for the failure of the Company to continue to employ Executive, (i) two years' of Executive's Base Salary in accordance with Section 1.4 or, if greater, for the balance of the current Employment Term (without regard to Executive's removal), payable in accordance with the Company's normal payroll practices over such period, (ii) previously vested shares of Restricted Stock and Options, (iii) upon the achievement of the Company's performance targets for such year, a pro rata portion of the incentive compensation Executive would have received under the plans described in Section 1.7(b) for the year in which such termination occurred, which amounts shall be payable in accordance with the terms of the applicable plan, (iv) all deferred incentive compensation earned by Executive with respect to prior years, which amounts shall be payable at the Company's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plan, (v) all amounts (including accrued vacation pay but excluding severance compensation) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (vi) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. In addition, if Executive executes the Release, all unvested shares of Restricted Stock and Tranche A of the Option shall automatically become 100% vested upon termination of the Employment Term pursuant to this Section 5.4. The Company shall have no further liability or obligation to Executive for compensation under this Agreement.

5.5 Constructive Termination Without Cause.

(a) Resignation by Executive for good reason ("Constructive Termination Without Cause") shall mean a termination of Executive's employment at his initiative following the occurrence, without Executive's written consent, of (i) a material diminution in Executive's duties, responsibilities, authority, or status, (ii) a reduction in Executive's Base Salary below $560,000 per year or failure to pay Executive's bonus or incentive compensation in violation of Section 1.7(a) or (b), (iii) a failure to convey, within 10 business days after written request of Executive, any vested Restricted Shares or any shares purchased upon exercise of the Option, (iv) the assignment to Executive of duties or obligations despite his stated written objection to the Board which would require Executive to violate any law, or interpretation thereof, of any governmental body of the United States or the state of Colorado, (v) an involuntary relocation of Executive's office outside of Eagle or Summit Counties or the Denver metropolitan area or away from the Company's principal executive offices, or (vi) a failure of the Company to comply with any of the material terms of this Agreement.

(b) In the event of a Constructive Termination Without Cause, if Executive executes the Release, Executive shall be entitled to receive (i) two years' of Executive's Base Salary in accordance with Section 1.4 or, if greater, for the balance of the current Employment Term (without regard to Executive's removal), payable in accordance with the Company's normal payroll practices over such period, (ii) previously vested shares of Restricted Stock and Options, (iii) upon the achievement of the Company's performance targets for such year, a pro rata portion of the incentive compensation Executive would have received under the plans described in Section 1.7(b) for the year in which such termination occurred, which amounts shall be payable in accordance with the terms of the applicable plan, (iv) all deferred incentive compensation earned by Executive with respect to prior years, which amounts shall be payable at the Company's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plan, (v) all amounts (including accrued vacation pay but excluding severance compensation) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (vi) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. In addition, if Executive executes the Release, all unvested shares of Restricted Stock and Tranche A of the Option shall automatically become 100% vested upon termination of the Employment Term pursuant to this Section 5.5. In the event Executive refuses to execute the Release, he shall receive, as liquidated damages for the failure of the Company to continue to employ Executive, only the amount due to Executive under the Company's then current severance pay plan for employees and (i) Base Salary to the extent already earned or accrued, (ii) all deferred incentive compensation earned by Executive with respect to prior years, which amounts shall be payable at the Company's option either in a lump sum within 30 days of termination or in accordance with the terms of the applicable plans, (iii) previously vested shares of Restricted Stock and Options, (iv) all amounts (including accrued vacation pay) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (v) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. The Company shall have no further liability or obligation to Executive for compensation under this Agreement.

(c) Prior to resigning under this Section, Executive shall give written notice to the Board and offer a 30-day period for the Company to cure. If, and only if, the Company cures an issue raised by the Executive under this Section, and Executive again feels it necessary to resign under this Section, Executive shall again given written notice to the Board and offer a new 30-day period for the Company to cure. If no cure has been effected by the end of the applicable cure period, Executive may resign immediately in accordance with the provisions of subsections (a) and (b) above. After two such cure periods, only written notice must be given but no cure period will be required.

5.6 Voluntary Termination. Executive may voluntarily terminate the Employment Term upon 30 days' prior written notice for any reason. In such event, Executive shall be entitled only to (i) Base Salary to the extent already earned or accrued, (ii) previously vested shares of Restricted Stock and Options, (iii) all amounts (including accrued vacation pay but excluding severance compensation) to which Executive is then entitled upon termination of employment under applicable plans and programs of the Company then in effect, and (iv) all other amounts then due and payable to Executive pursuant to the terms of this Agreement with respect to services rendered prior to termination of employment. The Company shall have no further liability or obligation to Executive for compensation under this Agreement. A voluntary termination under this Section 5.6 shall not be deemed a breach of this Agreement.

