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

FORM 10-Q

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

For the quarterly period ended October 31, 2011

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

For the transition period from to

Commission File Number: 001-09614

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of December 1, 2011, 36,002,268 shares of the registrant’s common stock were outstanding.

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PART I FINANCIAL INFORMATION

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

	October 31, 2011 (Unaudited)	July 31, 2011	October 31, 2010 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 44,738	$ 70,143	$ 19,578
Restricted cash	13,615	12,438	12,912
Trade receivables, net	29,627	58,529	35,120
Inventories, net	75,789	54,007	64,230
Other current assets	57,822	50,507	45,782
Total current assets	221,591	245,624	177,622
Property, plant and equipment, net (Note 6)	1,050,026	1,021,736	1,046,544
Real estate held for sale and investment	263,130	273,663	296,981
Goodwill, net	268,058	268,058	271,732
Intangible assets, net	91,360	91,098	89,433
Other assets	46,183	46,057	36,478
Total assets	$1,940,348	$1,946,236	$1,918,790
Liabilities and Stockholders’ Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	$ 316,592	$ 221,359	$ 303,794
Income taxes payable	19,568	20,778	32,424
Long-term debt due within one year (Note 4)	1,063	1,045	1,958
Total current liabilities	337,223	243,182	338,176
Long-term debt (Note 4)	490,377	490,698	513,007
Other long-term liabilities (Note 6)	236,275	235,429	239,068
Deferred income taxes	99,118	133,208	66,204
Commitments and contingencies (Note 9)			
Stockholders’ equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 40,468,268 (unaudited), 40,334,973 and 40,241,791 (unaudited) shares issued, respectively	405	403	402
Additional paid-in capital	578,403	575,689	566,209
Retained earnings	355,318	416,458	344,357
Treasury stock, at cost; 4,468,181 (unaudited), 4,264,804 and 4,264,804 (unaudited) shares, respectively (Note 11)	(170,696)	(162,827)	(162,827)
Total Vail Resorts, Inc. stockholders’ equity	763,430	829,723	748,141
Noncontrolling interests	13,925	13,996	14,194
Total stockholders’ equity (Note 2)	777,355	843,719	762,335
Total liabilities and stockholders’ equity	$1,940,348	$1,946,236	$1,918,790

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

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

	Three months ended October 31,	
	2011	**2010**
Net revenue:		
Mountain	$ 49,670	$ 40,779
Lodging	53,594	51,117
Real estate	13,109	149,261
Total net revenue	116,373	241,157
Segment operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain	98,555	83,136
Lodging	55,301	49,574
Real estate	17,847	145,063
Total segment operating expense	171,703	277,773
Other operating (expense) income:		
Depreciation and amortization	(28,930)	(27,732)
(Loss) gain on disposal of fixed assets, net	(114)	92
Loss from operations	(84,374)	(64,256)
Mountain equity investment income, net	430	780
Investment income	64	238
Interest expense, net	(8,241)	(7,936)
Loss before benefit from income taxes	(92,121)	(71,174)
Benefit from income taxes	36,387	28,114
Net loss	(55,734)	(43,060)
Net loss attributable to noncontrolling interests	25	37
Net loss attributable to Vail Resorts, Inc.	$ (55,709)	$ (43,023)
Per share amounts (Note 3):		
Basic net loss per share attributable to Vail Resorts, Inc.	$ (1.54)	$ (1.20)
Diluted net loss per share attributable to Vail Resorts, Inc.	$ (1.54)	$ (1.20)
Cash dividends declared per share	$ 0.15	$ —

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

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

	Three Months Ended October 31,	
	2011	2010
Cash flows from operating activities:		
Net loss	$(55,734)	$ (43,060)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	28,930	27,732
Cost of real estate sales	10,288	133,843
Stock-based compensation expense	4,032	3,290
Deferred income taxes, net	(36,386)	(28,114)
Other non-cash income, net	(2,404)	(2,703)
Changes in assets and liabilities:		
Restricted cash	(1,177)	(898)
Trade receivables, net	29,991	22,318
Inventories, net	(21,782)	(14,117)
Investments in real estate	(1,094)	(10,204)
Accounts payable and accrued liabilities	87,453	50,779
Deferred real estate deposits	(308)	(18,816)
Other assets and liabilities, net	(3,474)	(1,877)
Net cash provided by operating activities	38,335	118,173
Cash flows from investing activities:		
Capital expenditures	(51,003)	(36,901)
Acquisition of business	342	(60,528)
Other investing activities, net	(478)	74
Net cash used in investing activities	(51,139)	(97,355)
Cash flows from financing activities:		
Proceeds from borrowings under long-term debt	—	100,000
Payments of long-term debt	(303)	(116,698)
Repurchases of common stock	(7,869)	—
Dividends paid	(5,429)	—
Other financing activities, net	1,000	713
Net cash used in financing activities	(12,601)	(15,985)
Net (decrease) increase in cash and cash equivalents	(25,405)	4,833
Cash and cash equivalents:		
Beginning of period	70,143	14,745
End of period	$ 44,738	$ 19,578

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

Vail Resorts, Inc.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. Organization and Business

Vail Resorts, Inc. ("Vail Resorts" or the "Parent Company") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in three business segments: Mountain, Lodging and Real Estate. In the Mountain segment, the Company operates the six world-class ski resort properties of Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado and Heavenly and Northstar-at-Tahoe mountain resorts in the Lake Tahoe area of California and Nevada, as well as ancillary services, primarily including ski school, dining and retail/rental operations. These resorts (with the exception of Northstar-at-Tahoe) operate primarily on Federal land under the terms of Special Use Permits granted by the USDA Forest Service (the "Forest Service"). In the Lodging segment, the Company owns and/or manages a collection of luxury hotels under its RockResorts brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to the Company's ski resorts, the Grand Teton Lodge Company ("GTLC"), which operates three destination resorts at Grand Teton National Park (under a National Park Service concessionaire contract), Colorado Mountain Express ("CME"), a resort ground transportation company, and golf courses. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary, conducts the operations of the Company's Real Estate segment, which owns and develops real estate in and around the Company's resort communities. The Company's mountain business and its lodging properties at or around the Company's ski resorts are seasonal in nature with peak operating seasons from mid-November through mid-April. The Company's operations at GTLC and its golf courses generally operate from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 7, Variable Interest Entities).

2. Summary of Significant Accounting Policies

Basis of Presentation

Consolidated Condensed Financial Statements— In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire fiscal year. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended July 31, 2011. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. The Consolidated Condensed Balance Sheet as of July 31, 2011 was derived from audited financial statements.

Use of Estimates— The preparation of financial statements in conformity with GAAP 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 balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revision of Payroll Cost Reimbursement from Managed Hotel Properties— Revenue from reimbursement of payroll costs relates to payroll costs of managed hotel properties where the Company is the employer. The reimbursements are based upon the costs incurred with no added margin; therefore, these revenues and corresponding expenses have no net effect on the Company's operating income (loss) or net income (loss). The Company previously reported prior to its fiscal year ended July 31, 2011, payroll cost reimbursement from managed hotel properties net of reimbursed payroll costs; however, as the Company is the employer at certain managed hotel properties, and thus the primary obligor, these amounts should be reported gross within the Lodging segment. The Company determined that the impact of these revisions was not material to the Consolidated Statements of Operations for all applicable prior interim and annual periods. For the three months ended October 31, 2011, revenue and expenses relating to reimbursed payroll costs were $7.7 million. For the three months ended October 31, 2010, the Company revised its

presentation of these reimbursed payroll costs from a net presentation to a gross presentation in its Consolidated Condensed Statements of Operations to conform to its current fiscal quarter presentation. The effect of this change increased Lodging net revenue for the three months ended October 31, 2010 from $44.4 million (as previously reported in the prior year's Form 10-Q) to $51.1 million, with a corresponding increase in the Lodging operating expense for the three months ended October 31, 2010 from $42.8 million (as previously reported in the prior year's Form 10-Q) to $49.6 million. Additionally, previously reported quarterly financial data for the three months ended October 31, 2010 as presented in Note 10, Segment Information and Note 12, Guarantor Subsidiaries and Non-Guarantor Subsidiaries have been revised to reflect these revisions.

Noncontrolling Interests in Consolidated Financial Statements— Net loss attributable to noncontrolling interests along with net loss attributable to the stockholders of the Company are reported separately in the Consolidated Condensed Statement of Operations. Additionally, noncontrolling interests in the consolidated subsidiaries of the Company are reported as a separate component of equity in the Consolidated Condensed Balance Sheet, apart from the Company's equity. The following table summarizes the changes in total stockholders' equity (in thousands):

	For the three months ended October 31,					
	2011			2010		
	Vail Resorts Stockholders' Equity	Noncontrolling Interests	Total Equity	Vail Resorts Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	$ 829,723	$ 13,996	$843,719	$ 788,770	$ 13,617	$802,387
Net loss	(55,709)	(25)	(55,734)	(43,023)	(37)	(43,060)
Stock-based compensation expense	4,032	—	4,032	3,290	—	3,290
Issuance of shares under share award plans, net of shares withheld for taxes	(2,245)	—	(2,245)	(788)	—	(788)
Tax benefit (expense) from share award plans	927	—	927	(108)	—	(108)
Cash dividends paid on common stock	(5,429)	—	(5,429)	—	—	—
Repurchases of common stock	(7,869)	—	(7,869)	—	—	—
(Distributions) contributions to/from noncontrolling interests, net	—	(46)	(46)	—	614	614
Balance, end of period	$ 763,430	$ 13,925	$777,355	$ 748,141	$ 14,194	$762,335

Fair Value Instruments— The recorded amounts for cash and cash equivalents, trade receivables, other current assets, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts outstanding under the Employee Housing Bonds (Note 4, Long-Term Debt) approximate book value due to the variable nature of the interest rate associated with that debt. The fair value of the 6.50% Senior Subordinated Notes due 2019 ("6.50% Notes") (Note 4, Long-Term Debt) is based on quoted market prices. The fair value of the Company's Industrial Development Bonds (Note 4, Long-Term Debt) and other long-term debt have been estimated using discounted cash flow analyses based on current borrowing rates for debt with similar remaining maturities and ratings. The estimated fair values of the 6.50% Notes, Industrial Development Bonds and other long-term debt as of October 31, 2011 are presented below (in thousands):

	October 31, 2011	
	Carrying Value	Fair Value
6.50% Notes	$390,000	$393,900
Industrial Development Bonds	$ 41,200	$ 46,421
Other long-term debt	$ 7,665	$ 8,049

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3. Net Loss Per Common Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net loss attributable to Vail Resorts stockholders by the weighted-average shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of Vail Resorts. Presented below is basic and diluted EPS for the three months ended October 31, 2011 and 2010 (in thousands, except per share amounts):

	Three Months Ended October 31,			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Net loss per share:				
Net loss attributable to Vail Resorts	$(55,709)	$(55,709)	$(43,023)	$(43,023)
Weighted-average shares outstanding	36,066	36,066	35,938	35,938
Effect of dilutive securities	—	—	—	—
Total shares	36,066	36,066	35,938	35,938
Net loss per share attributable to Vail Resorts	$ (1.54)	$ (1.54)	$ (1.20)	$ (1.20)

The number of shares issuable on the exercise of share based awards that were excluded from the calculation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive totaled 1.5 million and 1.4 million for the three months ended October 31, 2011 and 2010, respectively.

On June 7, 2011 the Company's Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate estimated to be $0.60 per share, subject to quarterly declaration. During the three months ended October 31, 2011, the Company paid cash dividends of $0.15 per share ($5.4 million in the aggregate). On December 2, 2011 the Company's Board of Directors approved a quarterly cash dividend of $0.15 per share payable on January 6, 2012 to stockholders of record as of December 22, 2011.

4. Long-Term Debt

Long-term debt as of October 31, 2011, July 31, 2011 and October 31, 2010 is summarized as follows (in thousands):

	Maturity (a)	October 31, 2011	July 31, 2011	October 31, 2010
Credit Facility Revolver	2016	$ —	$ —	$ 20,000
Industrial Development Bonds	2020	41,200	41,200	41,200
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
6.50% Notes (c)	2019	390,000	390,000	—
6.75% Notes	—	—	—	390,000
Other	2012-2029	7,665	7,968	11,190
Total debt		491,440	491,743	514,965
Less: Current maturities (b)		1,063	1,045	1,958
Long-term debt		$490,377	$490,698	$513,007

(a) Maturities are based on the Company's July 31 fiscal year end.
(b) Current maturities represent principal payments due in the next 12 months.
(c) On April 25, 2011, the Company completed an offering for $390.0 million of 6.50% Notes. Pursuant to the registration rights agreement executed as part of the offering of the 6.50% Notes, the Company agreed to file an exchange offer registered under the Securities Act of 1933 on or prior to 210 days after the closing of the offering, with such registration statement being declared effective on or prior to 270 days after the closing of the offering, and to exchange the notes for a new issue of substantially identical debt securities and guarantees. The registration statement was declared effective on November 16, 2011, and on November 17, 2011, the Company commenced its offer to exchange up to $390.0 million principal amount of newly issued 6.50% notes, registered under the Securities Act of 1933, for a like principal amount of its outstanding privately priced 6.50% Notes.

Aggregate maturities for debt outstanding as of October 31, 2011 reflected by fiscal year are as follows (in thousands):

2012	$ 855
2013	836
2014	509
2015	533
2016	244
Thereafter	488,463
Total debt	$491,440

The Company incurred gross interest expense of $8.4 million and $8.5 million for the three months ended October 31, 2011 and 2010, respectively, of which $0.5 million and $0.4 million, respectively was amortization of deferred financing costs. The Company capitalized $0.1 million and $0.5 million of interest during the three months ended October 31, 2011 and 2010, respectively.

