VAIL RESORTS INC
Form 10-K
September 27, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended July 31, 2013
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-09614
Vail Resorts, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 51-0291762 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 390 Interlocken Crescent<br>Broomfield, Colorado | 80021 |
| (Address of principal executive offices) | (Zip Code) |

(303) 404-1800
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes x No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
x Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
x Yes ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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|---|---|---|---|---|
| Large accelerated filer | x | | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ | (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of $52.85 per share as reported on the New York Stock Exchange Composite Tape on January 31, 2013 (the last business day of the registrant’s most recently completed second fiscal quarter) was $1,881,908,432.

As of September 20, 2013, 35,964,133 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for its 2013 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of July 31, 2013 are incorporated by reference herein into Part III, Items 10 through 14, of this Annual Report.

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## FORWARD-LOOKING STATEMENTS

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

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

- prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries;
- unfavorable weather conditions or natural disasters;
- adverse events that occur during our peak operating periods combined with the seasonality of our business;
- competition in our mountain and lodging businesses;
- our ability to grow our resort and real estate operations;
- our ability to successfully initiate, complete and sell our 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 and capital improvements;
- demand for planned summer activities and our ability to successfully obtain necessary approvals and construct the planned 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 from the lease of Canyons Resort operations or future acquisitions;
- the outcome of pending litigation regarding the ski terrain of Park City Mountain Resort;
- adverse consequences on lease payment obligations for Canyons due to increases in the consumer price index, or CPI; and
- implications arising from new Financial Accounting Standards Board (“FASB”)/governmental legislation, rulings or interpretations.

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

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

PART I

ITEM 1. BUSINESS

General

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

Vail Resorts, Inc., a Delaware corporation, was organized as a holding company in 1997 and operates through various subsidiaries. Our operations are grouped into three business segments: Mountain, Lodging and Real Estate, which represented approximately 77%, 19% and 4%, respectively, of our net revenue for our fiscal year ended July 31, 2013 ("Fiscal 2013").

Our Mountain segment operates eight world-class ski resort properties and two urban ski areas as well as ancillary services, primarily including ski school, dining and retail/rental operations. Our Lodging segment owns and/or manages a collection of luxury hotels under our RockResorts brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to our ski resorts, certain National Park Service concessionaire properties including Grand Teton Lodge Company ("GTLC"), which operates destination resorts at Grand Teton National Park, Colorado Mountain Express ("CME"), a Colorado resort ground transportation company, and mountain resort golf courses. Collectively, the Mountain and Lodging segments are considered the Resort segment. Our Real Estate segment owns and develops real estate in and around our resort communities. Financial information by segment is presented in Note 13, Segment Information, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Mountain Segment

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

- Vail Mountain ("Vail Mountain") - the single most visited ski resort in the United States for the 2012/2013 ski season and the single largest ski mountain in the United States. Vail Mountain offers some of the most expansive and varied terrain in North America with approximately 5,300 skiable acres including seven world renowned back bowls and the resort's rustic Blue Sky Basin.

- Breckenridge Ski Resort ("Breckenridge") - the second most visited ski resort in the United States for the 2012/2013 ski season and host of the highest chairlift in North America, the Imperial Express SuperChair, reaching 12,840 feet and offering above tree line expert terrain. Breckenridge is well known for its historic town, vibrant nightlife and progressive and award-winning pipes and parks.

- Keystone Resort ("Keystone") - the fourth most visited ski resort in the United States for the 2012/2013 ski season and home to the highly renowned A51 Terrain Park as well as the largest area of night skiing in Colorado. Keystone also offers guests a unique skiing opportunity through guided snow cat ski tours accessing five bowls. Keystone is a premier destination for families with its "Kidtopia" program focused on providing activities for kids on and off the slopes.

- Beaver Creek Resort ("Beaver Creek") - the fifth most visited ski resort in the United States for the 2012/2013 ski season. Beaver Creek is a European -style resort with multiple villages and also includes a world renowned children's ski school program focused on providing a first-class experience with unique amenities such as a dedicated children's gondola. Beaver Creek also annually hosts the only North American men's World Cup downhill races.