6. Acceleration of Vesting Following a Change of Control. In the event of a "change of control" of the Company, defined to mean that a person other than Apollo Ski Partners L.P. or its affiliates ("Apollo") owns at least 51% of the Company's outstanding common stock or controls at least 51% of the seats on the Board, all of Executive's rights under the Option and to the Restricted Stock shall immediately vest if either (i) Executive remains employed with the Company for at least six months after a change of control occurs, or (ii) Executive's employment is terminated following such change in control pursuant to Section 5.1, 5.2, 5.4, or 5.5. In the event Apollo sells two-thirds or more of its shares of common stock in connection with a change in control occurring prior to the IPO, at Executive's sole option, some or all of Executive's shares which are vested or become vested under this Section 6 (including shares covered by the Option) may be sold for the same price and terms as Apollo receives and the proceeds (net of the applicable exercise price in the case of shares covered by the Option, which exercise price shall be paid to the Company) shall be held in escrow by a mutually acceptable escrow agent and paid to Executive on the third business day following the completion of the six-month period referenced in clause (i) above or the date of termination of Executive's employment pursuant to Section 5.1, 5.2, 5.4 or 5.5, as applicable. In the event of termination of Executive's employment prior to completion of such six-month period other than pursuant to Section 5.1, 5.2, 5.4 of 5.5, Executive shall be entitled to receive only that portion of such proceeds as is attributable to Executive's shares that are vested as of the date of

termination without regard to this Section 6, and the balance of such proceeds shall be forfeited to the Company.

7. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment and the Employment Term to the extent necessary to the intended rights and obligations.

8. No Mitigation. Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise and there shall be no offset against amounts due Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain. All payments to be made by the Company to Executive hereunder shall be made without any offset or deduction for any amounts owed by Executive to the Company.

9. Arbitration; Expenses. In the event of any dispute under the provisions of this Agreement other than a dispute in which the primary relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim settled by arbitration in the City of New York, New York in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association, before a panel of three arbitrators, two of whom shall be selected by the Company and Executive, respectively, and the third of whom shall be selected by the other two arbitrators. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrators shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. The Company shall be responsible for all of its own legal fees and other expenses relating to such arbitration. The fees of the American Arbitration Association anti the legal fees and expenses of Executive relating to such arbitration shall be borne in the manner determined by order of the arbitrators.

10. Notices. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered or mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to the Company, to:

Vail Resorts, Inc.
P.O. Box 7
Vail, CO 81658
Attention: General Counsel

If to Executive, to:

Adam M. Aron
c/o Vail Resorts, Inc.
P.O. Box 7
Vail, CO 81658

With a required copy to:

Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103-6993
Attention: Robert J. Lichtenstein, Esq.

or to such other names or addresses as the Company or Executive, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section.

11. <u>Contents of Agreement; Amendment and Assignment.</u>

(a) This Agreement supersedes all prior agreements and sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except as provided herein or upon written amendment approved by the Company and executed on its behalf by a duly authorized officer and by Executive.

(b) All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of Executive hereunder are of a personal nature and shall not be assignable or delegatable in whole or in part by Executive. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the extent the Company would be required to perform if no such succession had taken place, and upon request by the Company Executive shall acknowledge, by agreement in form and substance reasonably acceptable to such successor, that this Agreement may be enforced against Executive by such successor.

12. <u>Severability.</u> If any provision of this Agreement or application thereof to anyone or under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this

Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction. If any provision is held void, invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

13. Remedies Cumulative; No Waiver. No remedy conferred upon a party by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by a party in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by such party from time to time and as often as may be deemed expedient or necessary by such party in its sole discretion.

14. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, references in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

15. Miscellaneous. All section headings used in this Agreement are for convenience only. This Agreement may be executed in counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

16. Withholding. The Company may withhold from any payments under this Agreement all federal, state and local taxes as the Company is required to withhold pursuant to any law or governmental rule or regulation. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received hereunder.

17. Indemnification and Insurance. Executive shall be indemnified with respect to his services hereunder to the full extent provided in the Company's by-laws, and the Company agrees during the Employment Term to maintain directors' and officers' liability insurance with coverage and other terms that are customary for similarly situated companies.

18. Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of Colorado without giving effect to any conflict of laws provisions.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

VAIL RESORTS, INC.	EXECUTIVE
By: /s/ James S. Mandel	/s/ Adam M. Aron
James S. Mandel Sr. Vice President	Adam M. Aron

MUTUAL RELEASE

This mutual release (this "Release") is entered into as of this ______ day of __________________, ____ (the "Release Date") by Adam M. Aron ("Aron"), on the one hand and Vail Resorts, Inc. ("VRI") on the other hand.

1. Reference is hereby made to the employment agreement dated July 29, 1996 (the "Employment Agreement") by the parties hereto setting forth the agreements among the parties regarding the termination of the employment relationship between Aron and VRI. Capitalized terms used but not defined herein have the meanings ascribed to them in the Employment Agreement.

2. Aron, for himself, his wife, heirs, executors, administrators, successors, and assigns, hereby releases and discharges VRI and its respective direct and indirect parents and subsidiaries, and other affiliated companies, and each of their respective past and present officers, directors, agents and employees, from any and all actions, causes of action, claims, demands, grievances, and complaints, known and unknown, which Aron or his wife, heirs, executors, administrators, successors, or assigns ever had or may have at any time through the Release Date. Aron acknowledges and agrees that this Release is intended to and does cover, but is not limited to, (i) any claim of employment discrimination of any kind whether based on a federal, state, or local statute or court decision, including the Age Discrimination in Employment Act with appropriate notice and recision periods observed; (ii) any claim, whether statutory, common law, or otherwise, arising out of the terms or conditions of Aron's employment at VRI and/or Aron's separation from VRI; enumeration of specific rights, claims, and causes of action being released shall not be construed to limit the general scope of this Release. It is the intent of the parties that by this Release Aron is giving up all rights, claims and causes of action occurring prior to the Release Date, whether or not any damage or injury therefrom has yet occurred. Aron accepts the risk of loss with respect to both undiscovered claims and with respect to claims for any harm hereafter suffered arising out of conduct, statements, performance or decisions occurring before the Release Date.