5. Acquisition

On October 25, 2010, the Company acquired for cash 100% of the capital stock of BCRP Inc. and the interest of Northstar Group Commercial Properties (together, with their subsidiaries “Northstar-at-Tahoe”) that operate the Northstar-at-Tahoe mountain resort in North Lake Tahoe, California from Booth Creek Resort Properties LLC and other sellers for a total consideration of $60.2 million, net of cash acquired. Northstar-at-Tahoe is a year round mountain resort providing a comprehensive offering of recreational activities, including both snow sports and summer activities. Additionally, Northstar-at-Tahoe operates a base area village at the resort, including the subleasing of commercial retail space and condominium property management.

The following summarizes the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date (in thousands).

	Acquisition Date Fair Value
Accounts receivable, net	$ 2,499
Inventory, net	1,894
Other assets	1,422
Property, plant and equipment	9,612
Deferred income tax assets, net	15,087
Intangible Assets	2,470
Goodwill	85,446
Total identifiable assets acquired	$ 118,430
Accounts payable and accrued liabilities	$ 6,671
Deferred revenue	5,281
Capital lease obligations	2,892
Unfavorable lease obligations, net	43,400
Total liabilities assumed	$ 58,244
Total purchase price	$ 60,186

The excess of the purchase price over the aggregate fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected synergies, the assembled workforce of Northstar-at-Tahoe and other factors. None of the goodwill is expected to be deductible for income tax purposes. The intangible assets have a weighted-average amortization period of 4.6 years.

The following presents the unaudited pro forma consolidated financial information of the Company as if the acquisition of Northstar-at-Tahoe was completed on August 1, 2010. The following unaudited pro forma financial information includes adjustments for (i) depreciation and interest expense for capital leases on acquired property, plant and equipment and amortization of intangible assets recorded at the date of acquisition; (ii) straight-line expense recognition of minimum future lease payments from the date of acquisition, including the amortization of the net unfavorable lease obligations; and (iii) acquisition related costs. This unaudited pro forma financial information is presented for informational purposes only and does not purport to be indicative of the results of future operations or the results that would have occurred had the acquisition taken place on August 1, 2010 (in thousands, except per share amounts).

	Three Months Ended October 31, 2010
Pro forma net revenue	$ 245,570
Pro forma net loss attributable to Vail Resorts, Inc.	$ (44,891)
Pro forma basic net loss per share attributable to Vail Resorts, Inc.	$ (1.25)
Pro forma diluted net loss per share attributable to Vail Resorts, Inc.	$ (1.25)

6. Supplementary Balance Sheet Information

The composition of property, plant and equipment follows (in thousands):

	October 31, 2011	July 31, 2011	October 31, 2010
Land and land improvements	$ 271,777	$ 271,742	$ 270,556
Buildings and building improvements	802,431	801,582	775,687
Machinery and equipment	540,492	539,983	516,932
Furniture and fixtures	216,608	215,862	199,016
Software	66,577	64,408	58,230
Vehicles	41,111	40,627	40,547
Construction in progress	83,808	34,638	57,065
Gross property, plant and equipment	2,022,804	1,968,842	1,918,033
Accumulated depreciation	(972,778)	(947,106)	(871,489)
Property, plant and equipment, net	$1,050,026	$1,021,736	$1,046,544

The composition of accounts payable and accrued liabilities follows (in thousands):

	October 31, 2011	July 31, 2011	October 31, 2010
Trade payables	$ 93,922	$ 55,456	$ 78,404
Real estate development payables	2,885	3,360	22,315
Deferred revenue	123,364	66,044	103,403
Deferred real estate and other deposits	9,163	11,741	21,682
Accrued salaries, wages and deferred compensation	18,365	26,350	17,349
Accrued benefits	21,525	22,107	23,836
Accrued interest	13,933	8,511	6,338
Other accruals	33,435	27,790	30,467
Total accounts payable and accrued liabilities	$316,592	$221,359	$303,794

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The composition of other long-term liabilities follows (in thousands):

	October 31, 2011	July 31, 2011	October 31, 2010
Private club deferred initiation fee revenue and deposits	$145,992	$146,065	$146,755
Unfavorable lease obligation, net	38,061	38,729	40,588
Other long-term liabilities	52,222	50,635	51,725
Total other long-term liabilities	$236,275	$235,429	$239,068

7. Variable Interest Entities

The Company is the primary beneficiary of four employee housing entities (collectively, the "Employee Housing Entities"), Breckenridge Terrace, LLC, The Tarnes at BC, LLC, BC Housing, LLC and Tenderfoot Seasonal Housing, LLC, which are variable interest entities ("VIEs"), and has consolidated them in its Consolidated Condensed Financial Statements. As a group, as of October 31, 2011, the Employee Housing Entities had total assets of $33.2 million (primarily recorded in property, plant and equipment, net) and total liabilities of $63.2 million (primarily recorded in long-term debt as "Employee Housing Bonds"). The Company's lenders have issued letters of credit totaling $53.4 million under the senior credit facility ("Credit Agreement") related to Employee Housing Bonds. Payments under the letters of credit would be triggered in the event that one of the entities defaults on required payments. The letters of credit have no default provisions.

The Company is the primary beneficiary of Avon Partners II, LLC ("APII"), which is a VIE. APII owns commercial space and the Company currently leases substantially all of that space. APII had total assets of $4.5 million (primarily recorded in property, plant and equipment, net) and no debt as of October 31, 2011.

8. Fair Value Measurements

The FASB issued fair value guidance that establishes how reporting entities should measure fair value for measurement and disclosure purposes. The guidance establishes a common definition of fair value applicable to all assets and liabilities measured at fair value and prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The three levels of the hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities;

Level 2: Inputs include quoted prices for similar assets and liabilities in active and inactive markets or that are observable for the asset or liability either directly or indirectly; and

Level 3: Unobservable inputs which are supported by little or no market activity.

The table below summarizes the Company's cash equivalents measured at fair value (all other assets and liabilities measured at fair value are immaterial) (in thousands):

	Fair Value Measurement as of October 31, 2011			
Description	Balance at October 31, 2011	Level 1	Level 2	Level 3
US Treasury	$ 8,385	$8,385	$ —	$ —
Certificates of Deposit	$ 2,807	$ —	$2,807	$ —

	Fair Value Measurement as of July 31, 2011			
Description	Balance at July 31, 2011	Level 1	Level 2	Level 3
US Treasury	$ 8,381	$8,381	$ —	$ —
Certificates of Deposit	$ 2,490	$ —	$2,490	$ —

	Fair Value Measurement as of October 31, 2010			
Description	Balance at October 31, 2010	Level 1	Level 2	Level 3
Money Market	$ 399	$ 399	$ —	$ —
US Treasury	$ 8,297	$8,297	$ —	$ —
Certificates of Deposit	$ 300	$ —	$ 300	$ —

The Company's cash equivalents are measured utilizing quoted market prices or pricing models whereby all significant inputs are either observable or corroborated by observable market data.

9. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances $8.0 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through an $8.1 million letter of credit issued under the Company's Credit Agreement. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to Red Sky Ranch Metropolitan District ("RSRMD") until RSRMD's revenue streams from property taxes are sufficient to meet debt service requirements under HCMD's bonds, and the Company has recorded a liability of $1.8 million primarily within "other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheets, as of October 31, 2011, July 31, 2011 and October 31, 2010, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates that it will make capital improvement fee payments under this arrangement through the year ending July 31, 2028.

Guarantees/Indemnifications

As of October 31, 2011, the Company had various other letters of credit in the amount of $59.5 million, consisting primarily of $53.4 million in support of the Employee Housing Bonds and $4.3 million for workers' compensation and general liability deductibles related to construction and development activities.

In addition to the guarantees noted above, the Company has entered into contracts in the normal course of business which include certain indemnifications under which it could be required to make payments to third parties upon the occurrence or non-occurrence of certain future events. These indemnities include indemnities to licensees in connection with the licensees' use of the Company's trademarks and logos, indemnities for liabilities associated with the infringement of other parties' technology and software products, indemnities related to liabilities associated with the use of easements, indemnities related to employment of contract workers, the Company's use of trustees, indemnities related to the Company's use of public lands and environmental indemnifications. The duration of these indemnities generally is indefinite and generally do not limit the future payments the Company could be obligated to make.

As permitted under applicable law, the Company and certain of its subsidiaries indemnify their directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company or its subsidiaries in such a capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that should enable the Company to recover a portion of any future amounts paid.

Unless otherwise noted, the Company has not recorded any significant liabilities for the letters of credit, indemnities and other guarantees noted above in the accompanying Consolidated Condensed Financial Statements, either because the Company has recorded on its Consolidated Condensed Balance Sheets the underlying liability associated with the guarantee, the guarantee is with respect to the Company's own performance and is therefore not subject to the measurement requirements as prescribed by GAAP, or because the Company has calculated the fair value of the indemnification or guarantee to be immaterial based upon the current facts and circumstances that would trigger a payment under the indemnification clause. In addition, with respect to certain indemnifications it is not possible to determine the maximum potential amount of liability under these guarantees due to the unique set of facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

As noted above, the Company makes certain indemnifications to licensees in connection with their use of the Company's trademarks and logos. The Company does not record any liabilities with respect to these indemnifications.

Self Insurance

The Company is self-insured for claims under its health benefit plans and for the majority of workers' compensation claims, subject to a stop loss policy. The self-insurance liability related to workers' compensation is determined actuarially based on claims filed. The self-insurance liability related to claims under the Company's health benefit plans is determined based on analysis of actual claims. The amounts related to these claims are included as a component of accrued benefits in accounts payable and accrued liabilities (see Note 6, Supplementary Balance Sheet Information).

Legal

The Company is a party to various lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage and/or has accrued for loss contingencies for all known matters that are deemed to be probable losses and estimable. As of October 31, 2011, July 31, 2011 and October 31, 2010, the accrual for the above loss contingencies was not material individually and in the aggregate.

10. Segment Information

The Company has three reportable segments: Mountain, Lodging and Real Estate. The Mountain segment includes the operations of the Company's ski resorts and related ancillary services. The Lodging segment includes the operations of all of the Company's owned hotels, RockResorts, GTLC, condominium management, CME and golf operations. The Real Estate segment owns and develops real estate in and around the Company's resort communities. The Company's reportable segments, although integral to the success of the others, offer distinctly different products and services and require different types of management focus. As such, these segments are managed separately.

The Company reports its segment results using Reported EBITDA (defined as segment net revenue less segment operating expenses, plus or minus segment equity investment income or loss), which is a non-GAAP financial measure. The Company reports segment results in a manner consistent with management's internal reporting of operating results to the chief operating decision maker (Chief Executive Officer) for purposes of evaluating segment performance.

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

The Company utilizes Reported EBITDA in evaluating performance of the Company and in allocating resources to its segments. Mountain Reported EBITDA consists of Mountain net revenue less Mountain operating expense plus or minus Mountain equity investment income or loss. Lodging Reported EBITDA consists of Lodging net revenue less Lodging operating expense. Real Estate Reported EBITDA consists of Real Estate net revenue less Real Estate operating expense. All segment expenses include an allocation of corporate administrative expense. Assets are not allocated between segments, or used to evaluate performance, except as shown in the table below.

The following table presents financial information by reportable segment which is used by management in evaluating performance and allocating resources (in thousands):

	Three Months Ended October 31,	
	2011	2010
Net revenue:		
Lift tickets	$ —	$ —
Ski school	—	—
Dining	5,647	4,106
Retail/rental	26,964	22,053
Other	17,059	14,620
Total Mountain net revenue	49,670	40,779
Lodging	53,594	51,117
Total Resort net revenue	103,264	91,896
Real Estate	13,109	149,261
Total net revenue	$ 116,373	$ 241,157
Operating expense:		
Mountain	$ 98,555	$ 83,136
Lodging	55,301	49,574
Total Resort operating expense	153,856	132,710
Real estate	17,847	145,063
Total segment operating expense	$ 171,703	$ 277,773
Mountain equity investment income, net	$ 430	$ 780
Reported EBITDA:		
Mountain	$ (48,455)	$ (41,577)
Lodging	(1,707)	1,543
Resort	(50,162)	(40,034)
Real Estate	(4,738)	4,198
Total Reported EBITDA	$ (54,900)	$ (35,836)
Real estate held for sale and investment	$ 263,130	$ 296,981
Reconciliation to net loss attributable to Vail Resorts, Inc:		
Total Reported EBITDA	$ (54,900)	$ (35,836)
Depreciation and amortization	(28,930)	(27,732)
(Loss) gain on disposal of fixed assets, net	(114)	92
Investment income	64	238
Interest expense, net	(8,241)	(7,936)
Loss before benefit from income taxes	(92,121)	(71,174)
Benefit from income taxes	36,387	28,114
Net loss	$ (55,734)	$ (43,060)
Net loss attributable to noncontrolling interests	25	37
Net loss attributable to Vail Resorts, Inc.	$ (55,709)	$ (43,023)

11. Stock Repurchase Plan

On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock and on July 16, 2008 approved an increase of the Company's common stock repurchase authorization by an additional 3,000,000 shares. During the three months ended October 31, 2011, the Company repurchased 203,377 shares of common stock at a cost of approximately $7.9 million. Since inception of its stock repurchase plan through October 31, 2011, the Company has repurchased 4,468,181 shares at a cost of approximately $170.7 million. As of October 31, 2011, 1,531,819 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under the Company's employee share award plans.

12. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company's payment obligations under the 6.50% Notes (see Note 4, Long-Term Debt) are fully and unconditionally guaranteed on a joint and several, senior subordinated basis by substantially all of the Company's consolidated subsidiaries (including VR Acquisition, Inc., BCRP, Inc., Booth Creek Ski Holdings, Inc., Trimont Land Company, Northstar Commercial Properties, and Northstar Group Restaurant Properties LLC (collectively, "Northstar-at-Tahoe") which were non-guarantor subsidiaries under the 6.75% Notes) (collectively, and excluding Non-Guarantor Subsidiaries (as defined below), the "Guarantor Subsidiaries"), except for, Eagle Park Reservoir Company, Larkspur Restaurant & Bar, LLC, Black Diamond Insurance, Inc. and certain other insignificant entities (together, the "Non-Guarantor Subsidiaries"). APII and the Employee Housing Entities are included with the Non-Guarantor Subsidiaries for purposes of the consolidated financial information, but are not considered subsidiaries under the indenture governing the 6.50% Notes.

Presented below is the consolidated financial information of the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for the Non-Guarantor Subsidiaries is presented in the column titled "Other Subsidiaries." Balance sheets are presented as of October 31, 2011, July 31, 2011, and October 31, 2010. Statements of operations and statements of cash flows are presented for the three months ended October 31, 2011 and 2010. In addition, as noted above, Northstar-at-Tahoe subsidiaries are Guarantor Subsidiaries under the 6.50% Notes, which under the 6.75% Notes these subsidiaries were Non-Guarantor Subsidiaries. As such, reclassifications for Northstar-at-Tahoe subsidiaries have been made to the financial information as of and for the three months ended October 31, 2010 to confirm to the current year presentation. For the three months ended October 31, 2011, the Company revised its presentation of reimbursed payroll costs from managed hotel properties from a net presentation to a gross presentation in its Consolidated Condensed Statements of Operations (see Note 2, Summary of Significant Accounting Policies). Total revenue and total operating expense in the statement of operations for the three months ended October 31, 2010 for the Guarantor Subsidiaries presented below have been revised to reflect this presentation.

Investments in subsidiaries are accounted for by the Parent Company and Guarantor Subsidiaries using the equity method of accounting. Net income (loss) of Guarantor and Non-Guarantor Subsidiaries is, therefore, reflected in the Parent Company's and Guarantor Subsidiaries' investments in and advances to (from) subsidiaries. Net income (loss) of the Guarantor and Non-Guarantor Subsidiaries is reflected in Guarantor Subsidiaries and Parent Company as equity in consolidated subsidiaries. The elimination entries eliminate investments in Other Subsidiaries and intercompany balances and transactions for consolidated reporting purposes.

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Supplemental Condensed Consolidating Balance Sheet
As of October 31, 2011
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ 38,060	$ 6,678	$ —	$ 44,738
Restricted cash	—	12,881	734	—	13,615
Trade receivables, net	—	28,664	963	—	29,627
Inventories, net	—	75,569	220	—	75,789
Other current assets	30,700	26,744	378	—	57,822
Total current assets	30,700	181,918	8,973	—	221,591
Property, plant and equipment, net	—	1,001,793	48,233	—	1,050,026
Real estate held for sale and investment	—	263,130	—	—	263,130
Goodwill, net	—	268,058	—	—	268,058
Intangible assets, net	—	73,205	18,155	—	91,360
Other assets	7,876	33,739	4,568	—	46,183
Investments in subsidiaries	1,633,628	(4,696)	—	(1,628,932)	—
Advances	(358,390)	365,244	(6,854)	—	—
Total assets	$1,313,814	$2,182,391	$ 73,075	$(1,628,932)	$1,940,348
Current liabilities:					
Accounts payable and accrued liabilities	$ 13,594	$ 298,661	$ 4,337	$ —	$ 316,592
Income taxes payable	19,568	—	—	—	19,568
Long-term debt due within one year	—	855	208	—	1,063
Total current liabilities	33,162	299,516	4,545	—	337,223
Long-term debt	390,000	42,419	57,958	—	490,377
Other long-term liabilities	28,104	206,828	1,343	—	236,275
Deferred income taxes	99,118	—	—	—	99,118
Total Vail Resorts, Inc. stockholders' equity (deficit)	763,430	1,633,628	(4,696)	(1,628,932)	763,430
Noncontrolling interests	—	—	13,925	—	13,925
Total stockholders' equity	763,430	1,633,628	9,229	(1,628,932)	777,355
Total liabilities and stockholders' equity	$1,313,814	$2,182,391	$ 73,075	$(1,628,932)	$1,940,348

Supplemental Condensed Consolidating Balance Sheet
As of July 31, 2011
(in thousands)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ 63,365	$ 6,778	$ —	$ 70,143
Restricted cash	—	11,781	657	—	12,438
Trade receivables, net	—	57,746	783	—	58,529
Inventories, net	—	53,775	232	—	54,007
Other current assets	29,167	21,063	277	—	50,507
Total current assets	29,167	207,730	8,727	—	245,624
Property, plant and equipment, net	—	972,963	48,773	—	1,021,736
Real estate held for sale and investment	—	273,663	—	—	273,663
Goodwill, net	—	268,058	—	—	268,058
Intangible assets, net	—	72,943	18,155	—	91,098
Other assets	8,060	33,296	4,701	—	46,057
Investments in subsidiaries	1,721,269	(3,862)	—	(1,717,407)	—
Advances	(349,144)	356,981	(7,837)	—	—
Total assets	$1,409,352	$2,181,772	$ 72,519	$(1,717,407)	$1,946,236
Current liabilities:					
Accounts payable and accrued liabilities	$ 7,117	$ 211,565	$ 2,677	$ —	$ 221,359
Income taxes payable	20,778	—	—	—	20,778
Long-term debt due within one year	—	848	197	—	1,045
Total current liabilities	27,895	212,413	2,874	—	243,182
Long-term debt	390,000	42,532	58,166	—	490,698
Other long-term liabilities	28,526	205,558	1,345	—	235,429
Deferred income taxes	133,208	—	—	—	133,208
Total Vail Resorts, Inc. stockholders’ equity (deficit)	829,723	1,721,269	(3,862)	(1,717,407)	829,723
Noncontrolling interests	—	—	13,996	—	13,996
Total stockholders’ equity	829,723	1,721,269	10,134	(1,717,407)	843,719
Total liabilities and stockholders’ equity	$1,409,352	$2,181,772	$ 72,519	$(1,717,407)	$1,946,236

Supplemental Condensed Consolidating Balance Sheet
As of October 31, 2010
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ 15,018	$ 4,560	$ —	$ 19,578
Restricted cash	—	12,324	588	—	12,912
Trade receivables, net	450	34,046	624	—	35,120
Inventories, net	—	64,027	203	—	64,230
Other current assets	24,076	21,427	279	—	45,782
Total current assets	24,526	146,842	6,254	—	177,622
Property, plant and equipment, net	—	1,010,251	36,293	—	1,046,544
Real estate held for sale and investment	—	296,981	—	—	296,981
Goodwill, net	—	271,732	—	—	271,732
Intangible assets, net	—	71,278	18,155	—	89,433
Other assets	2,338	29,405	4,735	—	36,478
Investments in subsidiaries	1,566,817	(16,656)	—	(1,550,161)	—
Advances	(321,822)	326,327	(4,505)	—	—
Total assets	$1,271,859	$2,136,160	$ 60,932	$(1,550,161)	$1,918,790
Current liabilities:					
Accounts payable and accrued liabilities	$ 5,887	$ 294,599	$ 3,308	$ —	$ 303,794
Income taxes payable	32,424	—	—	—	32,424
Long-term debt due within one year	—	1,761	197	—	1,958
Total current liabilities	38,311	296,360	3,505	—	338,176
Long-term debt	390,000	64,841	58,166	—	513,007
Other long-term liabilities	29,203	208,142	1,723	—	239,068
Deferred income taxes	66,204	—	—	—	66,204
Total Vail Resorts, Inc. stockholders' equity	748,141	1,566,817	(16,656)	(1,550,161)	748,141
Noncontrolling interests	—	—	14,194	—	14,194
Total stockholders' equity	748,141	1,566,817	(2,462)	(1,550,161)	762,335
Total liabilities and stockholders' equity	$1,271,859	$2,136,160	$ 60,932	$(1,550,161)	$1,918,790

Supplemental Condensed Consolidating Statement of Operations
For the three months ended October 31, 2011
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ —	$ 117,034	$ 2,066	$ (2,727)	$ 116,373
Total operating expense	128	200,266	3,042	(2,689)	200,747
Loss from operations	(128)	(83,232)	(976)	(38)	(84,374)
Other expense, net	(6,599)	(1,283)	(333)	38	(8,177)
Equity investment income, net	—	430	—	—	430
Loss before benefit from income taxes	(6,727)	(84,085)	(1,309)	—	(92,121)
Benefit from income taxes	3,044	33,343	—	—	36,387
Net loss before equity in loss of consolidated subsidiaries	(3,683)	(50,742)	(1,309)	—	(55,734)
Equity in loss of consolidated subsidiaries	(52,026)	(1,284)	—	53,310	—
Net loss	(55,709)	(52,026)	(1,309)	53,310	(55,734)
Net loss attributable to noncontrolling interests	—	—	25	—	25
Net loss attributable to Vail Resorts, Inc.	$(55,709)	$ (52,026)	$ (1,284)	$ 53,310	$ (55,709)

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Supplemental Condensed Consolidating Statement of Operations
For the three months ended October 31, 2010
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$ —	$ 241,694	$ 1,960	$ (2,497)	$ 241,157
Total operating expense	164	304,807	2,901	(2,459)	305,413
Loss from operations	(164)	(63,113)	(941)	(38)	(64,256)
Other expense, net	(6,759)	(688)	(289)	38	(7,698)
Equity investment income, net	—	780	—	—	780
Loss before benefit from income taxes	(6,923)	(63,021)	(1,230)	—	(71,174)
Benefit from income taxes	3,324	24,790	—	—	28,114
Net loss before equity in loss of consolidated subsidiaries	(3,599)	(38,231)	(1,230)	—	(43,060)
Equity in loss of consolidated subsidiaries	(39,424)	(1,193)	—	40,617	—
Net loss	(43,023)	(39,424)	(1,230)	40,617	(43,060)
Net loss attributable to noncontrolling interests	—	—	37	—	37
Net loss attributable to Vail Resorts, Inc.	$(43,023)	$ (39,424)	$ (1,193)	$ 40,617	$ (43,023)

Supplemental Condensed Consolidating Statement of Cash Flows
For the three months ended October 31, 2011
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$(34,685)	$ 73,005	$ 15	$ 38,335
Cash flows from investing activities:				
Capital expenditures	—	(50,893)	(110)	(51,003)
Acquisition of business	—	342	—	342
Other investing activities, net	—	(478)	—	(478)
Net cash used in investing activities	—	(51,029)	(110)	(51,139)
Cash flows from financing activities:				
Payments of long-term debt	—	(106)	(197)	(303)
Repurchases of common stock	(7,869)	—	—	(7,869)
Dividends paid	(5,429)	—	—	(5,429)
Other financing activities, net	994	(186)	192	1,000
Advances	46,989	(46,989)	—	—
Net cash provided by (used in) financing activities	34,685	(47,281)	(5)	(12,601)
Net decrease in cash and cash equivalents	—	(25,305)	(100)	(25,405)
Cash and cash equivalents:				
Beginning of period	—	63,365	6,778	70,143
End of period	$ —	$ 38,060	$ 6,678	$ 44,738

Supplemental Condensed Consolidating Statement of Cash Flows
For the three months ended October 31, 2010
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash (used in) provided by operating activities	$(39,120)	$ 156,959	$ 334	$ 118,173
Cash flows from investing activities:				
Capital expenditures	—	(36,598)	(303)	(36,901)
Acquisition of business	—	(60,528)	—	(60,528)
Other investing activities, net	—	74	—	74
Net cash used in investing activities	—	(97,052)	(303)	(97,355)
Cash flows from financing activities:				
Proceeds from borrowings under long-term debt	—	100,000	—	100,000
Payments of long-term debt	—	(116,511)	(187)	(116,698)
Other financing activities, net	85	(658)	1,286	713
Advances	39,035	(39,035)	—	—
Net cash provided by (used in) financing activities	39,120	(56,204)	1,099	(15,985)
Net increase in cash and cash equivalents	—	3,703	1,130	4,833
Cash and cash equivalents:				
Beginning of period	—	11,315	3,430	14,745
End of period	$ —	$ 15,018	$ 4,560	$ 19,578

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the year ended July 31, 2011 ("Form 10-K") and the Consolidated Condensed Financial Statements as of October 31, 2011 and 2010 and for the three months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding our financial position, results of operations and cash flows. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements which involve risks and uncertainties. See "Forward-Looking Statements" below. These risks include, but are not limited to those discussed in this Form 10-Q and in our other filings with the Securities and Exchange Commission ("SEC"), including the risks described in Item 1A "Risk Factors" of Part I of the Form 10-K.

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

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

Overview

Our operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. Resort is the combination of the Mountain and Lodging segments.

Mountain Segment

The Mountain segment is comprised of the operations of six ski resort properties as well as ancillary businesses, primarily including ski school, dining and retail/rental operations. Mountain segment revenue is seasonal in nature, with the majority of revenue earned in our second and third fiscal quarters. Our first fiscal quarter is a seasonally low period as our ski operations are generally not open for business until mid-November, which falls in our second fiscal quarter. Revenue of the Mountain segment during the first fiscal quarter is primarily generated from summer and group related visitation at our mountain resorts, as well as retail operations.

Lodging Segment

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

Revenue of the Lodging segment during our first fiscal quarter is generated primarily by the operations of GTLC (as GTLC's peak operating season occurs during the summer months), as well as golf operations and seasonally low operations from our other owned and managed properties and businesses. Lodging properties (including managed

condominium rooms) at or around our ski resorts, and CME, are closely aligned with the performance of the Mountain segment and generally experience similar seasonal trends as the Mountain segment. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursement and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense have no effect on our Lodging Reported EBITDA which we use to evaluate Lodging segment performance.