- Heavenly Mountain Resort (“Heavenly”) - the sixth most visited ski resort in the United States for the 2012/2013 ski season and the second largest ski resort in the United States with over 4,800 skiable acres. Heavenly, located near the South Shore of Lake Tahoe, straddles the border of California and Nevada and offers unique and spectacular views of Lake Tahoe. Heavenly boasts the largest snowmaking capacity in the Lake Tahoe region and offers great nightlife including its proximity to several casinos.

- Northstar Resort (“Northstar”) - Northstar is located near the North Shore of Lake Tahoe and offers over 3,000 skiable acres. Northstar is host to a modern base area village featuring unique shops and restaurants, a conference center, a 9,000 square-foot skating rink and on-site lodging and is the premier luxury resort destination near Lake Tahoe.

- Kirkwood Mountain Resort (“Kirkwood”) - Kirkwood is located southwest of South Lake Tahoe and offers a unique location atop the Sierra Crest with elevations ranging 7,800 to 9,800 feet. Kirkwood is recognized by skiers and

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snowboarders as offering some of the best high alpine advanced terrain in North America with 2,000 feet of vertical drop and over 2,300 acres of terrain.

- Canyons Resort ("Canyons") - Canyons (transaction entered into in May 2013) is the largest ski resort in Utah offering over 4,000 skiable acres and features a modern base area located less than 35 miles from the Salt Lake City International Airport. The resort has benefited from $75 million in recent resort improvements and offers guests an outstanding ski experience and is adjacent to the historic downtown of Park City and all of its distinctive restaurants and nightlife.

- Urban ski areas - Afton Alps Ski Area ("Afton Alps") (acquired in December 2012) is the largest ski area near a major city in the Midwest (33 miles from the Minneapolis-St. Paul metropolitan area) and offers 48 trails on 300 skiable acres, with night skiing, riding and tubing. Mount Brighton Ski Area ("Mt. Brighton") (acquired in December 2012) is located 43 miles from Detroit and offers 26 trails on 130 skiable acres offering night skiing and riding.

Vail Mountain, Beaver Creek, Breckenridge and Keystone, all located in the Colorado Rocky Mountains, Heavenly, Northstar and Kirkwood, located in the Lake Tahoe region of California/Nevada, and Canyons, located in Utah, are year-round mountain resorts that provide a comprehensive resort experience to a diverse clientele with an attractive demographic profile. Each resort offers a broad complement of winter and summer recreational activities, including skiing, snowboarding, snowshoeing, snowtubing, sightseeing, mountain biking, guided hiking, children's activities and other recreational activities.

Our Mountain segment derives revenue through the sale of lift tickets and season passes as well as a comprehensive offering of amenities available to guests, including ski and snowboard lessons, equipment rentals and retail merchandise sales, a variety of dining venues, private club operations and other recreational activities. In addition to providing extensive guest amenities, we also lease some of our owned and leased commercial space to third party operators to add unique restaurants and retail stores to the mix of amenities at the base of our resorts.

Ski Industry/Market

There are approximately 760 ski areas in North America and approximately 478 in the United States, ranging from small ski area operations that service day skiers to large resorts that attract both day skiers and destination resort guests looking for a comprehensive vacation experience. One of the primary ski industry statistics for measuring performance is “skier visit,” which represents a person utilizing a ticket or pass to access a mountain resort for any part of one day, and includes both paid and complimentary access. During the 2012/2013 ski season, combined skier visits for all ski areas in the United States were approximately 56.9 million and all North American skier visits were approximately 75.5 million. Our ski resorts and ski areas had approximately 7.0 million skier visits during the 2012/2013 ski season, or approximately 12.3% of United States skier visits, and an approximate 9.3% share of the North American market's skier visits. Our principal markets are Colorado and the Lake Tahoe region.

Our Colorado ski resorts appeal to both day skiers and destination guests due to the resorts' proximity to Colorado's Front Range (Denver/Colorado Springs/Boulder metropolitan areas), accessibility from several airports, including Denver International Airport and Eagle County Airport, and the wide range of amenities available at each resort. Colorado has 29 ski areas, six of which are considered “Front Range Destination Resorts,” including all of our Colorado resorts, catering to both the Colorado Front Range and destination-skier markets. All Colorado ski resorts combined recorded approximately 11.5 million skier visits for the 2012/2013 ski season with skier visits at our Colorado ski resorts totaling 5.0 million, or approximately 43.5% of all Colorado skier visits for the 2012/2013 ski season.