3. VRI hereby releases and discharges Aron, his wife, heirs, executors, administrators, successors, and assigns, from any and all actions, causes of actions, claims, demands, grievances and complaints, known and unknown, which VRI ever had or may have at any time through the Release Date. VRI acknowledges and agrees that this Release is intended to and does cover, but is not limited to, (i) any claim, whether statutory, common law, or otherwise, arising out of the terms or conditions of Aron's employment at VRI and/or Aron's separation from VRI, and (ii) any claim for attorneys' fees, costs, disbursements, or other like expenses. The enumeration of specific rights, claims, and causes of action being released shall not be construed to limit the general scope of this Release. It is the intent of the parties that by this Release VRI is giving up all of its respective rights, claims, and causes of action occurring

prior to the Release Date, whether or not any damage or injury therefrom has yet occurred. VRI accepts the risk of loss with respect to both undiscovered claims and with respect to claims for any harm hereafter suffered arising out of conduct, statements, performance or decisions occurring before the Release Date.

4. This Release shall in no event (i) apply to any claim by either Aron or VRI arising from any breach by the other party of its obligations under the Employment Agreement occurring on or after the Release Date, (ii) waive Aron's claim with respect to compensation or benefits earned or accrued prior to the Release Date to the extent such claim survives termination of Aron's employment under the terms of the Employment Agreement, or (iii) waive Aron's right to indemnification under the by-laws of the Company.

5. This Mutual Release shall be effective as of the Release Date and only if executed by both parties.

IN WITNESS WHEREOF, each party hereto, intending to be legally bound, has executed this Mutual Release on the date indicated below.

VAIL RESORTS, INC.

____________________________ By:____________________________

Adam M. Aron

Date:_______________________ Date:__________________________

EXHIBIT 10.26

VAIL RESORTS, INC.
1996 LONG TERM INCENTIVE AND SHARE AWARD PLAN

1. Purposes.

The purposes of the 1996 Long Term Incentive and Share Award Plan are to advance the interests of Vail Resorts, Inc. and its shareholders by providing a means to attract, retain, and motivate employees and directors of the Company upon whose judgment, initiative and efforts the continued success, growth and development of the Company is dependent.

1. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means any entity other than the Company and its Subsidiaries that is designated by the Board or the Committee as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.

(b) "Award" means any Option, SAR, Restricted Share, Restricted Share Unit, Performance Share, Performance Unit, Dividend Equivalent, or Other Share-Based Award granted to an Eligible Person under the Plan.

(c) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.

(d) "Beneficiary" means the person, persons, trust or trusts which have been designated by such Eligible Person in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under this Plan upon the death of the Eligible Person, or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(e) "Board" means the Board of Directors of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

(g) "Committee" means the Compensation Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan, or if the Board so designates, the entire Board.

(h) "Company" means Vail Resorts, Inc., a corporation organized under the laws of Delaware, or any successor corporation.

(i) "Director" means a member of the Board who is not an employee of the Company, a Subsidiary or an Affiliate.

(j) "Dividend Equivalent" means a right, granted under Section 5(g), to receive cash, Shares, or other property equal in value to dividends paid with respect to a specified number of Shares. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award, and may be paid currently or on a deferred basis.

(k) "Eligible Person" means (i) an employee of the Company, a Subsidiary or an Affiliate, including any director who is an employee, who is responsible for or contributes to the management, growth and/or profitability of the business of the Company, its Subsidiaries or Affiliates or (ii) a Director.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations thereunder.

(m) "Fair Market Value" means, with respect to Shares or other property, the fair market value of such Shares or other property determined by such methods or procedures as shall be established from time to time by the Committee. If the Shares are listed on any established stock exchange or a national market system, unless otherwise determined by the Committee in good faith, the Fair Market Value of Shares shall mean the mean between the high and low selling prices per Share on the immediately preceding date (or, if the Shares were not traded on that day, the next preceding day that the Shares were traded) on the principal exchange on which the Shares are traded, as such prices are officially quoted on such exchange.

(n) "ISO" means any option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(o) "NQSO" means any Option that is not an ISO.

(p) "Option" means a right, granted under Section 5(b), to purchase Shares.

(q) "Other Share-Based Award" means a right, granted under Section 5(h), that relates to or is valued by reference to Shares.

(r) "Participant" means an Eligible Person who has been granted an Award under the Plan.

(s) "Performance Share" means a performance share granted under Section 5(f).

(t) "Performance Unit" means a performance unit granted under Section 5(f).

(u) "Plan" means this 1996 Long Term Incentive and Share Award Plan.

(v) "Restricted Shares" means an Award of Shares under Section 5(d) that may be subject to certain restrictions and to a risk of forfeiture.

(w) "Restricted Share Unit" means a right, granted under Section 5(e), to receive Shares or cash at the end of a specified deferral period.

(x) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(y) "SAR" or "Share Appreciation Right" means the right, granted under Section 5(c), to be paid an amount measured by the difference between the exercise price of the right and the Fair Market Value of Shares on the date of exercise of the right, with payment to be made in cash, Shares, or property as specified in the Award or determined by the Committee.

(z) "Shares" means common stock, $.01 par value per share, of the Company.