Real Estate Segment

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

Recent Trends, Risks and Uncertainties

Together with those risk factors that we have identified in our Form 10-K, our management has identified the following important factors (as well as risks and uncertainties associated with such factors) that could impact our future financial performance or condition:

- Although we experienced improved operating results for the year ended July 31, 2011 compared to the years ended July 31, 2010 and 2009 in our Mountain and Lodging segments in part due to increased pricing and increased visitation for the 2010/2011 ski season, as well as an increase in overall guest spend on ancillary services, uncertainties still exist around the current global economic environment. Conditions currently present or recently present in the economic environment including financial instability in the global markets, erosion of consumer confidence stemming from uncertainties in the growth of the U.S. economy and high unemployment could potentially have negative effects on the travel and leisure industry. Given the current uncertainties around global economic trends, we cannot predict what impact this will have on overall travel and leisure or more specifically, on our guest visitation, guest spending or other related trends for the upcoming 2011/2012 ski season. During the most recent recession, our 2008/2009 ski season was impacted by lower visitation, reduced guest spend on ancillary services and closer in booking trends for guest reservations.
- The timing and amount of snowfall can have an impact on Mountain and Lodging revenue particularly in regards to skier visits and the duration and frequency of guest visitation. To help mitigate this impact, we sell a variety of season pass products prior to the beginning of the ski season to in-state and local ("In-State") guests and out-of-state and international ("Destination") guests. Additionally, we have invested in snowmaking upgrades in an effort to address the inconsistency of early season snowfall where possible. For the 2010/2011 ski season we experienced significantly above average early season snowfall compared to significantly below average early season snowfall for the previous two ski seasons, which we believe had a positive impact on early season visitation for the 2010/2011 ski season, especially from season passholders. We cannot predict the level of early season snowfall nor can we predict the ultimate impact that early season snowfall will have on our results of operations for the 2011/2012 ski season.
- Our season pass products provide a value option to our guests which in turn creates a guest commitment predominately prior to the start of the ski season, resulting in a more stabilized stream of lift revenue for us. For the 2010/2011 ski season pass revenue represented 35% of total lift revenue for the entire ski season. Through December 4, 2011 our season pass sales for the 2011/2012 ski season were up approximately 13% in sales dollars and 5% in units as compared to season pass sales through the similar period of the 2010/2011 ski season. We cannot predict the impact that season pass sales will have on total lift revenue or effective ticket price for the 2011/2012 ski season.

- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on real estate held for sale, which determines when revenue and associated cost of sales is recognized. Changes to the anticipated timing or mix of closing on one or more real estate projects, or unit closings within a real estate project, could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. During the three months ended October 31, 2011 we closed on four units at The Ritz-Carlton Residences, Vail (with an additional one unit having closed subsequent to October 31, 2011). Additionally, we have closed on two units at One Ski Hill Place in Breckenridge during the three months ended October 31, 2011 (with an additional two units having closed subsequent to October 31, 2011). We currently have on a combined basis 84 units available for sale at The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge. We have increased risk associated with selling and closing units in these projects as a result of the continued instability in the credit markets and a slowdown in the overall real estate market. Buyers have been or may be unable to close on units in part due to a reduction in funds available to buyers and/or decreases in mortgage availability. We cannot predict the ultimate number of units that we will sell, the ultimate price we will receive, or when the units will sell, although we currently believe the selling process will take multiple years. Additionally, if a prolonged weakness in the real estate market or general economic conditions were to occur we may have to adjust our selling prices in an effort to sell and close on units available for sale. However, our risk associated with adjusting selling prices to levels that may not be acceptable to us is partially mitigated by the fact that we generate cash flow from placing unsold units into our rental program until such time selling prices are at acceptable levels to us. Furthermore, if the current weakness in the real estate market were to persist for multiple years thus requiring us to sell remaining units below recent pricing levels (including any sales concessions and discounts) for the remaining inventory of units at The Ritz-Carlton Residences, Vail or One Ski Hill Place in Breckenridge, it may result in an impairment charge on one or both projects.
- We had $44.7 million in cash and cash equivalents as of October 31, 2011 as well as $332.7 million available under the revolver component of our senior credit facility (“Credit Agreement”) (which represents the total commitment of $400.0 million less certain letters of credit outstanding of $67.3 million). Additionally, we believe our 6.50% Senior Subordinated Notes due 2019 (“6.50% Notes”) and our Credit Agreement will allow for sufficient flexibility in our ability to make acquisitions, investments and distributions and incur debt. The above, combined with the substantial completion in calendar 2010 of our real estate projects where the proceeds from future real estate closings on The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge are expected to significantly exceed future carrying costs, has and is anticipated to provide us with significant liquidity which will allow us to consider strategic investments, including future acquisitions and other forms of providing return to our shareholders. We cannot predict that any strategic initiatives undertaken will achieve the anticipated results.
- Under GAAP we test goodwill and indefinite lived intangible assets for impairment annually as well as on an interim basis to the extent factors or indicators become apparent that could reduce the fair value of our goodwill or indefinite-lived intangible assets below book value and we evaluate long-lived assets for potential impairment whenever events or change in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the recoverability of our goodwill by estimating the future discounted cash flows of our reporting units and terminal values of the businesses using projected future levels of income as well as business trends, prospects and market and economic conditions. We evaluate the recoverability of indefinite-lived intangible assets using the income approach based upon estimated future revenue streams, and we evaluate long-lived assets based upon estimated undiscounted future cash flows. Our fiscal 2011 annual impairment test did not result in a goodwill or indefinite-lived intangible asset impairment. However, if a more severe prolonged weakness in general economic conditions were to occur it could cause less than expected growth and/or reduction in terminal values and cash flows and could result in an impairment charge attributable to certain goodwill, indefinite-lived intangible assets and/or long-lived assets (particularly related to our Lodging operations), negatively impacting our results of operations and stockholders’ equity.

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RESULTS OF OPERATIONS

Summary

Due to the seasonality of our Resort operations, we normally incur net losses during the first fiscal quarter, as shown in the summary of operating results below for the three months ended October 31, 2011, compared to the three months ended October 31, 2010 (in thousands):

	Three Months Ended October 31,	
	2011	2010
Mountain Reported EBITDA	$(48,455)	$(41,577)
Lodging Reported EBITDA	(1,707)	1,543
Resort Reported EBITDA	(50,162)	(40,034)
Real Estate Reported EBITDA	(4,738)	4,198
Loss before benefit from income taxes	(92,121)	(71,174)
Net loss attributable to Vail Resorts, Inc.	$(55,709)	$(43,023)

A discussion of the segment results and other items can be found below.

Mountain Segment

Three months ended October 31, 2011 compared to the three months ended October 31, 2010

Mountain segment operating results for the three months ended October 31, 2011 and 2010 are presented by category as follows (in thousands):

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2011	2010	
Net Mountain revenue:			
Lift tickets	$ —	$ —	— %
Ski school	—	—	— %
Dining	5,647	4,106	37.5%
Retail/rental	26,964	22,053	22.3%
Other	17,059	14,620	16.7%
Total Mountain net revenue	$ 49,670	$ 40,779	21.8%
Mountain operating expense:			
Labor and labor-related benefits	$ 29,540	$ 24,682	19.7%
Retail cost of sales	15,530	12,657	22.7%
General and administrative	26,495	24,189	9.5%
Other	26,990	21,608	24.9%
Total Mountain operating expense	$ 98,555	$ 83,136	18.5%
Mountain equity investment income, net	430	780	(44.9)%
Mountain Reported EBITDA	$(48,455)	$(41,577)	(16.5)%

Mountain Reported EBITDA includes $2.6 million and $2.0 million of stock-based compensation expense for the three months ended October 31, 2011 and 2010, respectively.

Our first fiscal quarter historically results in negative Mountain Reported EBITDA, as our ski resorts generally do not open for ski operations until our second fiscal quarter. The first fiscal quarter consists primarily of operating and administrative expense plus summer business and retail operations.

Total Mountain net revenue increased $8.9 million, or 21.8%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010, which increase includes $3.7 million of revenue from Northstar-at-Tahoe, which was acquired on October 25, 2010 in the prior fiscal year. Excluding the impact of Northstar-at-Tahoe, total Mountain net revenue increased $5.2 million, or 12.8%.

Dining revenue increased $1.5 million, or 37.5%, for the three months ended October 31, 2011 compared to the same period in the prior year, which includes $1.0 million of incremental revenue from Northstar-at-Tahoe. Excluding Northstar-at-Tahoe, dining revenues increased $0.5 million, or 13.1%, which is primarily attributable to the addition of two new on-mountain dining venues which also are used for summer and wedding activities combined with an increase in summer visitation related to summer activities.

Retail/rental revenue increased $4.9 million, or 22.3%, for the three months ended October 31, 2011 compared to the same period in the prior year which includes $0.5 million of incremental revenue from Northstar-at-Tahoe in the current fiscal year. Excluding Northstar-at-Tahoe, retail/rental revenue increased $4.4 million, or 19.8%, which was driven by higher retail sales at our Colorado front range stores and Any Mountain stores (in the San Francisco bay area) and was primarily attributable to strong sales at pre-ski season sales events and improved retail sales at our Vail and Beaver Creek mountain resort stores. Additionally, the retail/rental revenue increase was partly attributable to the acquisition in July 2011 of an on-line retailer which generated $2.1 million in revenue during the three months ended October 31, 2011.

Other revenue mainly consists of private club revenue (which includes both club dues and amortization of initiation fees), summer visitation and other mountain activities revenue, marketing and internet advertising revenue, commercial leasing revenue, employee housing revenue, municipal services revenue and other recreation activity revenue. For the three months ended October 31, 2011, other revenue increased $2.4 million, or 16.7%, compared to the three months ended October 31, 2010, which includes $2.1 million of incremental revenue from Northstar-at-Tahoe. Excluding Northstar-at-Tahoe, other revenue increased $0.3 million, or 2.0%, which benefited from an increase in summer activities revenue of $0.5 million primarily occurring at Breckenridge, which benefited from the addition of an alpine coaster that was placed in service in the second quarter of fiscal 2011, partially offset by a decrease of $0.3 million in municipal services revenue (primarily transportation services provided on behalf of certain municipalities).

Operating expense increased $15.4 million, or 18.5%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010, which includes $10.2 million of incremental operating expense from Northstar-at-Tahoe in the current fiscal quarter. Additionally, operating expense for the three months ended October 31, 2010 included $3.1 million of acquisition related costs (included in general and administrative in the prior year) associated with Northstar-at-Tahoe. Excluding the expenses associated with Northstar-at-Tahoe for both the current and prior year fiscal quarters, operating expense increased $8.3 million, or 10.4%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010. Labor and labor-related benefits increased $2.7 million, or 10.8%, excluding Northstar-at-Tahoe, largely due to an increase in staffing levels for retail/rental operations driven by increased sales volume and the addition of new stores (including the acquisition of our online retailer). Additionally, labor and labor-related benefits were impacted by increased volume in dining and summer activities as previously discussed. Retail cost of sales increased $2.0 million, or 15.7%, excluding Northstar-at-Tahoe, due to increased volume in retail sales, partially offset by improved gross margins. General and administrative expense, excluding prior year Northstar-at-Tahoe acquisition related costs, increased $3.3 million, or 15.5%, primarily due to higher Mountain segment component of corporate costs which included increased sales and marketing expenditures. Other expense increased $0.4 million, or 1.8%, excluding Northstar-at-Tahoe, primarily due to increased resort related fees (including Forest Service fees, other resort-related fees, credit card fees and commissions), due to overall increases in revenue upon which those fees are based, increased food and beverage cost of sales due to an increase in dining revenue and higher fuel and utilities costs, largely offset by $0.9 million in assessments for extensive renovations incurred in the prior year related to a commercial property in Breckenridge in which we are a tenant.

Mountain equity investment income primarily includes our share of income from the operations of a real estate brokerage joint venture. The decrease in equity investment income for the three months ended October 31, 2011 is primarily due to decreased commissions earned by the brokerage compared to the three months ended October 31, 2010.

Lodging Segment

Three months ended October 31, 2011 compared to the three months ended October 31, 2010

Lodging segment operating results for the three months ended October 31, 2011 and 2010 are presented by category as follows (in thousands, except average daily rates ("ADR") and revenue per available room ("RevPAR")):

	Three months ended October 31, 2011	Three months ended October 31, 2010	Percentage Increase (Decrease)
Lodging net revenue:			
Owned hotel rooms	$12,032	$11,753	2.4%
Managed condominium rooms	5,546	4,756	16.6%
Dining	9,557	9,956	(4.0)%
Transportation	1,702	1,754	(3.0)%
Golf	7,445	6,898	7.9%
Other	9,577	9,261	3.4%
	45,859	44,378	3.3%
Payroll cost reimbursement	7,735	6,739	14.8%
Total Lodging net revenue	$53,594	$51,117	4.8%
Lodging operating expense:			
Labor and labor-related benefits	$22,569	$21,866	3.2%
General and administrative	7,528	7,072	6.4%
Other	17,469	13,897	25.7%
	47,566	42,835	11.0%
Payroll cost reimbursement	7,735	6,739	14.8%
Total Lodging operating expense	$55,301	$49,574	11.6%
Lodging Reported EBITDA	$ (1,707)	$ 1,543	(210.6)%
Owned hotel statistics:			
ADR	$188.98	$179.52	5.3%
RevPar	$102.50	$107.49	(4.6)%
Managed condominium statistics:			
ADR	$191.20	$176.25	8.5%
RevPar	$ 29.15	$ 33.19	(12.2)%
Owned hotel and managed condominium statistics (combined):			
ADR	$189.70	$178.53	6.3%
RevPar	$ 56.30	$ 64.25	(12.4)%

Lodging Reported EBITDA includes $0.6 million of stock-based compensation expense for both the three months ended October 31, 2011 and 2010.