Lake Tahoe, which straddles the border of California and Nevada, is a major skiing destination less than 100 miles from Sacramento and Reno and approximately 200 miles from San Francisco, drawing skiers from the entire

California market and making it a convenient destination for both day skiers and destination guests. Heavenly located near the South Shore of Lake Tahoe, Northstar, located near the North Shore of Lake Tahoe, and Kirkwood, located about 35 miles southwest of South Lake Tahoe are popular year-round vacation destinations, featuring extensive summer attractions in addition to their winter sports offerings. Heavenly, Northstar and Kirkwood are proximate to both the Reno/Tahoe International Airport and the Sacramento International Airport. California and Nevada have 33 ski areas. Our Lake Tahoe resorts had 1.7 million skier visits for the 2012/2013 ski season, capturing approximately 25.0% of California's and Nevada's approximately 6.8 million total skier visits for the 2012/2013 ski season.

Competition

There are significant barriers to entry for new ski areas due to the limited private lands on which ski areas can be built, the difficulty in obtaining the appropriate governmental approvals to build on public lands and the significant capital needed to construct the necessary infrastructure. As such, there have been virtually no new major resorts in North America for more than 30 years, which has and should continue to allow the best positioned resorts, including all of our resorts, to capture a majority of future industry growth. Our resorts compete with other major destination ski resorts, including Aspen/Snowmass, Copper Mountain, Deer Valley, Squaw Valley USA, Steamboat, Whistler Blackcomb and Winter Park, as well as other ski areas in Colorado, California, Nevada, Utah, the Pacific Northwest and Southwest, and other destination ski areas worldwide and non-ski related vacation options and destinations.

While the ski industry has performed well in recent years in terms of number of skier visits, with the eight best seasons occurring in the past 10 years for United States visitation, a particular ski area's growth is also largely dependent on either attracting skiers away from other resorts, generating more revenue per skier visit and/or generating more visits from each skier. Better capitalized ski resorts, including our mountain resorts, are expanding their offerings as well as enhancing the quality and experience by adding new high speed chairlifts, gondolas, terrain parks, state of the art grooming machines, expanded terrain, on-mountain dining venues as well as amenities at the base areas of the resorts, including dining, retail and lodging, all of which are aimed at increasing guest visitation and revenue per skier visit.

Summer tourism in Colorado and Lake Tahoe exceeds winter tourism which provides for a strong summer business opportunity. Our mountain resorts offer non-ski season attractions such as sightseeing, mountain biking, guided hiking, 4x4 Jeep tours, zip line tours, alpine slide and coaster, children's activities and other recreational activities. In the fall of 2011, the Ski Area Recreational Opportunities Enhancement Act was enacted into law which will allow our ski resorts on Forest Service land to offer more summer-season recreational opportunities. We have a new comprehensive summer activities plan for Vail Mountain, which will include a number of new activities, including zip lines, ropes courses, tubing, mountain excursions, canopy tours and Forest Flyers. Similar plans have been submitted for Breckenridge and Heavenly with smaller scale improvements planned for Beaver Creek, Keystone and Northstar. We believe these new activities are already popular with summer travelers and will introduce a new guest demographic to our mountain resorts.

We believe that we invest more in capital improvements than the vast majority of our competitors and that we can also create operating synergies by operating multiple resorts, thus enhancing our profitability. Additionally, through our sales of season passes, we provide our guests with a strong value option, in return for guests committing to ski at our resorts prior to, or very early into the ski season, which we believe attracts more guests to our resorts. All of our mountain resorts, with the exception of Kirkwood, typically rank in the 25 most visited ski resorts in the United States. Additionally, most of our mountain resorts consistently rank in the top 25 ranked ski resorts in North America according to industry surveys, which we attribute to our resorts' ability to provide a high-quality experience.

The ski industry statistics stated in this section have been derived from data published by Colorado Ski Country USA, Canadian Ski Council, Kottke National End of Season Survey 2012/2013 (the “Kottke Survey”) and other industry publications.