(aa) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns shares possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

3. Administration.

(a) Authority of the Committee. The Plan shall be administered by the Committee, and the Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(i) to select Eligible Persons to whom Awards may be granted;

(ii) to designate Affiliates;

(iii) to determine the type or types of Awards to be granted to each Eligible Person;

(iv) to determine the type and number of Awards to be granted, the number of Shares to which an Award may relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price, or purchase price, and any bases for adjusting such exercise, grant or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of an Award, and waiver or accelerations thereof, and waivers of performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(v) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, exchanged, or surrendered;

(vi) to determine whether, to what extent, and under what circumstances cash, Shares, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Eligible Person;

(vii) to prescribe the form of each Award Agreement, which need not be identical for each Eligible Person;

(viii) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(ix) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder;

(x) to accelerate the exercisability or vesting of all or any portion of any Award or to extend the period during which an Award is exercisable; and

(xi) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

(b) Manner of Exercise of Committee Authority. The Committee shall have sole discretion in exercising its authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, Subsidiaries, Affiliates, Eligible Persons, any person claiming any rights under the Plan from or through any Eligible Person, and shareholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Subsidiary or Affiliate the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Awards granted to persons not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3 (if applicable) and applicable law.

(c) Limitation of Liability. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary or Affiliate, the Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

(d) Limitation on Committee's Discretion. Anything in this Plan to the contrary notwithstanding, in the case of any Award which is intended to qualify as "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, if the Award Agreement so provides, the Committee shall have no discretion to increase the amount of compensation payable under the Award to the extent such an increase would cause the Award to lose its qualification as such performance-based compensation.

4. Shares Subject to the Plan.

(a) Subject to adjustment as provided in Section 4(b) hereof, the total number of Shares reserved for issuance in connection with Awards under the Plan shall be 750,000. No Award may be granted if the number of Shares to which such Award relates, when added to the number of Shares previously issued under the Plan, exceeds the number of Shares reserved under the preceding sentence. If any Awards are forfeited, canceled, terminated, exchanged or surrendered or such Award is settled in cash or otherwise terminates without a distribution of Shares to the Participant, any Shares counted against the number of Shares reserved and available under the Plan with respect to such Award shall, to the extent of any such forfeiture, settlement, termination, cancellation, exchange or surrender, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be canceled to the extent of the number of Shares as to which the Award is exercised.

(b) In the event that the Committee shall determine that any dividend in Shares, recapitalization, Share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Eligible Persons under the Plan, then the Committee shall make such equitable changes or adjustments as it deems appropriate and, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares which may thereafter be issued under the Plan, (ii) the number and kind of shares, other securities or other consideration issued or issuable in respect of outstanding Awards, and (iii) the exercise price, grant price, or purchase price relating to any Award; provided, however, in each case that, with respect to ISOs, such adjustment shall be made in accordance with Section 424(a) of the Code, unless the Committee determines otherwise. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria and performance objectives included in, Awards in recognition of unusual or non-recurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any Subsidiary or Affiliate or the financial statements of the Company or any Subsidiary or Affiliate, or in response to changes in applicable laws, regulations, or accounting principles;

provided, however, that, if an Award Agreement specifically so provides, the Committee shall not have discretion to increase the amount of compensation payable under the Award to the extent such an increase would cause the Award to lose its qualification as performance-based compensation for purposes of Section 162(m)(4)(C) of the Code and the regulations thereunder.

(c) Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or treasury Shares including Shares acquired by purchase in the open market or in private transactions.

5. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 5. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 7(d)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms regarding forfeiture of Awards or continued exercisability of Awards in the event of termination of employment by the Eligible Person.

(b) *Options*. The Committee is authorized to grant Options, which may be NQSOs or ISOs, to Eligible Persons on the following terms and conditions:

(i) *Exercise Price*. The exercise price per Share purchasable under an Option shall be determined by the Committee, and the Committee may, without limitation, set an exercise price that is based upon achievement of performance criteria if deemed appropriate by the Committee.

(ii) *Time and Method of Exercise*. The Committee shall determine at the date of grant or thereafter the time or times at which an Option may be exercised in whole or in part (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), the methods by which such exercise price may be paid or deemed to be paid (including, without limitation, broker-assisted exercise arrangements), the form of such payment (including, without limitation, cash, Shares, notes or other property), and the methods by which Shares will be delivered or deemed to be delivered to Eligible Persons.

(iii) *ISOs*. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that the ISO shall be granted within ten years from the earlier of the date of adoption or shareholder approval of the Plan. ISOs may only be granted to employees of the Company or a Subsidiary.

(c) *SARs*. The Committee is authorized to grant SARs (Share Appreciation Rights) to Eligible Persons on the following terms and conditions:

(i) *Right to Payment*. An SAR shall confer on the Eligible Person to whom it is granted a right to receive with respect to each Share subject thereto, upon exercise thereof, the excess of (1) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine in the case of any such right, the Fair Market Value of one Share at any time during a specified period before or after the date of exercise) over (2) the exercise price of the SAR as determined by the Committee as of the date of grant of the SAR (which, in the case of an SAR granted in tandem with an Option, shall be equal to the exercise price of the underlying Option).

(ii) *Other Terms*. The Committee shall determine, at the time of grant or thereafter, the time or times at which an SAR may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Shares will be delivered or deemed to be delivered to Eligible Persons, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Unless the Committee determines otherwise, an SAR (1) granted in tandem with an NQSO may be granted at the time of grant of the related NQSO or at any time thereafter and (2) granted in tandem with an ISO may only be granted at the time of grant of the related ISO.