Revenue from owned hotel rooms increased $0.3 million, or 2.4%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010, which was driven primarily by an increase in transient and group revenue at GTLC. GTLC's room revenue was $7.8 million for the three months ended October 31, 2011 resulting in an increase of $0.6 million, or 7.8%, compared to the three months ended October 31, 2010 and was primarily driven by an increase in ADR. Owned hotel room revenue was adversely impacted by a decline in group business at our Keystone resort, resulting in a decrease in group room revenue of $0.3 million. Revenue from managed condominium rooms increased $0.8 million, or 16.6%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010, and was primarily attributable to the addition of managed condominium rooms in the Lake Tahoe region. Partially offsetting the increase in revenue from the additional managed condominium rooms was a decline in Keystone managed condominium room revenue of $0.3 million due to a decline in occupancy of 6.1 percentage points driven by the decline in group business at our Keystone resort.

Dining revenue for the three months ended October 31, 2011 decreased $0.4 million, or 4.0%, as compared to the three months ended October 31, 2010, due to a decrease in group visitation primarily at our Keystone resort ($0.6 million decrease in revenue), partially offset by an increase in dining revenue at GTLC. Golf revenues increased $0.5 million, or 7.9%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010, primarily due to the addition of a golf course at Northstar-at-Tahoe as part of that resort acquisition. Other revenue increased $0.3 million, or 3.4%, in the three months ended October 31, 2011 compared to the three months ended October 31, 2010, primarily due to an increase in ancillary revenue at GTLC.

Operating expense increased $4.7 million, or 11.0%, for the three months ended October 31, 2011 compared to the three months ended October 31, 2010, excluding expense related to payroll cost reimbursement. Operating expense during the three months ended October 31, 2010 benefited from the receipt of $2.9 million, net of legal expenses,

(included as a credit in other expense) for the settlement of alleged damages related to the CME acquisition. Excluding the impact of this item, operating expense increased $1.8 million, or 3.9%, during the three months ended October 31, 2011, compared to the same period in the prior year. Labor and labor-related benefits increased $0.7 million, or 3.2%, primarily due to the addition of managed condominiums in the Lake Tahoe region. General and administrative expense increased $0.5 million, or 6.4%, primarily due to an increase in estimated uncollectible accounts receivable. Other expense, excluding the CME settlement, increased $0.7 million, or 3.8%, primarily due to operating costs associated with the addition of managed condominiums in the Lake Tahoe region and an increase in variable operating costs associated with higher revenue including credit card fees, supplies and other operating expense, partially offset by $0.4 million of renovation expenses incurred in the same period in the prior year related to a property in Breckenridge.

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

Real Estate Segment

Three months ended October 31, 2011 compared to the three months ended October 31, 2010

Real Estate segment operating results for the three months ended October 31, 2011 and 2010 are presented by category as follows (in thousands):

	Three Months Ended October 31,		Percentage
	2011	2010	Decrease
Total Real Estate net revenue	$13,109	$149,261	(91.2)%
Real Estate operating expense:			
Cost of sales (including sales commission)	11,686	138,548	(91.6)%
Other	6,161	6,515	(5.4)%
Total Real Estate operating expense	17,847	145,063	(87.7)%
Real Estate Reported EBITDA	$ (4,738)	$ 4,198	(212.9)%

Real Estate Reported EBITDA includes $0.9 million and $0.8 million of stock-based compensation expense for the three months ended October 31, 2011 and 2010, respectively.

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

Three months ended October 31, 2011

Real Estate segment net revenue for the three months ended October 31, 2011 was driven by the closing of four condominium units at The Ritz-Carlton Residences, Vail ($9.2 million of revenue with an average selling price per unit of $2.3 million and an average price per square foot of $1,118) and two condominium units at One Ski Hill Place ($3.3 million of revenue with an average selling price per unit of $1.6 million and an average price per square foot of $1,046). The average price per square foot of both these projects is driven by their premier locations and the comprehensive and exclusive amenities related to these projects.

Operating expense for the three months ended October 31, 2011 included cost of sales of $10.9 million resulting from the closing of four condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of $988) and from the closing of two condominium units at One Ski Hill Place (average cost per square foot of $867). The cost per square foot for both these projects is reflective of the high-end features and amenities and high construction costs associated with mountain resort development. Additionally, sales commissions of approximately $0.7 million were incurred commensurate with revenue recognized. Other operating expense of $6.2 million (including $0.9 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate available for sale (including those units that have not yet closed), carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs.

Three months ended October 31, 2010

Real Estate segment net revenue for the three months ended October 31, 2010 was driven primarily by the closing of 57 condominium units (45 units sold to The Ritz-Carlton Development Company and 12 units sold to individuals) at The Ritz-Carlton Residences, Vail ($149.0 million of revenue with an average selling price per unit of $2.6 million and an average price per square foot of $1,213). The Ritz-Carlton Residences, Vail average price per square foot is driven by The Ritz-Carlton brand, its premier Lionshead location at the base of Vail Mountain, its proximity to the Eagle Bahn gondola and the comprehensive and exclusive amenities related to the project.

Operating expense for the three months ended October 31, 2010 included cost of sales of $135.5 million resulting from the closing of 57 condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of $1,103). The cost per square foot for The Ritz-Carlton Residences, Vail is reflective of the high-end features and amenities associated with a Ritz-Carlton project compared to other Vail properties and high construction costs associated with mountain resort development. Additionally, sales commissions of approximately $3.1 million were incurred commensurate with revenue recognized. Other operating expense of $6.5 million (including $0.8 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate available for sale (including those units that have not yet closed), carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs.

Other Items

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

Depreciation and amortization. Depreciation and amortization expense for the three months ended October 31, 2011 increased $1.2 million compared to the same period in the prior year, primarily due to an increase in the fixed asset base due to incremental capital expenditures.

Income taxes. The effective tax rate for both the three months ended October 31, 2011 and October 31, 2010 was 39.5%. The interim period effective tax rate is primarily driven by the amount of anticipated pre-tax book income for the full fiscal year adjusted for items that are deductible/non-deductible for tax purposes only (i.e. permanent items). Additionally, we recorded a $0.4 million and a $0.7 million income tax benefit in the three months ended October 31, 2011 and 2010, respectively, due to the reversal of income tax contingencies resulting from the expiration of the statute of limitations.

In 2005, we amended previously filed tax returns (for the tax years from 1997 through 2002) in an effort to remove restrictions under Section 382 of the Internal Revenue Code on approximately $73.8 million of NOLs relating to fresh start accounting from our reorganization in 1992. As a result, we requested a refund related to the amended returns in the amount of $6.2 million and have reduced our Federal tax liability in the amount of $19.6 million in subsequent tax returns. In 2006, the IRS completed its examination of our filing position in our amended returns and disallowed our request for refund and our position to remove the restriction on the NOLs. We appealed the examiner’s disallowance of the NOLs to the Office of Appeals. In December 2008, the Office of Appeals denied our appeal, as well as a request for mediation. We disagreed with the IRS interpretation disallowing the utilization of the NOLs and in August 2009, filed a complaint in the United States District Court for the District of Colorado seeking recovery of $6.2 million in over payments that were previously denied by the IRS, plus interest. On July 1, 2011, the District Court granted us summary judgment, concluding that the IRS’s decision disallowing the utilization of the NOLs was inappropriate. The primary issue now before the District Court is the amount of the tax refund to which we are entitled. The IRS is entitled to appeal the decision of the District Court to grant the motion for summary judgment and we do not know whether the IRS will do so or, if it does appeal, whether the appeal would be successful. We are also a party to two related tax proceedings in the United States Tax Court regarding calculation of NOL carryover deductions for tax years 2006, 2007 and 2008. The two proceedings involve substantially the same issues as the litigation in the District Court wherein we disagree with the IRS as to the utilization of NOLs. At this time, however, it is uncertain whether or how the potential resolution of the District Court case may affect these Tax Court proceedings. Since the legal proceeding surrounding the utilization of the NOLs have not been fully resolved, including a determination of the amount of refund and the possibility that the District Court’s ruling may be appealed by the IRS, there remains considerable uncertainty of what portion, if any, of the NOLs will be realized, and as such, we have not reflected any of the benefits of the utilization of the NOLs within our financial statements. However, the range of potential reversal of other long-term liabilities and accrued interest and penalties that would be recorded as a benefit to the Company’s income tax provision is between zero and $27.6 million.

Reconciliation of Non-GAAP Measures

The following table reconciles from segment Reported EBITDA to net loss attributable to Vail Resorts, Inc. (in thousands):

	Three Months Ended October 31,	
	2011	2010
Mountain Reported EBITDA	$(48,455)	$(41,577)
Lodging Reported EBITDA	(1,707)	1,543
Resort Reported EBITDA	(50,162)	(40,034)
Real Estate Reported EBITDA	(4,738)	4,198
Total Reported EBITDA	(54,900)	(35,836)
Depreciation and amortization	(28,930)	(27,732)
(Loss) gain on disposal of fixed assets, net	(114)	92
Investment income	64	238
Interest expense, net	(8,241)	(7,936)
Loss before benefit from income taxes	(92,121)	(71,174)
Benefit from income taxes	36,387	28,114
Net loss	(55,734)	(43,060)
Net loss attributable to noncontrolling interests	25	37
Net loss attributable to Vail Resorts, Inc.	$(55,709)	$(43,023)

The following table reconciles Net Debt to long-term debt (in thousands):

	October 31,	
	2011	2010
Long-term debt	$490,377	$513,007
Long-term debt due within one year	1,063	1,958
Total debt	491,440	514,965
Less: cash and cash equivalents	44,738	19,578
Net debt	$446,702	$495,387

LIQUIDITY AND CAPITAL RESOURCES

Significant Sources of Cash

Historically, we have seasonally low cash and cash equivalents on hand in the first fiscal quarter given that the first and the prior year's fourth fiscal quarters have essentially no ski operations. Additionally, cash provided by or used in operating activities can be significantly impacted by the timing or mix of closings on and investment in real estate development projects. In total, we used $25.4 million of cash in the three months ended October 31, 2011 and generated $4.8 million of cash in the three months ended October 31, 2010. We currently anticipate that Resort Reported EBITDA will continue to provide a significant source of future operating cash flows combined with proceeds from the remaining inventory of real estate available for sale from the completed Ritz-Carlton Residences, Vail and One Ski Hill Place at Breckenridge projects.

In addition to our $44.7 million of cash and cash equivalents at October 31, 2011, we have available $332.7 million under our Credit Agreement (which represents the total commitment of $400.0 million less certain letters of credit outstanding of $67.3 million). We expect that our liquidity needs in the near term will be met by continued utilization of operating cash flows (primarily those generated in our second and third fiscal year quarters), borrowings under the Credit Facility, if needed, and proceeds from future real estate closings. We believe the Credit Facility, which matures in 2016, provides adequate flexibility and is priced favorably with any new borrowings currently being priced at LIBOR plus 1.50%.

Three months ended October 31, 2011 compared to the three months ended October 31, 2010

We generated $38.3 million of cash from operating activities during the three months ended October 31, 2011, a decrease of $79.8 million compared to $118.2 million of cash generated during the three months ended October 31, 2010. The decrease in operating cash flows was primarily a result of a reduction in proceeds from real estate closings that occurred in the three months ended October 31, 2011, which generated $11.5 million in proceeds (net of sales commissions and deposits previously received) compared to $128.8 million in proceeds (net of sales commissions and deposits previously received) from real estate closings that occurred in the three months ended October 31, 2010, with the prior year period including the sale of 45 Ritz-Carlton Residences, Vail units to The Ritz-Carlton Development Company pursuant to a contractual agreement when that project received its certificate of occupancy. Partially offsetting the decline in proceeds from real estate sales was a decrease in investments in real estate of $9.1 million and an increase in accounts payable and accrued liabilities of $36.7 million primarily due to an increase in season pass sales during the three months ended October 31, 2011 compared to the three months ended October 31, 2010, due in part to the inclusion of Northstar-at-Tahoe related pass sales in the current fiscal quarter.

Cash used in investing activities for the three months ended October 31, 2011 decreased by $46.2 million compared to the three months ended October 31, 2010, due to the prior year acquisition of Northstar-at-Tahoe in October 2010 for $60.2 million (net of cash assumed), partially offset by an increase in resort capital expenditures of $14.1 million during the three months ended October 31, 2011 compared to the three months ended October 31, 2010.

Cash used in financing activities decreased $3.4 million during the three months ended October 31, 2011, compared to the three months ended October 31, 2010, due to a net reduction of $15.0 million outstanding under the Credit Agreement during the three months ended October 31, 2010 partially offset by cash dividends on common stock of $5.4 million and the repurchase of common stock for $7.9 million during the three months ended October 31, 2011.

Significant Uses of Cash

Our cash uses currently include providing for operating expenditures and capital expenditures for assets to be used in resort operations and to a substantially lesser degree remaining minor expenditures on completed real estate projects and future development projects.