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

Exceptional mountain experience --

- World-Class Mountain Resorts and Integrated Base Resort Areas

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

- Snow Conditions

Our mountain resorts are located in areas that generally receive significantly higher than average snowfall compared to most other ski resort locations in the United States. Our resorts in the Colorado Rocky Mountains, the Sierra Nevada Mountains, and in the Wasatch Range of the Rocky Mountains in Utah all receive average yearly snowfall between 20 and 39 feet. Even in these abundant snowfall areas, we have significant snowmaking systems that can help provide a more consistent experience, especially in the early season. Additionally, we provide several hundred acres of groomed terrain at each of our mountain resorts with extensive fleets of snow grooming equipment.

- Lift Service

We systematically upgrade our lifts to streamline skier traffic and maximize guest experience. In the past several years, we have installed several high-speed chairlifts and gondolas across our mountain resorts, including a state-of-the-art ten passenger gondola at Vail; an eight-passenger gondola at Keystone with a mid-station feature; an eight-passenger gondola at Breckenridge with two mid-station features; an eight-passenger gondola at Beaver Creek; a four-passenger high-speed chairlift servicing Vail Mountain's back bowls; and high speed chairlifts at both Beaver Creek and Northstar. Additionally, for the 2013/2014 ski season we expect to have installed a new high-speed, six person chairlift and a new fixed-grip chairlift to access the Peak 6 area in Breckenridge and a new high-speed, six person chairlift to replace Vail's Chair 4.

- Terrain Parks

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

Extraordinary service and amenities --

- Commitment to the Guest Experience

Our mission is to provide quality service at every level of the guest experience. Prior to arrival at our mountain resorts, guests can receive personal assistance through our full-service, in-house travel center (or for certain items through our comprehensive websites) to book desired lodging accommodations, lift tickets, ski school lessons, equipment rentals and air and ground travel. On-mountain ambassadors engage guests and answer questions and all personnel, from lift operators to ski patrol, convey a guest-oriented culture. In addition, we introduced our ski and snowboard application EpicMix during the 2010/2011 ski season which, through the use of radio frequency technology, captures a guest's activity on the slopes (e.g. days and vertical feet skied, chairlifts ridden) and allows a guest to share his or her experience and accomplishments with family and friends on social networks like Facebook and Twitter. During the 2011/2012 ski season, we launched the second generation of EpicMix with EpicMix Photo, which included professional photos and numerous other improvements in functionality and new features to the website and mobile application. The added capabilities of EpicMix Photo allow guests to take and share photos on social networks. During the 2012/2013 ski season, we launched the third generation of EpicMix with EpicMix Racing. EpicMix Racing allows our guests a new way to experience ski racing at our resorts and compare their race times to ski racing great, Lindsey Vonn, as well as compete against racers from around our world-class resorts and track and share all of their accomplishments. For the 2013/2014 ski season, we plan to launch our fourth generation of EpicMix with EpicMix Academy. EpicMix Academy will allow our ski school instructors to certify the attainment of certain skills and ski levels for any of the students in their classes and allow students to earn permanent recognition and review their accomplishments.

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

- Season Pass Products

We offer a variety of season pass products for all of our ski resorts and Urban ski areas, marketed towards both out-of-state and international (“Destination”) guests and in-state and local (“In-State”) guests. Our season pass products are available for purchase predominately during the period prior to the start of the ski season. Our season pass products provide a value option to our guests, which in turn assists us in developing a loyal base of customers who commit to ski at our resorts/areas generally in advance of the ski season and typically ski more days each season than those guests who do not buy season passes. As such, our season pass program drives strong customer loyalty; mitigates exposure to many weather sensitive guests; and generates additional ancillary spending. In addition, our season pass products attract new guests to our resorts/areas. Sales of season pass products are a key component of our overall Mountain revenue and also create strong synergies among our resorts. Our season pass product offerings range from providing access to a combination of our resorts to our Epic Season Pass that allows pass holders unlimited and unrestricted access to all of our ski resorts/areas and access to ski resorts in Austria, France and Switzerland. For the 2013/2014 ski season, in addition to the Epic Season Pass, we are providing value options to our guests by offering various pass products such as Epic Local Season Pass that allows pass holders access to all of our resorts/areas with certain restrictions; the Summit Value Pass which provides access to Breckenridge and Keystone; the Tahoe Local Pass which provides unlimited access to Heavenly, Northstar, and Kirkwood; and the Tahoe Value Pass which provides access to Heavenly, Kirkwood and Northstar with certain restrictions. Season pass products generated approximately 38% of our total lift revenue for the 2012/2013 ski season.