(d) Restricted Shares. The Committee is authorized to grant Restricted Shares to Eligible Persons on the following terms and conditions:

(i) Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose at the date of grant or thereafter, which restrictions may lapse separately or in combination at such times, under such circumstances (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), in such installments, or otherwise, as the Committee may determine. Except to the extent restricted under the Award Agreement relating to the Restricted Shares, an Eligible Person granted Restricted Shares shall have all of the rights of a shareholder including, without limitation, the right to vote Restricted Shares and the right to receive dividends thereon. The Committee must certify in writing prior to the lapse of restrictions conditioned on achievement of performance criteria that such performance criteria were in fact satisfied.

(ii) Forfeiture. Except as otherwise determined by the Committee, at the date of grant or thereafter, upon termination of employment during the applicable restriction period, Restricted Shares and any accrued but unpaid dividends or Dividend Equivalents that are at that time subject to restrictions shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Shares.

(iii) Certificates for Shares. Restricted Shares granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Eligible Person, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company shall retain physical possession of the certificate.

(iv) Dividends. Dividends paid on Restricted Shares shall be either paid at the dividend payment date, or deferred for payment to such date as determined by the Committee, in cash or in unrestricted Shares having a Fair Market Value equal to the amount of such dividends. Shares distributed in connection with a Share split or dividend in Shares, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Shares with respect to which such Shares or other property has been distributed.

(e) Restricted Share Units. The Committee is authorized to grant Restricted Share Units to Eligible Persons, subject to the following terms and conditions:

(i) Award and Restrictions. Delivery of Shares or cash, as the case may be, will occur upon expiration of the deferral period specified for Restricted Share Units by the Committee (or, if permitted by the Committee, as elected by the Eligible Person). In addition, Restricted Share Units shall be subject to such restrictions as the Committee may impose, if any (including, without limitation, the achievement of performance criteria if deemed appropriate by the Committee), at the date of grant or thereafter, which restrictions may lapse at the expiration of the deferral period or at earlier or later specified times, separately or in combination, in installments or otherwise, as the Committee may determine. The Committee must certify in writing prior to the lapse of restrictions conditioned on the achievement of performance criteria that such performance criteria were in fact satisfied.

(ii) Forfeiture. Except as otherwise determined by the Committee at date of grant or thereafter, upon termination of employment (as determined under criteria established by the Committee) during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Restricted Share Units), or upon failure to satisfy any other conditions precedent to the delivery of Shares or cash to which such Restricted Share Units relate, all Restricted Share Units that are at that time subject to deferral or restriction shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Share Units will be waived in whole or in part in the event of termination resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Share Units.

(a) Performance Shares and Performance Units. The Committee is authorized to grant Performance Shares or Performance Units or both to Eligible Persons on the following terms and conditions:

(i) Performance Period. The Committee shall determine a performance period (the "Performance Period") of one or more years and shall determine the performance objectives for grants of Performance Shares and Performance Units. Performance objectives may vary from Eligible Person to Eligible Person and shall be based upon such performance criteria as the Committee may deem appropriate. Performance Periods may overlap and Eligible Persons may participate simultaneously with respect to Performance Shares and Performance Units for which different Performance Periods are prescribed.

(ii) Award Value. At the beginning of a Performance Period, the Committee shall determine for each Eligible Person or group of Eligible Persons with respect to that Performance Period the range of number of Shares, if any, in the case of Performance Shares, and the range of dollar values, if any, in the case of Performance Units, which may be fixed or may vary in accordance with such performance or other criteria specified by the Committee, which shall be paid to an Eligible Person as an Award if the relevant measure of Company performance for the Performance Period is met.

(iii) Significant Events. If during the course of a Performance Period there shall occur significant events as determined by the Committee which the Committee expects to have a substantial effect on a performance objective during such period, the Committee may revise such objective;

provided, however, that, if an Award Agreement so provides, the Committee shall not have any discretion to increase the amount of compensation payable under the Award to the extent such an increase would cause the Award to lose its qualification as performance-based compensation for purposes of Section 162(m)(4)(C) of the Code and the regulations thereunder.

(iv) <u>Forfeiture</u>. Except as otherwise determined by the Committee, at the date of grant or thereafter, upon termination of employment during the applicable Performance Period, Performance Shares and Performance Units for which the Performance Period was prescribed shall be forfeited; *provided, however*, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in an individual case, that restrictions or forfeiture conditions relating to Performance Shares and Performance Units will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Performance Shares and Performance Units.

(v) <u>Payment</u>. Each Performance Share or Performance Unit may be paid in whole Shares, or cash, or a combination of Shares and cash either as a lump sum payment or in installments, all as the Committee shall determine, at the time of grant of the Performance Share or Performance Unit or otherwise, commencing as soon as practicable after the end of the relevant Performance Period. The Committee must certify in writing prior to the payment of any Performance Share or Performance Unit that the performance objectives and any other material terms were in fact satisfied.

(g) <u>Dividend Equivalents</u>. The Committee is authorized to grant Dividend Equivalents to Eligible Persons. The Committee may provide, at the date of grant or thereafter, that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares, or other investment vehicles as the Committee may specify, provided that Dividend Equivalents (other than freestanding Dividend Equivalents) shall be subject to all conditions and restrictions of the underlying Awards to which they relate.