We have historically invested significant cash in capital expenditures for our resort operations, and we expect to continue to invest in the future. Current capital expenditure levels will primarily include investments that allow us to maintain our high quality standards, as well as certain incremental discretionary improvements at our six ski resorts and throughout our owned hotels. Additionally, with the acquisition of Northstar-at-Tahoe to our ski resort portfolio, we are investing significantly in this resort property to enhance the guest experience. We evaluate additional discretionary capital improvements based on an expected level of return on investment. We currently anticipate we will spend approximately $88 million to $98 million of resort capital expenditures for calendar year 2011 excluding Northstar-at-Tahoe, and an additional $28 million to $32 million related to Northstar-at-Tahoe. Included in these capital expenditures are approximately $40 million to $44 million excluding Northstar-at-Tahoe, and an additional $4 million to $6 million related to Northstar-at-Tahoe, which are necessary to maintain appearance and level of service appropriate to our resort operations, including routine replacement of snow grooming equipment and rental fleet equipment. Approximately $94 million was spent for capital expenditures, including Northstar-at-Tahoe, in calendar year 2011 as of October 31, 2011, leaving approximately $22 million to $36 million to spend in the remainder of calendar year 2011. Discretionary expenditures for calendar 2011 include a new high speed chairlift to serve Beaver Creek mountain; a new on-mountain fine dining restaurant at Vail; development of significant new functionality for Epic Mix, including the addition of photo capabilities with Epic Mix Photo, for use at all six of our resorts; renovations at certain owned lodging properties; expansion of terrain at Northstar-at-Tahoe, including a new high speed chairlift; a new on-mountain dining venue at Northstar-at-Tahoe and renovation of the commercial village at Northstar-at-Tahoe to bring in a new tenant mix. We currently plan to utilize cash on hand, borrowings available under our Credit Agreement and/or cash flow generated from future operations to provide the cash necessary to execute our capital plans.

Principal payments on the vast majority of our long-term debt ($487.9 million of the total $490.4 million debt outstanding as of October 31, 2011) are not due until fiscal 2019 and beyond. As of October 31, 2011 and 2010, total long-term debt (including long-term debt due within one year) was $491.4 million and $515.0 million, respectively. Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents) decreased from $495.4 million as of October 31, 2010 to $446.7 million as of October 31, 2011 due primarily to an increase in cash and cash equivalents and reduction in borrowings under the revolver portion of our Credit Agreement.

Our debt service requirements can be impacted by changing interest rates as we had $52.6 million of variable-rate debt outstanding as of October 31, 2011. A 100-basis point change in LIBOR would cause our annual interest payments to change by approximately $0.5 million. The fluctuation in our debt service requirements, in addition to interest rate changes, may be impacted by future borrowings under our Credit Agreement or other alternative financing arrangements we may enter into. Our long term liquidity needs are dependent upon operating results that impact the borrowing capacity under the Credit Agreement, which can be mitigated by adjustments to capital expenditures, flexibility of investment activities and the ability to obtain favorable future financing. We can respond to liquidity impacts of changes in the business and economic environment by managing our capital expenditures and the timing of new real estate development activity.

On March 9, 2006, our Board of Directors approved the repurchase of up to 3,000,000 shares of common stock and on July 16, 2008 approved an increase of our common stock repurchase authorization by an additional 3,000,000 shares. We repurchased 203,377 shares of common stock during the three months ended October 31, 2011 with a cost of approximately $7.9 million. Since inception of this stock repurchase plan, we have repurchased 4,468,181 shares at a cost of approximately $170.7 million, through October 31, 2011. As of October 31, 2011, 1,531,819 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under our employee share award plans. Acquisitions under the stock repurchase program may be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The timing as well as the number of shares that may be repurchased under the program will depend on a number of factors, including our future financial performance, our available cash resources and competing uses for cash that may arise in the future, the restrictions in our Credit Agreement and the Indenture, dated as of April 25, 2011 among us, the guarantors therein and The Bank of New York Mellon Trust Company, N.A. as Trustee (“Indenture”), governing the 6.50% Notes, prevailing prices of our common stock and the number of shares that become available for sale at prices that we believe are attractive. The stock repurchase program may be discontinued at any time and is not expected to have a significant impact on our capitalization.

On June 7, 2011, our Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate estimated to be $0.60 per share (or $21.6 million annually based upon shares outstanding as of October 31, 2011), subject to quarterly declaration. During the three months ended October 31, 2011, the Company paid cash dividends of $0.15 per share ($5.4 million in the aggregate). This dividend was funded through available cash on hand. Subject to the discretion of our Board of Directors and subject to applicable law, we anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, Credit Agreement and Indenture restrictions, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

Covenants and Limitations

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

We were in compliance with all restrictive financial covenants in our debt instruments as of October 31, 2011. We expect that we will meet all applicable financial maintenance covenants in our Credit Agreement, including the Net Funded Debt to Adjusted EBITDA ratio throughout the year ending July 31, 2012. However, there can be no assurance that we will meet such financial covenants. If such covenants are not met, we would be required to seek a waiver or amendment from the banks participating in the Credit Agreement. There can be no assurance that such waiver or amendment would be granted, which could have a material adverse impact on our liquidity.

OFF BALANCE SHEET ARRANGEMENTS

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk. Our exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate indebtedness. At October 31, 2011, we had $52.6 million of variable rate indebtedness, representing approximately 10.7% of our total debt outstanding, at an average interest rate during the three months ended October 31, 2011

of 0.3%. Based on variable-rate borrowings outstanding as of October 31, 2011, a 100-basis point (or 1.0%) change in LIBOR would result in our annual interest payments changing by $0.5 million. Our market risk exposure fluctuates based on changes in underlying interest rates.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Management of the Company, under the supervision and with participation of the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Act”) as of the end of the period covered by this report on Form 10-Q.

Based upon their evaluation of the Company’s disclosure controls and procedures, the CEO and the CFO concluded that the disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

The Company, including its CEO and CFO, does not expect that the Company’s internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Internal Revenue Service Litigation

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

We are also a party to two related tax proceedings in the United States Tax Court regarding calculation of NOL carryover deductions for tax years 2006, 2007, and 2008. The two proceedings involve substantially the same issues as the litigation in the District Court for tax years 2000 and 2001 wherein we disagreed with the IRS as to the utilization of NOLs. At this time, however, it is uncertain whether or how the potential resolution of the District Court case may affect these Tax Court proceedings.

ITEM 1A. RISK FACTORS.

There have been no material changes from risk factors previously disclosed in Item 1A to Part I of our Form 10-K.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table presents a summary of share repurchases made by the Company during the three months ended October 31, 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
August 1, 2011 - August 31, 2011	—	$ —	—	1,735,196
September 1, 2011 - September 30, 2011	51,000	$ 39.21	51,000	1,684,196
October 1, 2011 - October 31, 2011	152,377	$ 38.52	152,377	1,531,819
Total	203,377		203,377	

(1) On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock and subsequently on July 16, 2008 approved an increase of the Company's common stock repurchase authorization by an additional 3,000,000 shares. Acquisitions under the share repurchase program may be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The stock repurchase program may be discontinued at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. REMOVED AND RESERVED.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following exhibits are either filed herewith or, if so indicated, incorporated by reference to the documents indicated in parentheses, which have previously been filed with the Securities and Exchange Commission.

Exhibit Number	Description	Sequentially Numbered Page
3.1	Amended and Restated Certificate of Incorporation of Vail Resorts, Inc., dated January 5, 2005 (Incorporated by reference to Exhibit 3.1 on Form 10-Q of Vail Resorts, Inc. for the quarter ended January 31, 2005).	
3.2	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 on Form 8-K of Vail Resorts, Inc. filed June 10, 2011).	
4.1	Supplemental Indenture, dated October 24, 2011, by and among Vail Resorts, Inc., the guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 4.2 on Form S-4 (File No. 333-177756) filed November 4, 2011).	
10.1	Second Amendment to Fifth Amended and Restated Credit Agreement and Amendment to Pledge Agreements dated as of September 16, 2011 among The Vail Corporation (d/b/a Vail Associates, Inc.), as borrower, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto.	16
10.2	Vail Resorts, Inc. Management Incentive Plan.	38
10.3	First Amendment to Employment Agreement, dated September 30, 2011, by and between Vail Resorts, Inc. and Robert A. Katz (Incorporated by reference to Exhibit 10.1 on Form 8-K of Vail Resorts, Inc. filed September 30, 2011).	
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges.	45
31.1	Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	46
31.2	Certifications of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	47
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	48
101	The following information from the Company's Quarterly Report on Form 10-Q for the three months ended October 31, 2011 formatted in eXtensible Business Reporting Language: (i) Consolidated Condensed Balance Sheets as of October 31, 2011 (unaudited), July 31, 2011, and October 31, 2010 (unaudited); (ii) Unaudited Consolidated Condensed Statements of Operations for the three months ended October 31, 2011 and October 31, 2010; (iii) Unaudited Consolidated Condensed Statements of Cash Flows for the three months ended October 31, 2011 and October 31, 2010; and (iv) Notes to the Consolidated Condensed Financial Statements.	

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 7, 2011		Vail Resorts, Inc.
	By:	/s/ Jeffrey W. Jones
		Jeffrey W. Jones Co-President and Chief Financial Officer (Duly Authorized Officer)
Date: December 7, 2011		Vail Resorts, Inc.
	By:	/s/ Mark L. Schoppet
		Mark L. Schoppet Senior Vice President, Controller and Chief Accounting Officer

Exhibit 10.1

SECOND AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT AND AMENDMENT TO PLEDGE AGREEMENTS

This SECOND AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT AND AMENDMENT TO PLEDGE AGREEMENTS (this "***Amendment***") is dated as of September 16, 2011, but effective as of the Effective Date (hereinafter defined), among **THE VAIL CORPORATION**, a Colorado corporation doing business as "Vail Associates, Inc." (the "***Company***"), the **LENDERS** (as defined in the Credit Agreement referenced below) party hereto, and **BANK OF AMERICA, N.A.**, as Administrative Agent (hereinafter defined), and, for the purposes of ***Section 2*** hereof, is acknowledged and agreed to by each Restricted Company (including the Company) that has executed and delivered a Pledge Agreement (collectively referred to herein as the "***Pledgors***").

RECITALS

A. The Company has entered into that certain Fifth Amended and Restated Credit Agreement dated as of January 25, 2011, with Bank of America, N.A., as Administrative Agent (in such capacity, the "***Administrative Agent***"), and certain other agents and lenders party thereto (as amended by the First Amendment to Fifth Amended and Restated Credit Agreement, dated as of April 13, 2011, as amended hereby, and as further amended, restated, or modified from time to time, the "***Credit Agreement***"), providing for revolving credit loans, letters of credit, and swing line loans.

B. The Company and the Guarantors desire to make certain changes to the Credit Agreement, and the Pledgors desire to make certain changes to the Pledge Agreements identified on ***Schedule A*** hereto (as the same have been or may hereafter be from time to time amended, each, a "***Pledge Agreement***," and collectively, the "***Pledge Agreements***"), as set forth herein, and have requested that the Administrative Agent and the Required Lenders agree to such changes.

C. Subject to the terms and conditions set forth herein, the Administrative Agent and the Required Lenders are willing to make the changes to the Credit Agreement and the Pledge Agreements set forth herein.

Subject to the terms and conditions set forth herein, the Company, the other Pledgors, the Required Lenders party hereto, the Guarantors (by execution of the attached Guarantors' Consent and Agreement), and the Administrative Agent agree as follows:

1. Amendments to Credit Agreement.

(a) New Definitions. *Section 1.1* of the Credit Agreement (Definitions) is amended by inserting the following new definition alphabetically to read as follows:

> "***Concessioner Subsidiaries***" means, collectively, (a) Grand Teton Lodge Company, a Wyoming corporation, (b) Flagg Ranch Company, a Colorado corporation, and (c) each other Restricted Subsidiary (other than the Borrower) that is awarded a concession contract or similar agreement by the National Park Service (each, a "***Concession Contract***") that prohibits the Equity Interests of such Restricted Subsidiary from being pledged to the Administrative Agent under the Loan Papers; *provided, that* (i) a true and correct copy of the applicable Concession Contract has been delivered to the Administrative Agent and such Concession Contract has not expired or been terminated, (ii) the Equity Interests of such Restricted Subsidiary have not, and will not, be

pledged to any other Person, (iii) such Restricted Subsidiary does not, and will not own, any material assets or property other than the Concession Contract, the revenues generated by such Concession Contract, and the improvements, assets, and Rights necessary to perform its obligations under such Concession Contract, (iv) such Restricted Subsidiary has executed a Guaranty, and (v) the Administrative Agent has agreed to the designation of such Restricted Subsidiary as a Concessioner Subsidiary in writing.

(b) Modification of the Collateral Covenant. *Section 6.2* of the Credit Agreement (Collateral) is amended by replacing "other than the North Star Subsidiaries and Grand Teton Lodge Company" in *clause (a)* thereof with "other than the North Star Subsidiaries and the Concessioner Subsidiaries".

(c) Modification of the Maintenance of Existence, Assets, and Business Covenant. *Section 9.7* of the Credit Agreement (Maintenance of Existence, Assets, and Business) is amended by replacing "(other than stock in the North Star Subsidiaries and Grand Teton Lodge Company)" in *clause (b)(ii)* thereof with "(other than stock in the North Star Subsidiaries and the Concessioner Subsidiaries)".

(d) Schedule 8.2. *Schedule 8.2* to the Credit Agreement is deleted and replaced with *Schedule 8.2* attached hereto as ***Annex I***.

2. Amendment of the Definition of "Pledged Securities" in each Pledge Agreement. The definition of "Pledged Securities" in each Pledge Agreement is amended by adding the following sentence to the end thereof:

"Notwithstanding anything to the contrary contained in this Agreement, Pledged Securities shall not include, and shall not be required to include, the Securities issued to Debtor by any Concessioner Subsidiary."