• Premier Ski Schools

Our resorts are home to some of the highest quality and most widely recognized ski and snowboard schools in the industry. Through a combination of outstanding training and abundant work opportunities, the schools have become home to many of the most experienced and credentialed professionals in the business. We complement our instructor staff with state-of-the-art facilities and extensive learning terrain, all with a keen attention to guest needs, including offering a wide variety of adult and child group and private lesson options with a goal of creating lifelong skiers and riders and showcasing to our guests all the terrain our resorts have to offer.

• On-Mountain Activities

We are a ski industry leader in providing comprehensive destination vacation experiences, including on-mountain activities designed to appeal to a broad range of interests. In addition to our exceptional ski experiences, guests can choose from a variety of non-ski related activities including snowtubing, snowshoeing, guided snowmobile and scenic cat tours, backcountry expeditions, horse-drawn sleigh rides and high altitude dining. During the summer, on-mountain recreational activities provide guests with a wide array of options including scenic chairlift and gondola rides, mountain biking, horseback riding, hiking, 4x4 Jeep tours, zip lines, and an alpine slide and an alpine coaster.

• Dining

Our resorts provide a variety of quality on-mountain and base village dining venues, ranging from top-rated fine dining restaurants to trailside express food service outlets. We operate approximately 124 of such dining options at our eight mountain resorts and two ski areas.

• Retail/Rental

We have approximately 180 retail/rental locations, including an online retail presence, specializing in sporting goods including ski, snowboard, golf and cycling equipment. In addition to providing a major retail/rental presence at each of our ski resorts, we also have retail/rental locations throughout the Colorado Front Range and at other Colorado, California and Utah ski resorts, as well as the San Francisco Bay Area, Salt Lake City, Minneapolis and Appleton, Wisconsin. Many of the locations in the Colorado Front Range and in the San Francisco Bay Area also offer a prime venue for selling our season pass products.

• Urban Ski Areas

To further promote our season pass products and create a stronger connection between key skier markets and our iconic destination mountain resorts in Colorado, Lake Tahoe and Utah, we acquired two urban ski areas in the Midwest during Fiscal 2013. We operate Afton Alps in Minnesota and Mt. Brighton in Michigan which serve major snow sports markets in the Midwest with more than 468,000 active skiers and snowboarders in the nearby Minneapolis-St. Paul and Detroit metropolitan areas. We plan to invest approximately $10 million at each ski area to significantly enhance the ski and ride experience prior to the start of the 2013/14 season. We are improving snowmaking capabilities which will extend the length of each ski area's season, creating state-of-the-art terrain parks with extensive new features, replacing and improving lifts, and adding our signature EpicMix and EpicMix Racing technology to personalize the guest experience.

• Lodging and Real Estate Development

Quality lodging options are an integral part of providing a complete resort experience. Our 18 owned or managed hotels and resorts proximate to our mountain resorts, including five RockResorts branded properties, and a significant inventory of managed condominium rooms provide numerous accommodation options for our mountain resort guests. Our real estate development efforts provide us with the potential to add profitability while expanding our destination bed base and upgrading our resorts through the development of amenities such as luxury hotels, private clubs, spas, parking and commercial space for restaurants and retail shops. Our Lodging and Real Estate segments have and continue to invest in resort related assets as part of their initiatives which enhance the overall resort experience.

• Environmental Stewardship and Social Responsibility

Environmental stewardship is a core philosophy for us. Our resorts operate in some of the world's greatest natural environments, and we are compelled to care for and preserve them. Additionally, thousands of our employees call these resorts home, which reinforces our commitment to the communities and environment we operate in. Recognizing the interdependence of the environment and the resort communities, we combined our existing environmental stewardship, charitable giving and employee engagement programs into one sustainability program. Through our sustainability program, we focus on resource conservation, forest health and building stronger local communities through contributions to local non-profits. Our environmental stewardship efforts are diverse and touch nearly every area of our operations. One of the most encompassing programs is our commitment to energy reduction. After reaching an initial goal to reduce our energy consumption by 10%, we have set a new goal of another 10% reduction by 2020. In addition, forest health and protecting the iconic landscapes that surround our resorts is paramount. We demonstrate our commitment with several partnerships that help raise resources for local environmental programs, including the National Forest Foundation and The Tahoe Fund. We also boast the largest on-mountain recycling program, have a goal to divert over 50% of our waste in two years, and through our "Water on the Rocks" program, have reduced 50% of plastic water bottles used in our hotel rooms. Lastly, our charitable giving focuses on supporting education and youth programs, encouraging innovation in and implementation of environmental stewardship practices and enhancing the quality of life in the communities in which we operate.