(h) <u>Other Share-Based Awards</u>. The Committee is authorized, subject to limitations under applicable law, to grant to Eligible Persons such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including, without limitation, unrestricted shares awarded purely as a "bonus" and not subject to any restrictions or conditions, other rights convertible or exchangeable into Shares, purchase rights for Shares, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee, and Awards valued by reference to the performance of specified Subsidiaries or Affiliates. The Committee shall determine the terms and conditions of such Awards at date of grant or thereafter. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 5(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares, notes or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, shall also be authorized pursuant to this Section 5(h).

6. <u>Certain Provisions Applicable to Awards</u>.

(a) <u>Stand-Alone, Additional, Tandem and Substitute Awards</u>. Awards granted under the Plan may, in the discretion of the Committee, be granted to Eligible Persons either alone or in addition to, in tandem with, or in exchange or substitution for, any other Award granted under the Plan or any award granted under any other plan or agreement of the Company,

any Subsidiary or Affiliate, or any business entity to be acquired by the Company or a Subsidiary or Affiliate, or any other right of an Eligible Person to receive payment from the Company or any Subsidiary or Affiliate. Awards may be granted in addition to or in tandem with such other Awards or awards, and may be granted either as of the same time as or a different time from the grant of such other Awards or awards. The per Share exercise price of any Option, grant price of any SAR, or purchase price of any other Award conferring a right to purchase Shares which is granted, in connection with the substitution of awards granted under any other plan or agreement of the Company or any Subsidiary or Affiliate or any business entity to be acquired by the Company or any Subsidiary or Affiliate, shall be determined by the Committee, in its discretion.

(b) Terms of Awards. The term of each Award granted to an Eligible Person shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any ISO or an SAR granted in tandem therewith exceed a period of ten years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code).

(c) Form of Payment Under Awards. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Subsidiary or Affiliate upon the grant, maturation, or exercise of an Award may be made in such forms as the Committee shall determine at the date of grant or thereafter, including, without limitation, cash, Shares, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The Committee may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest to be credited with respect to such payments.

(d) Nontransferability. Unless otherwise set forth by the Committee in an Award Agreement, Awards (except for vested shares) shall not be transferable by an Eligible Person except by will or the laws of descent and distribution (except pursuant to a Beneficiary designation) and shall be exercisable during the lifetime of an Eligible Person only by such Eligible Person or his guardian or legal representative. An Eligible Person's rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to claims of the Eligible Person's creditors.

7. General Provisions.

(a) Compliance with Legal and Trading Requirements. The Plan, the granting and exercising of Awards thereunder, and the other obligations of the Company under the Plan and any Award Agreement, shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Shares under any Award until completion of such stock exchange or market system listing or registration or qualification of such Shares or other required action under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules and regulations. No provisions of the Plan shall be interpreted or construed to obligate the Company to register any Shares under federal or state law.

(b) No Right to Continued Employment or Service. Neither the Plan nor any action taken thereunder shall be construed as giving any employee or director the right to be retained in the employ or service of the Company or any of its Subsidiaries or Affiliates, nor shall it interfere in any way with the right of the Company or any of its Subsidiaries or Affiliates to terminate any employee's or director's employment or service at any time.

(c) Taxes. The Company or any Subsidiary or Affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to an Eligible Person, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Eligible Persons to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of an Eligible Person's tax obligations.

(d) Changes to the Plan and Awards. The Board may amend, alter, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders of the Company or Participants, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's shareholders to the extent such shareholder approval is required under Section 422 of the Code; provided, however, that, without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may impair the rights or, in any other manner, adversely affect the rights of such Participant under any Award theretofore granted to him or her.

(e) No Rights to Awards; No Shareholder Rights. No Eligible Person or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons and employees. No Award shall confer on any Eligible Person any of the rights of a shareholder of the Company unless and until Shares are duly issued or transferred to the Eligible Person in accordance with the terms of the Award.

(f) Unfunded Status of Awards. The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Shares, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(g) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of options and other awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(h) Not Compensation for Benefit Plans. No Award payable under this Plan shall be deemed salary or compensation for the purpose of computing benefits under any benefit plan or other arrangement of the Company for the benefit of its employees or directors unless the Company shall determine otherwise.

(i) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Award Agreement shall be determined in accordance with the laws of Colorado without giving effect to principles of conflict of laws.

(k) Effective Date; Plan Termination. The Plan shall become effective as of July 29, 1996 (the "Effective Date"). The Plan shall terminate as to future awards on the date which is ten (10) years after the Effective Date.

(l) Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only. In the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

EXHIBIT 10.27

AGREEMENT

Agreement dated as of October 11, 1996 between VAIL RESORTS, INC. (formerly Gillett Holdings, Inc.) a Delaware corporation (the "Company") and GEORGE N. GILLETT ("Gillett").

Gillett is a party to an employment agreement with the Company and certain of its affiliates dated October 8, 1992, as amended as of September 1, 1993 (the "Employment Agreement"), and has served as an officer and director of the Company. Pursuant to the Employment Agreement, Gillett received certain options to purchase shares of the Company's common stock, $.01 par value, formerly designated as Class 2 common stock (the "Common Stock"), of which options to purchase 204,082 shares at an exercise price of $13.70 per share (the "$13.70 Options") and options to purchase 582,404 shares at an exercise price of $23.67 per share (the "$23.67 Options") remain outstanding. The parties desire to terminate the Employment Agreement and to provide for the cancellation or exercise of Gillett's outstanding options upon the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual undertakings contained herein, the parties agree as follows:

1. <u>Termination of Employment Agreement</u>. The Employment Agreement is hereby terminated as of September 30, 1996 and shall thereafter be of no further force and effect. Such termination shall be deemed a termination pursuant to Section 6.2.1 of the Employment Agreement, and accordingly Gillett shall be entitled to receive his Base Salary (as defined in the Employment Agreement) through October 7, 1997, payable in the manner set forth in such Section 6.2.1. Except as expressly set forth in this Agreement, Gillett shall be entitled to no other compensation or benefits in connection with termination of the Employment Agreement. Gillett hereby resigns from all directorships and other positions with the Company and its subsidiaries effective immediately.