3. Representations and Warranties. As a material inducement to the Lenders and the Administrative Agent to execute and deliver this Amendment, the Company represents and warrants to the Lenders and the Administrative Agent (with the knowledge and intent that Lenders party hereto are relying upon the same in entering into this Amendment) that: (a) the Company, the other Pledgors, and the Guarantors have all requisite authority and power to execute, deliver, and perform their respective obligations under this Amendment and the Guarantors' Consent and Agreement, as the case may be, which execution, delivery, and performance have been duly authorized by all necessary action, require no Governmental Approvals, and do not violate the respective certificates of incorporation or organization, bylaws, or operating agreement, or other organizational or formation documents of such Companies; (b) upon execution and delivery by the Company, the other Pledgors, the Guarantors, the Administrative Agent, and the Lenders party hereto, this Amendment will constitute the legal and binding obligation of each of the Company, the other Pledgors, and the Guarantors, enforceable against such entities in accordance with the terms of this Amendment, *except* as that enforceability may be limited by general principles of equity or by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally; (c) after giving effect to this Amendment, all representations and warranties in the Loan Papers are true and correct in all material respects as though made on the date hereof, *except* to the extent that any of them speak to a specific date or the facts on which any of them are based have been changed by transactions contemplated or permitted by the Credit Agreement; and (d) after giving effect to this Amendment, no Default or Potential Default has occurred and is continuing.

4. <u>Conditions Precedent to Effectiveness</u>. This Amendment shall be effective on the date (the "***Effective Date***") upon which the Administrative Agent receives each of the following items:

(a) counterparts of this Amendment executed by the Company, the other Pledgors, the Administrative Agent, and the Required Lenders;

(b) the Guarantors' Consent and Agreement executed by each Guarantor;

(c) a Guaranty executed by Flagg Ranch Company;

(d) an Officer's Certificate for Flagg Ranch Company attaching (i) resolutions authorizing the guarantee by Flagg Ranch Company of the Obligation, (ii) Flagg Ranch Company's articles of incorporation and bylaws, (iii) listing the names and titles of the Responsible Officers, and (iv) providing specimen signatures for such Responsible Officers;

(e) National Park Hospitality Company's authorization to file a UCC-3 financing statement amendment amending the collateral description of the UCC-1 financing statement naming National Park Hospitality Company, as debtor, and Administrative Agent, as secured party, to reflect the amendment of its Pledge Agreement set forth in ***Section 2*** hereof; and

(f) confirmation that the Company has paid all reasonable fees and expenses of Haynes and Boone, LLP, counsel to Administrative Agent, incurred in connection with this Amendment and invoiced to the Company on or prior to the Effective Date.

5. <u>Expenses</u>. The Company shall pay all reasonable out-of-pocket fees and expenses paid or incurred by the Administrative Agent incident to this Amendment, including, without limitation, the reasonable fees and expenses of the Administrative Agent's counsel in connection with the negotiation, preparation, delivery, and execution of this Amendment and any related documents.

6. <u>Ratifications</u>. The Company and each Guarantor (by executing the Guarantors' Consent and Agreement attached hereto) (a) ratifies and confirms all provisions of the Loan Papers; (b) ratifies and confirms that, except as expressly set forth in this Amendment, all Guaranties, assurances, and Liens granted, conveyed, or assigned to Administrative Agent, for the benefit of the Lenders, under the Loan Papers are not released, reduced, or otherwise adversely affected by this Amendment and continue to guarantee, assure, and secure full payment and performance of Company's present and future obligations to Administrative Agent and the Lenders; and (c) agrees to perform such acts and duly authorize, execute, acknowledge, deliver, file, and record such additional documents, and certificates as Administrative Agent may reasonably request in order to create, perfect, preserve, and protect those guaranties, assurances, and liens.

7. <u>Miscellaneous</u>. Unless stated otherwise herein, (a) the singular number includes the plural, and *vice versa*, and words of any gender include each other gender, in each case, as appropriate, (b) headings and captions shall not be construed in interpreting provisions of this Amendment, (c) this Amendment shall be governed by and construed in accordance with the laws of the State of New York, (d) if any part of this Amendment is for any reason found to be unenforceable, all other portions of it shall nevertheless remain enforceable, (e) this Amendment may be executed in any number of counterparts with the same effect as if all signatories had signed the same document, and all of those counterparts shall be construed together to constitute the same document, (f) this Amendment is a "*Loan Paper*" referred to in the Credit Agreement, and the provisions relating to Loan Papers in *Section 15* of the Credit Agreement are incorporated herein by reference, (g) this Amendment, the Credit Agreement, as amended by this Amendment, and the other Loan Papers constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof, and (h) except as provided in this Amendment, the Credit Agreement, the Notes, and the other Loan Papers are unchanged and are ratified and confirmed.

8. Parties. This Amendment binds and inures to the benefit of the Company, the other Pledgors, the Guarantors, the Administrative Agent, the Lenders, and their respective successors and assigns.

The parties hereto have executed this Amendment in multiple counterparts as of the date first above written.

Remainder of Page Intentionally Blank.
Signature Pages to Follow.

THE VAIL CORPORATION (D/B/A "VAIL ASSOCIATES, INC."), as the Company

By: /s/ Jeffrey W. Jones
Name:
Title:

ACKNOWLEDGED AND AGREED
FOR PURPOSES OF ***SECTION 2*** HEREOF:

VAIL RESORTS, INC.
VAIL HOLDINGS, INC.
ALL MEDIA ASSOCIATES, INC.
ALL MEDIA HOLDINGS, INC.
BEAVER CREEK ASSOCIATES, INC.
GRAND TETON LODGE COMPANY
HEAVENLY VALLEY, LIMITED PARTNERSHIP
By: VR Heavenly I, Inc.
LODGE PROPERTIES INC.
NATIONAL PARK HOSPITALITY COMPANY
ROCKRESORTS INTERNATIONAL, LLC
By: Vail RR, Inc.
SSV ONLINE HOLDINGS, INC.
SSV HOLDINGS, INC.
TETON HOSPITALITY SERVICES, INC.
VA RANCHO MIRAGE I, INC.
VA RANCHO MIRAGE II, INC.
VAIL/ARROWHEAD, INC.
VAIL ASSOCIATES HOLDINGS, LTD.
VAIL RESORTS DEVELOPMENT COMPANY
VAIL RR, INC.
VAIL SUMMIT RESORTS, INC.
VR HEAVENLY I, INC.
VR HEAVENLY II, INC.

By: /s/ Jeffrey W. Jones
Name:
Title:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ David McCauley
David McCauley
Director

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

BANK OF AMERICA, N.A.,
as an L/C Issuer, a Swing Line Lender, and a Lender

By: /s/ David McCauley
David McCauley
Director

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

U.S. BANK NATIONAL ASSOCIATION,
as a Swing Line Lender and a Lender

By: /s/ Greg Blanchard
Name: Greg Blanchard
Title: Vice President

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

WELLS FARGO BANK, NATIONAL ASSOCIATION, as an L/C Issuer and a Lender

By: /s/ Nathan Callister
Name: Nathan Callister
Title: Vice President

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ Brandon Watkins
Name: Brandon Watkins
Title: Vice President

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

DEUTSCHE BANK TRUST COMPANY AMERICAS, as a Lender

By: /s/ James Rolison
Name: James Rolison
Title: Managing Director

By: /s/ Perry Forman
Name: Perry Forman
Title: Director

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

COMPASS BANK,
as a Lender

By: /s/ Joseph W. Nimmons
Name: Joseph W. Nimmons
Title: Vice President

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

BOKF, N.A. DBA COLORADO STATE BANK & TRUST,
as a Lender

By: /s/ Amorow K. Aye
Name: Amorow K. Aye
Title: SVP

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

COMERICA BANK,
as a Lender

By: /s/ Fatima Arshad
Name: Fatima Arshad
Title: Vice President

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

BANK OF THE WEST,
as a Lender

By: /s/ Gary Fowler
Name: Gary Fowler
Title: SVP Manager

Signature Page to
Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

GUARANTORS' CONSENT AND AGREEMENT

As an inducement to Administrative Agent and Required Lenders to execute, and in consideration of and as a condition to Administrative Agent's and Required Lenders' execution of the foregoing Second Amendment to Fifth Amended and Restated Credit Agreement and Amendment to Pledge Agreement (the "***Second Amendment***"), the undersigned hereby consent to the Second Amendment, and agree that (a) the Second Amendment shall in no way release, diminish, impair, reduce or otherwise adversely affect the respective obligations and liabilities of each of the undersigned under each Guaranty described in the Credit Agreement, or any agreements, documents or instruments executed by any of the undersigned to create liens, security interests or charges to secure any of the indebtedness under the Loan Papers, all of which obligations and liabilities are, and shall continue to be, in full force and effect, and (b) the Guaranty executed by each Guarantor is ratified, and the "***Guaranteed Indebtedness***" includes, without limitation, the "***Obligation***" (as defined in the Credit Agreement). This consent and agreement shall be binding upon the undersigned, and the respective successors and assigns of each, shall inure to the benefit of Administrative Agent and Lenders, and the respective successors and assigns of each, and shall be governed by and construed in accordance with the laws of the State of New York.

Vail Resorts, Inc.
Vail Holdings, Inc.
All Media Associates, Inc.
All Media Holdings, Inc.
Arrabelle at Vail Square, LLC
By: Vail Resorts Development Company
Beaver Creek Associates, Inc.
Beaver Creek Consultants, Inc.
Beaver Creek Food Services, Inc.
Booth Creek Ski Holdings, Inc.
BRCP Inc.
Breckenridge Resort Properties, Inc.
Bryce Canyon Lodge Company
Colter Bay Café Court, LLC
By: Grand Teton Lodge Company
Colter Bay Convenience Store, LLC
By: Grand Teton Lodge Company
Colter Bay Corporation
Colter Bay General Store, LLC
By: Grand Teton Lodge Company
Colter Bay Marina, LLC
By: Grand Teton Lodge Company
Crystal Peak Lodge of Breckenridge, Inc.
Delivery Acquisition, Inc.
Gillett Broadcasting, Inc.
Grand Teton Lodge Company
Heavenly Valley, Limited Partnership
By: VR Heavenly I, Inc.
Jackson Hole Golf and Tennis Club, Inc.
Jackson Hole Golf and Tennis Club Snack Shack, LLC
By: Grand Teton Lodge Company

Jackson Lake Lodge Corporation
Jenny Lake Lodge, Inc.
Jenny Lake Store, LLC
By: Grand Teton Lodge Company
JHL&S LLC
By: Teton Hospitality Services, Inc.
Keystone Conference Services, Inc.
Keystone Development Sales, Inc.
Keystone Food & Beverage Company
Keystone Resort Property Management Company
Lake Tahoe Lodging Company
Lodge Properties Inc.
Lodge Realty, Inc.
La Posada Beverage Service, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Mesa Verde Lodge Company
National Park Hospitality Company
Northstar Group Commercial Properties LLC
By: VR Acquisition, Inc.
Northstar Group Restaurant Properties, LLC
By: Northstar Group Commercial Properties LLC
By: Vail Acquisition, Inc.
One Ski Hill Place, LLC
By: Vail Resorts Development Company
Property Management Acquisition Corp., Inc.
RCR Vail, LLC
By: Vail Resorts Development Company
Rockresorts Arrabelle, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Cheeca, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Cordillera Lodge Company, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts DR, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Equinox, Inc.
Rockresorts Hotel Jerome, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts LaPosada, LLC

By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts International Management Company
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Rosario, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Ski Tip, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Tempo, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Rockresorts Wyoming, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.
Soho Development, LLC
By: Vail Associates Holdings, Ltd.
SSI Venture LLC
By: SSV Holdings, Inc.
SSV Online Holdings, Inc.
SSV Online LLC
By: SSV Holdings, Inc.
SSV Holdings, Inc.
Stampede Canteen, LLC
By: Grand Teton Lodge Company
Teton Hospitality Services, Inc.
The Chalets at the Lodge at Vail, LLC
By: Vail Resorts Development Company
The Village at Breckenridge Acquisition Corp., Inc.
Trimont Land Company
VA Rancho Mirage I, Inc.
VA Rancho Mirage II, Inc.
VA Rancho Mirage Resort, L.P.
By: VA Rancho Mirage I, Inc.
Vail/Arrowhead, Inc.
Vail Associates Holdings, Ltd.
Vail Associates Investments, Inc.
Vail Associates Real Estate, Inc.
Vail/Beaver Creek Resort Properties, Inc.
Vail Food Services, Inc.
Vail Hotel Management Company, LLC
By: Rockresorts International, LLC
By: Vail RR, Inc.

Vail Resorts Development Company
Vail Resorts Lodging Company
Vail RR, Inc.
Vail Summit Resorts, Inc.
Vail Trademarks, Inc.
VAMHC, Inc.
VR Acquisition, Inc.
VR Heavenly Concessions, Inc.
VR Heavenly I, Inc.
VR Heavenly II, Inc.
VR Holdings, Inc.
Zion Lodge Company

By: /s/ Jeffrey W. Jones
Name:
Title:

Schedule A

Pledge Agreements

1. Amended and Restated Pledge Agreement dated as of June 10, 2003, by The Vail Corporation (d/b/a "Vail Associates, Inc."), as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
2. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Vail Resorts, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
3. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Vail Holdings, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
4. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Beaver Creek Associates, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
5. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Grand Teton Lodge Company, as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
6. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Lodge Properties Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
7. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Teton Hospitality Services, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
8. Amended and Restated Pledge Agreement dated as of June 10, 2003, by VA Rancho Mirage I, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
9. Amended and Restated Pledge Agreement dated as of June 10, 2003, by VA Rancho Mirage II, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
10. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Vail Resorts Development Company, as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
11. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Vail RR, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
12. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Vail Summit Resorts, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
13. Amended and Restated Pledge Agreement dated as of June 10, 2003, by Vail/Arrowhead, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
14. Amended and Restated Pledge Agreement dated as of June 10, 2003, by VR Heavenly I, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.