Accessibility from major metropolitan areas--

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

• Colorado Resorts

The Colorado Front Range, with a population of approximately 4.5 million, and growing faster than the national average over the past 10 years, is within approximately 100 miles from each of our Colorado resorts, with access via a major interstate highway. Additionally, our Colorado resorts are proximate to both Denver International Airport and Eagle County Airport.

• Lake Tahoe Resorts

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

• Canyons

The Salt Lake City metropolitan area, with a population of over 1.0 million, is approximately 30 miles from Canyons and is accessible via a major interstate highway. Additionally, the Salt Lake City International Airport is just a two-hour flight from either the Los Angeles International Airport or the San Diego International Airport; which are the two major airports serving the Southern California region that has a population of approximately 23.0 million.

• Urban Ski Areas

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

Marketing and Sales

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We promote our resorts through targeted marketing and sales programs, which include customer relationship marketing (CRM) to targeted audiences, promotional programs, digital marketing (including social, search and display), loyalty programs that reward frequent guests and traditional media advertising where appropriate (e.g. targeted print, TV, radio). Additionally, our resorts and the snowsports industry are frequently featured through our OnTheSnow.com and Skiinfo.com websites, which are two of the world's most visited online snowsports portals. We also have marketing programs directed at attracting groups, corporate meetings and convention business. Most marketing efforts drive traffic to our websites, where we provide our guests with information regarding each of our resorts, including services and amenities, reservations information, virtual tours and the opportunity to book/purchase multiple products for their vacations or other visits. We also enter into strategic alliances with companies to enhance the guest in-resort experience and to create opportunities for cross-marketing.

Seasonality

Ski resort operations are highly seasonal in nature, with a typical ski season beginning in mid-November and running through mid-April. In an effort to partially counterbalance the concentration of revenue in the winter months, we offer non-ski season attractions such as sightseeing, mountain biking, guided hiking, 4x4 Jeep tours, zip lines, an alpine slide and coaster, children's activities and other recreational activities such as golf (included in the operations of the Lodging segment). These activities also help attract destination conference and group business to our resorts. Additionally, we have a new comprehensive summer activities plan for Epic Discovery, a Summer Mountain Adventure, which will initially be introduced at Vail Mountain and will include a number of new activities, including zip lines, ropes courses, tubing, mountain excursions, canopy tours and Forest Flyers. The first phase of the plan at Vail Mountain which includes two challenge ropes courses and a zip line were completed and operational for a portion of late summer 2013. Similar plans have been submitted for Breckenridge and Heavenly with smaller scale improvements planned for Beaver Creek, Keystone and Northstar.

Lodging Segment

Our Lodging segment includes the following operations:

- RockResorts -- a luxury hotel management company with a current portfolio of six properties, including four Company-owned hotels and two managed resort properties with locations in Colorado and Jamaica;
- Five additional Company-owned hotels, management of the Vail Marriott Mountain Resort & Spa (“Vail Marriott”), Mountain Thunder Lodge, Crystal Peak Lodge, Austria Haus Hotel, Grand Summit Hotel, Silverado Lodge, Sundial Lodge and condominium management operations, which are in and around our ski resorts in the Colorado, Lake Tahoe and Park City, Utah regions;
- Two National Park Service (“NPS”) concessionaire properties - (1) GTLC, a summer destination resort with three resort properties in the Grand Teton National Park, and (2) Headwaters Lodge & Cabins at Flagg Ranch (“Flagg Ranch”), and is located between Yellowstone National Park and Grand Teton National Park;
- CME -- a resort ground transportation company in Colorado; and
- Five Company-owned mountain resort golf courses in Colorado, one in Wyoming and one operated in Lake Tahoe, California.

The Lodging segment currently includes approximately 5,100 owned and managed hotel and condominium rooms. Our resort hotels collectively offer a wide range of services to guests.