2. <u>Exercise of Options</u>. As payment in full of the exercise price under the $13.70 Options, Gillett hereby agrees to pay to the Company the sum of $59,928 and waives the right to participate in the $55 million distribution described in the Company's pending Form S-2 registration statement (the "Distribution") with respect to the 204,082 shares of Common Stock issuable upon exercise of the $13.70 Options as well as the 357,488 shares of Common Stock held by Gillett on the date hereof. Notwithstanding the foregoing, in the event that the sum of such payment and the actual amount of the Distribution waived by Gillett pursuant to the preceding sentence is less than the aggregate exercise price of the $13.70 Options, Gillett shall promptly pay the amount of such difference to the Company or the Company may deduct such difference from the amounts payable to Gillett pursuant to Section 1 hereof.

3. <u>Cancellation of $23.67 Options</u>. As payment in full for the cancellation of the $23.67 Options, the Company will issue 168,159 shares of Common Stock to Gillett. Gillett

hereby cancels and surrenders to the Company the $23.67 Options. Gillett shall be entitled to participate in the Distribution with respect to such 168,159 shares when and as such Distribution is made.

4. Continuation of Benefits. From the date hereof though December 31, 1996, the Company shall continue to provide Gillett's existing group life, disability, medical and dental insurance benefits, and shall thereafter make such benefits available as required by COBRA. In addition, the Company shall continue to provide Gillett with use of his existing office (including telephone and secretarial service) at no cost through December 31, 1996; provided, however, that Gillett may continue to utilize such office subsequent to such date in the event that Gillett assumes the lease for such office space and pays all expenses associated therewith. Gillett and his immediate family members will receive season passes to the Company's ski resorts for the 1996-97 season, and Gillett will be permitted to use his existing club memberships (as designated by the Company) including but not limited to Game Creek Club during such period. Gillett will resign from all such club memberships as of September 30, 1997. Gillett and his immediate family members shall be entitled to utilize the Company's Beaver Creek golf course at no charge through the 1997 season. Gillett shall receive or retain ownership of his existing Company car.

5. Noncompetition. Until July 1, 1997, Gillett will not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, participate in, be employed by or act as an independent contractor or agent of, or have any financial interest or responsibility in or with, any firm, person, corporation, enterprise or other entity which owns, manages or operates, directly or indirectly, an alpine or nordic skiing operation in Colorado; provided, however, that this provision shall not prohibit Gillett from participating in the ownership or management of any of the Telluride, Purgatory or Wolf Creek ski resorts.

6. Confidential Information. Gillett acknowledges that the information, observations and data obtained by him while employed by the Company concerning the business or affairs of the Company or its affiliates that are not generally available to the public ("Confidential Information") are the property of the Company. Gillett agrees that he shall not disclose to any unauthorized person or use for his own account any Confidential Information without the prior written consent of the Company, unless and to the extent that such matters become generally known to and available for use by the public other than as a result of Gillett's acts or omissions to act. Notwithstanding the foregoing, in the event Gillett becomes legally compelled to disclose Confidential Information pursuant to judicial or administrative subpoena or process or other legal obligation, Gillett may make such disclosure only to the extent required, in the opinion of counsel for Gillett, to comply with such subpoena, process or other obligation. Gillett shall, as promptly as possible and in any event prior to making of such disclosure, notify the Company of any such subpoena, process or obligation and shall cooperate with the Company in seeking a protective order or other means of protecting the confidentiality of the Confidential Information. In addition to the foregoing, Gillett hereby agrees to make no public statements whatsoever concerning the Company (including statements to media representatives) and to refrain from

discussing the Company's affairs with any governmental or regulatory agency or body unless compelled to do so by applicable law.

7. Foundation Obligations. Gillett hereby agrees to indemnify the Company and its subsidiaries and affiliates against 50% of all costs, damages and expenses incurred by the Company or Vail Associates, Inc. after the date hereof in connection with the obligations of Vail Associates pursuant to the Medical Service Agreement dated March 31, 1989 with J. Richard Steadman, M.D. (the "Steadman Agreement") up to a maximum of $600,000. The Company shall be entitled to withhold $600,000 from the final payments to Gillett pursuant to Section 1 pending final resolution of the amount (if any) of such liability; provided, however, that in the event that the Company's contemplated initial public offering of Common Stock has occurred, Gillett may in lieu of such withholding pledge shares of Common Stock with a market value of not less than $1,000,000 to secure his obligation pursuant to this Section 6. In the event that the market value of such pledged shares shall at any time be less than $750,000. Gillett shall promptly pledge additional shares of Comon Stock to resore the value of the pledged shares to equal at least $750,000 or shall make other arrangements to secure such obligation satisfactory to the Company. The Company shall be entitled to control the defense and resolution of any matters arising under the Steadman Agreement.