15. Amended and Restated Pledge Agreement dated as of June 10, 2003, by VR Heavenly II, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
16. Second Amended and Restated Pledge Agreement dated as of April 16, 2008, by Rockresorts International, LLC, as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
17. Pledge Agreement dated as of December 29, 2005, by SSV Holdings, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
18. Pledge Agreement dated as of January 25, 2006, by Vail Associates Holdings, Ltd., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
19. Pledge Agreement dated as of June 25, 2010, by All Media Holdings, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
20. Pledge Agreement dated as of March 13, 2007, by National Park Hospitality Company, as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
21. Pledge Agreement dated as of September 13, 2010, by Heavenly Valley, Limited Partnership, as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
22. Pledge Agreement dated as of January 25, 2011, by All Media Associates, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.
23. Pledge Agreement dated as of June 29, 2011, by SSV Online Holdings, Inc., as debtor, in favor of Bank of America, N.A., as Administrative Agent, as secured party.

Annex I

See attached.

Annex I to Second Amendment to
Fifth Amended and Restated Credit Agreement
and Amendment to Pledge Agreements

Exhibit 10.2

Vail Resorts, Inc.

Management Incentive Plan

Senior Executives
Grades 33 & Above

Objective

The purpose of the Management Incentive Plan (the "Plan") is to reinforce individual employee behaviors that contribute to the mission, values, growth and profitability of Vail Resorts, Inc. and its wholly owned subsidiaries (collectively, the "Company") by:

Rewarding and recognizing performance in one or more of the following areas:

- Financial – Financial results at the end of the fiscal year are compared to EBITDA targets determined at the beginning of the fiscal year. EBITDA (Earnings before Interest, Taxes and Depreciation and Amortization excluding stock based compensation) results are consolidated into various divisions of the Company and are defined in the funding section below.
- Division Goal Attainment – Specified division goals are used instead of EBITDA results for the real estate development division.
- Individual employee performance, including adherence to the Company's mission and values.

Effective Dates

The Plan is effective for the 2011 fiscal year, and will remain in effect until amended or terminated. The Plan Year will run concurrently with the fiscal year under which the employee is governed.

Eligibility

All full-time employees of the Company at grade levels 33 and above as identified in the Company's compensation grade structure are eligible to participate in the Plan. Part-time employees are ineligible to participate in the plan.

Termination of Employment

Bonuses under the Plan do not accrue until the date Plan payments are made. To be eligible to receive a payment, a participant must be employed by the Company on the date Plan payments are made. Employees whose employment ends prior to the payment date under the Plan for any fiscal year will not be eligible, subject to the discretion of the Compensation Committee. However, if an otherwise eligible employee is not employed as of the date of the payout under the Plan due to death or long-term disability under the Company LTD plan, such employee, if he or she would have otherwise received a payout under the Plan but for his or her death or disability, shall be entitled to receive a pro-rated payment for the portion of the fiscal year the employee was actively employed.

If a full-time year-round participant terminates employment and is subsequently rehired, eligibility under this Plan restarts with the employee's rehire date.

Funding

The funding at the end of the fiscal year is based on the final EBITDA results or Division Goal Attainment of the Company's business divisions and eligible executive's incentive target amounts as determined by the Compensation Committee and as defined in Exhibits A and B.

Division Definitions

EBITDA Results for each of the Company's business divisions are defined as follows:

- Resort EBITDA results include the EBITDA results for all Mountain resorts, Lodging divisions and Retail divisions combined.
- Mountain results include EBITDA results for all Mountain resorts combined.
- Retail results include all EBITDA results of the Retail division combined.
- Corporate Lodging EBITDA results include the pre-corporate allocated G&A EBITDA results of the Lodging division combined.
- Division Goal Attainment – Specified division goals that are required for the development division (VRDC employees.)

Funding based on Division (Grades 33+)

- **For Corporate executives**, the Plan is 80% funded based on Resort EBITDA and 20% funded based on the attainment of the VRDC Goals (defined below).
- **For Mountain executives**, the Plan is 80% funded based on Resort EBITDA and 20% funded based on the attainment of the VRDC Goals (defined below).
- **For Lodging executives**, the Plan is 40% funded based on Resort EBITDA, 40% funded based on Lodging EBITDA, and 20% funded based on the attainment of the VRDC Goals (defined below).
- **For Retail executives**, the Plan is 25% funded based on Resort EBITDA and 75% funded based on Retail EBITDA.

- **For VRDC executives**, the Plan is 25% funded based on Resort EBITDA and 75% funded based on the attainment of one or more of the VRDC performance goals as defined annually (collectively, the "VRDC Goals").

The maximum amount that may be earned as an award under the Plan for any Plan year by any one eligible employee shall be $4,000,000.

Funding Variables

At each fiscal year-end, the funding will be increased or decreased based on the percentage of EBITDA target achieved. The schedule attached hereto as Exhibit A is used to determine the percent of the target bonus funded by Resort, Mountain, Retail and Lodging EBITDA performance. The Compensation Committee will establish the Resort, Mountain, Retail and Lodging EBITDA performance targets and corresponding funding levels and the VRDC Goals and may amend Exhibit A by the end of the first quarter of each fiscal year and while the attainment of such goals is substantially uncertain. EBITDA results are rounded to the nearest whole percentage using simple rounding.

Target Percentages

The target bonuses for executives are a percentage of base salary as determined by the Compensation Committee in its sole discretion on a yearly basis by the end of the first quarter of each fiscal year and while the attainment of Resort, Mountain, Retail and Lodging EBITDA performance targets and corresponding funding levels and VRDC Goals is substantially uncertain.

Individual Incentive Targets

Each employee's incentive target is calculated based on a percentage of his or her annual salary as of the first day of the second quarter of each fiscal year, after all compensation changes are made based on performance in the previous year, except for in the following situations when prorating the incentive target is required:

Proration of Incentive Targets:

For employees who have a change to their Incentive Eligibility or Incentive Target due to a job change, division change, grade change or compensation change, the incentive will be prorated based on the length of time in each eligible position, taking into account differences in the previous and current job.

No proration will be used if the change occurred prior to the first day of the second quarter of the fiscal year. These employees will receive their entire bonus at the Compensation and Incentive target of their new position.

Proration calculations will be rounded to full months. It will be considered a full month for all eligible changes that occur prior to the 16th of the month. If the date of the eligible change was on the 16th of the month or later, the proration calculation will not count that month.

Exceptions to the proration rule are at the sole discretion of the Compensation Committee.

Proration for New Hires

An employee hired into a position eligible for this Plan will receive a prorated incentive for the Plan Year based on the number of months worked from the employee's hire date rounded to the number of full months worked in the Plan Year. A full month will be counted if a new hire was hired on or prior to the 16th of the month. Anyone hired after the 16th of the last month in the fiscal year will not be eligible to receive an award in that fiscal year, except at the sole discretion of the Compensation Committee.

Pro-Ration for Leave of Absence

Individual incentive determinations for employees who have a paid or unpaid leave of absence (this does not include vacation) in excess of one month during the Plan Year will be prorated to reflect the time on leave.

Individual Incentive Calculations:

Each individual's incentive target is calculated based on the previously defined funding elements (annual salary, target percentage, EBITDA funding variable, and proration parameters). This is the eligible employee's final incentive target.

For all executives excluding the Chief Executive Officer, the incentive target will be influenced based on individual performance. The Chief Executive Officer's total bonus will be equal to, and based solely on, the funded target bonus amount.

Individual performance for all employees participating in the Plan will be determined through the applicable fiscal year performance review process, which will be determined by the Chief Executive Officer. The final performance score will determine the incentive payment with higher performing employees receiving larger rewards than their lower performing peers.

The incentive payout can be 0% to 130% of the target amount as displayed in Exhibit B.

Example:

Grade 34 Mountain Executive earning $200,000 annually;
Target Bonus % = 50%

Assume Resort EBITDA at 100% of target and VRDC achieves their target goals

Resort EBITDA Funding =	$200,000 x 50% x 80% =	$80,000
VRDC Goals Funding =	$200,000 x 50% x 20% =	$20,000
	Total Funding =	$100,000

Payout:

- 100% based upon individual performance (“average”) = $100,000
- Total average individual bonus = $100,000
  - Individual performance can range from $0 to “average” amount to 130% of the “average” amount ($0 to $130,000 for this example). The highest performing executives could receive in excess of their target bonus (subject to overall funding limits of the Plan in any fiscal year), whereas the lowest performing executive could receive as little as $0 for his/her bonus.

Plan Payouts

Individual bonus determinations calculated in accordance with the terms of this Plan will be paid in cash or pursuant to equity awards granted under the Company’s equity compensation plan, or a combination thereof, at the discretion of the Compensation Committee, minus applicable deductions and withholding as required by law, by the close of the first quarter following the previous fiscal year end. Payouts will be rounded to the nearest whole dollar amount.

Termination of Employment

As stated above, employees whose employment ends prior to the payment date under the Plan for any fiscal year will not be eligible, subject to the discretion of the Compensation Committee. However, if an otherwise eligible employee is not employed as of the date of the payout under the Plan due to death, short-term or long-term disability, such employee, if s/he would have otherwise received a payout under the Plan but for his/her death or disability, shall be entitled to receive a pro-rated (by month) payment for the portion of the fiscal year the employee was actively employed.

Material Restatement of Financial Results

In the event that the Board determines there has been a material restatement of publicly issued financial results from those previously issued to the public , the Board will review all incentive payments made to executive officers on the basis of having met or exceeded specific performance targets and, if such payments would have been lower had they been calculated based on such restated results, the Board will, to the extent permitted by governing law, seek to recoup for the benefit of our company such payments made in excess of the amount that would have been paid based on the restated results. This will apply to all incentive payments made during the three-year period prior to the restatement, beginning with payments earned for the 2011 fiscal year. For purposes of this policy, the term “executive officers” has the meaning given in Rule 3b-7 under the Securities Exchange Act of 1934, as amended, and the term “incentive payments” means bonuses and awards under the Plan.

Plan Administration, Modification and Discontinuance

This Plan is administered by the Compensation Committee. The Compensation Committee has authority to interpret the Plan and to make, amend, or nullify any rules and procedures deemed necessary for proper Plan administration, including, but not limited to, performance targets, results and extraordinary events. The EBITDA performance targets and corresponding funding levels shall be adjusted for acquisitions, divestitures, or board imposed unbudgeted expenses in the discretion of the Compensation Committee. In addition, any stock compensation expense or restructuring expense will be excluded from the applicable EBITDA performance targets used to determine funding/payout levels.

Notwithstanding the foregoing, no Plan payouts will be made until and unless the Compensation Committee has certified that the performance goals and all other material terms have been satisfied. The Compensation Committee has the sole discretion to modify the application of this Plan.

Continued Employment

The Plan is not intended to and shall not be deemed to confer on any employee a guarantee of continued employment by the Company.

Exhibit 12.1

Vail Resorts, Inc.
Statement of Computation of Earnings to Fixed Changes

(In 000's, except ratios)	Three Months Ended October 31, 2011	Fiscal Year Ended July 31, 2011	2010	2009	2008	2007
Earnings:						
(Loss) Income before benefit (provision) for income taxes, adjusted for income or loss from equity investees	$ (92,551)	$ 54,178	$52,239	$ 80,379	$165,543	$103,393
Add:						
Amortization of capitalized interest	707	11,025	2,254	4,199	12,247	906
Income distributions from equity investments	125	1,024	3,248	1,733	2,295	5,778
Fixed charges	11,185	44,469	41,172	42,662	50,058	48,499
Less:						
Net (loss) income attributable to noncontrolling interests	(25)	(67)	5,390	1,602	4,920	7,801
Capitalized interest	127	600	16,284	7,661	13,395	9,311
Total earnings as defined	$ (80,636)	$110,163	$77,239	$119,710	$211,828	$141,464
Fixed charges:						
Interest expensed	$ 7,747	$ 31,935	$15,885	$ 25,507	$ 28,197	$ 30,717
Capitalized interest	127	600	16,284	7,661	13,395	9,311
Amortization of capitalized expenses related to indebtedness	495	1,706	1,630	2,041	2,468	1,907
Estimated interest portion of rent expense	2,816	10,228	7,373	7,453	5,998	6,564
Total fixed charges	$ 11,185	$ 44,469	$41,172	$ 42,662	$ 50,058	$ 48,499
Ratio of earnings to fixed charges (a)	**(b)**	**2.48**	**1.88**	**2.81**	**4.23**	**2.92**

(a) For purposes of computing the ratio of earnings to fixed charges, earnings are defined as pre-tax earnings before income or loss from equity investees plus amortization of capitalized interest, distributed income of equity investees, and fixed charges less capitalized interest and net income (loss) attributable to noncontrolling interests. Fixed charges consist of interest, whether capitalized or expensed, amortization of capitalized expenses related to indebtedness and the estimated interest portion of rent expense.

(b) The earnings are inadequate to cover fixed charges and the deficiency is $91.8 million.

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Robert A. Katz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2011

/s/ ROBERT A. KATZ
Robert A. Katz
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Jeffrey W. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2011

/s/ JEFFREY W. JONES
Jeffrey W. Jones
Co-President and
Chief Financial Officer

Exhibit 32

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his capacity as an officer of Vail Resorts, Inc. (the "Company") that the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and the results of operations of the Company at the end of and for the periods covered by such Report.

Date: December 7, 2011

/s/ ROBERT A. KATZ
Robert A. Katz
Chief Executive Officer

Date: December 7, 2011

/s/ JEFFREY W. JONES
Jeffrey W. Jones
Co- President and
Chief Financial Officer

This certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is not a part of the Form 10-Q to which it refers, and is, to the extent permitted by law, provided by each of the above signatories to the extent of his respective knowledge. This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Vail Resorts, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to Vail Resorts, Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.