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

| Name | Location | Own/Manage | Rooms |
|---|---|---|---|
| RockResorts: | | | |
| The Lodge at Vail | Vail, CO | Own | 168* |
| The Arrabelle at Vail Square | Vail, CO | Own | 82* |
| The Pines Lodge | Beaver Creek, CO | Own | 70* |
| The Osprey at Beaver Creek | Beaver Creek, CO | Own | 47* |
| Half Moon | Rose Hall, Jamaica | Manage | 398 |
| One Ski Hill Place | Breckenridge, CO | Manage | 66** |
| | | | |
| Other Hotels and Properties: | | | |
| DoubleTree by Hilton Breckenridge | Breckenridge, CO | Own | 208 |
| The Keystone Lodge | Keystone, CO | Own | 152 |
| Inn at Keystone | Keystone, CO | Own | 103 |
| Village Hotel | Breckenridge, CO | Own | 60 |
| Ski Tip Lodge | Keystone, CO | Own | 10 |
| Jackson Lake Lodge | Grand Teton Nat'l Pk., WY | Concessionaire Contract | 385 |
| Colter Bay Village | Grand Teton Nat'l Pk., WY | Concessionaire Contract | 166 |
| Jenny Lake Lodge | Grand Teton Nat'l Pk., WY | Concessionaire Contract | 37 |
| Headwaters Lodge & Cabins at Flagg Ranch | Moran, WY | Concessionaire Contract | 92 |
| Vail Marriott Mountain Resort & Spa | Vail, CO | Manage | 342 |
| Mountain Thunder Lodge | Breckenridge, CO | Manage | 94 |
| Crystal Peak Lodge | Breckenridge, CO | Manage | 28 |
| The Ritz-Carlton Residences, Vail | Vail, CO | Manage | 45** |
| Austria Haus Hotel | Vail, CO | Manage | 25 |
| Grand Summit Hotel | Park City, UT | Manage | 350 |
| Silverado Lodge | Park City, UT | Manage | 193 |
| Sundial Lodge | Park City, UT | Manage | 108 |

*Includes individual owner units that are in a rental program managed by us.
**Includes owned and managed whole ownership units that are in a rental program managed by us.

The RockResorts brand was originally created by Laurance S. Rockefeller in 1956 and was purchased by us in December 2001. The RockResorts collection includes luxury hotels influenced by a strong connection to the natural surrounding environment and features award-winning dining, and state-of-the-art RockResorts spas and fitness centers. The properties incorporate the indigenous environment into the guest experience and feature access to a variety of year-round outdoor activities ranging from skiing to golf.

Our lodging strategy seeks to complement and enhance our mountain resort operations through our ownership or management of lodging properties and condominiums in proximity to our mountain resorts and selective management of luxury resorts in premier destination locations.
In addition to our portfolio of owned or managed luxury resort hotels and other hotels and properties, our lodging business also features a Colorado ground transportation company, CME, which represents the first point of contact with many of our guests when they arrive by air to Colorado. CME offers year-round ground transportation from Denver International Airport and Eagle County Airport to the Vail Valley (locations in and around Vail, Beaver Creek, Avon and Edwards), Aspen (locations in and around Aspen and Snowmass) and Summit County (includes Keystone, Breckenridge, Copper Mountain, Frisco and Silverthorne) for ski and snowboard and other mountain resort

experiences. CME offers four primary types of services, including; door-to-door shuttle business, point-to-point shuttle business with centralized drop-off at transportation hubs, private chartered vans and premier luxury charter vehicles. The vehicle fleet consists of approximately 258 vans and luxury SUVs, and transported approximately 328,000 resort guests in Fiscal 2013.