8. Sale of Shares. When the Company's current contemplated public offering of Common Stock is consummated substantially in accordance with Amendment No. 1 to the Company's pending Form S-2 registration statement, Gillett shall have the right to sell at least 168,159 shares in said offering (it being understood that a reduction in the size of such offering shall reduce Gillett's ability to sell his shares). The parties agree to use good faith efforts to allow Gillett to sell more if he so desires.

9. Delivery of Shares. The Company may hold the shares to be issued hereunder or any proceeds from the sale thereof by Gillett until such time as Gillett provides evidence of the payment of any applicable income tax owing by reason of the issuance of the shares. When said evidence is provided all remaining shares and/or proceeds shall be released.

10. Severability. In the event any provision of this Agreement or the application of any such provision shall be held to be prohibited or unenforceable in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability. The remaining provisions of this Agreement shall remain in full force and effect, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties shall use their best efforts to replace the provision that is contrary to law with a legal one approximating to the maximum extent possible the original intent of the parties. Gillett acknowledges that damages would be an inadequate remedy for any breach of the provisions of this Agreement and agrees that his obligations hereunder shall be specifically enforceable.

11. Entire Agreement. This Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

12. Amendment and Waivers: Termination. Any provision of this Agreement may be amended or waived only with the prior written consent of the Company and Gillett.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Colorado, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Colorado or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Colorado.

14. Counterparts and Facsimile. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. This Agreement may be executed by facsimile signature with an original signature to be promptly delivered thereafter.

****

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

VAIL RESORTS, INC.
F/K/A GILLETT HOLDINGS, INC.

By: /s/ James S. Mandel

Name: James S. Mandel
Title: Senior Vice President

VAIL HOLDINGS, INC.
F/K/A VAIL ASSOCIATES, INC.

By: /s/ James S. Mandel

Name: James S. Mandel
Title: Senior Vice President

VAIL ASSOCIATES REAL ESTATE, INC.

By: /s/ James S. Mandel

Name: James S. Mandel
Title: Vice President

BEAVER CREEK ASSOCIATES, INC.

By: /s/ James S. Mandel

Name: James S. Mandel
Title: Vice President

/s/ George N. Gillett, Jr.

GEORGE N. GILLETT

EXHIBIT 21.1
VAIL RESORTS, INC. AND SUBSIDIARIES

VAIL RESORTS, INC. (DELAWARE)

GILLETT GROUP MANAGEMENT, INC. (DELAWARE)	100%
GILLETT BROADCASTING OF MARYLAND, INC. (DELAWARE)	100%
GHTV, INC. (DELAWARE)	100%
GILLETT BROADCASTING, INC. (DELAWARE)	100%
VAIL HOLDINGS, INC. (COLORADO)	100%
THE VAIL CORPORATION (D/B/A/ "VAIL ASSOCIATES, INC.") (COLORADO)	100%

(SEE PAGE TWO)

EXHIBIT 21.1
CORPORATE STRUCTURE
PAGE TWO

VAIL ASSOCIATES INVESTMENTS, INC. (COLORADO)	100%
VAIL TRADEMARKS, INC. (COLORADO)	100%
VAIL ASSOCIATES REAL ESTATE GROUP, INC. (COLORADO)	100%
BEAVER CREEK CONSULTANTS, INC. (COLORADO)	100%
BEAVER CREEK ASSOCIATES, INC. (COLORADO)	100%
VAIL/BEAVER CREEK RESORT PROPERTIES, INC. (COLORADO)	80%
VAIL FOOD SERVICES, INC. (COLORADO)	100%
PINEY RIVER RANCH, INC. (COLORADO)	100%
VAIL/ ARROWHEAD, INC. (COLORADO)	100%
RALSTON RESORTS, INC (COLORADO)	100%
VAIL ASSOCIATES HOLDINGS,	100%

LTD. (COLORADO)	
VAIL ASSOCIATES REAL ESTATE, INC. (COLORADO)	80%
VAIL ASSOCIATES CONSULTANTS, INC. (COLORADO)	100%
VAIL ASSOCIATES MANAGEMENT COMPANY (COLORADO)	100%
BEAVER CREEK FOOD SERVICES, INC. (COLORADO)	100%
KEYSTONE CONFERENCE SERVICES, INC. (COLORADO)	100%
KEYSTONE DEVELOPMENT SALES, INC. (COLORADO)	100%
KEYSTONE FOOD & BEVERAGE COMPANY (COLORADO)	100%
KEYSTONE RESORT PROPERTY MANAGEMENT COMPANY (COLORADO)	100%
VAIL ASSOCIATES RAND AND LAND COMPANY (COLORADO)	100%

Exhibit 23.1

CONSENT OF ARTHUR ANDERSEN LLP

As independent public accountants, we hereby consent to the use of our report (and to all references to our firm) included in or made a part of this registration statement.

ARTHUR ANDERSEN LLP

Denver, Colorado,
January 7, 1997.

Exhibit 23.2

CONSENT OF ERNST & YOUNG LLP

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated October 7, 1994, (with respect to the financial statements of Packerland Packing Company, Inc.) which is included in the Registration Statement (Form S-2) and related Prospectus of Vail Resorts, Inc. for the registration of shares of its Common Stock.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
January 7, 1997

Exhibit 23.3

CONSENT OF PRICE WATERHOUSE LLP

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-2 of our report dated October 31, 1996 relating to the financial statements of Ralston Resorts, Inc., which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

Price Waterhouse LLP
Denver, Colorado
January 7, 1997