Lodging Industry/Market

Hotels are categorized by Smith Travel Research, a leading lodging industry research firm, as luxury, upper upscale, upscale, mid-price and economy. The service quality and level of accommodations of our RockResorts' hotels place them in the luxury category, which represents hotels achieving the highest average daily rates (“ADR”) in the industry, and includes such brands as the Four Seasons, Ritz-Carlton and Starwood's Luxury Collection hotels. Our other hotels are categorized in the upper upscale and upscale segments of the hotel market. The luxury and upper upscale segments consist of approximately 664,000 rooms at approximately 1,900 properties in the United States as of July 2013. For Fiscal 2013, our owned hotels, which include a combination of certain RockResort hotels, as well as other hotels in proximity to our ski resorts, had an overall ADR of $203.61, a paid occupancy rate of 60.3% and revenue per available room (“RevPAR”) of $122.77, as compared to the upper upscale segment's ADR of $158.30, a paid occupancy rate of 71.5% and RevPAR of $113.11. We believe that this comparison to the upper upscale category is appropriate as our mix of owned hotels include those in the luxury and upper upscale categories, as well as certain of our hotels that fall in the upscale category. The highly seasonal nature of our lodging properties generally results in lower average occupancy as compared to the upper upscale segment of the lodging industry.

Competition

Competition in the hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, price and other factors. Our properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels, as well as facilities owned or managed by national and international chains, including such brands as Four Seasons, Hilton, Hyatt, Marriott, Ritz-Carlton, Starwood's Luxury Collection and Westin. Our properties also compete for convention and conference business across the national market. We believe we are highly competitive in the resort hotel niche for the following reasons:

- All of our hotels are located in unique highly desirable resort destinations.
- Our hotel portfolio has achieved some of the most prestigious hotel designations in the world, including three properties in our portfolio that are currently rated as AAA 4-Diamond.
- Many of our hotels (both owned and managed) are designed to provide a look that feels indigenous to their surroundings, enhancing the guest's vacation experience.
- Each of our RockResorts hotels provides the same high level of quality and services, while still providing unique characteristics which distinguish the resorts from one another. This appeals to travelers looking for consistency in quality and service offerings together with an experience more unique than typically offered by larger luxury hotel chains, which has resulted in five of our RockResort properties being recognized with U.S. News & World Report 2013 Best Hotels Awards.
- Many of the hotels in our portfolio provide a wide array of amenities available to the guest such as access to world-class ski and golf resorts, spa and fitness facilities, water sports and a number of other outdoor activities as well as highly acclaimed dining options.
- Conference space with the latest technology is available at most of our hotels. In addition, guests at Keystone can use our company-owned Keystone Conference Center, the largest conference facility in the Colorado Rocky Mountain region with more than 100,000 square feet of meeting, exhibit and function space.
- We have a central reservations system that leverages off of our ski resort reservations system and has an online planning and booking platform, offering our guests a seamless and useful way to make reservations at our resorts.
- We actively upgrade the quality of the accommodations and amenities available at our hotels through capital improvements. Capital funding for third-party owned properties is provided by the owners of those properties to maintain standards required by our management contracts. Projects completed over the past several years include extensive refurbishments and upgrades to the DoubleTree by Hilton Breckenridge, pool and restaurant (Elway's)

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

National Park Concessionaire Properties

We own GTLC, which is based in the Jackson Hole area in Wyoming and operates within the Grand Teton National Park under a 15-year concessionaire agreement (that expires December 31, 2021) with the NPS. We also own Flagg Ranch, which is located in Moran, Wyoming and is centrally located between Yellowstone National Park and Grand Teton National Park on the John D. Rockefeller, Jr. Memorial Parkway, which operates under a 15-year concessionaire agreement (that expires October 31, 2026) with the NPS. GTLC also owns Jackson Hole Golf & Tennis Club ("JHG&TC"), which is located outside of the Grand Teton National Park near Jackson, Wyoming. GTLC's operations within the Grand Teton National Park and JHG&TC have operating seasons that generally run from mid-May to mid-October.

There are 401 areas within the National Park System covering approximately 84 million acres across the United States and its territories. Of the 401 areas, 59 are classified as National Parks. While there are more than 600 NPS concessionaires, ranging from small, privately-held businesses to large corporate conglomerates, we primarily compete with such companies as Aramark Parks & Resorts, Delaware North Companies Parks & Resorts, Forever Resorts and Xanterra Parks & Resorts in retaining and obtaining National Park Concessionaire agreements. The NPS uses “recreation visits” to measure visitation within the National Park System. In calendar 2012, areas designated as National Parks received approximately 64.9 million recreation visits. The Grand Teton National Park, which spans approximately 310,000 acres, had approximately 2.7 million recreation visits during calendar 2012, or approximately 4.2% of total National Park recreation visits. Four full service concessionaires provide accommodations within the Grand Teton National Park, including GTLC. GTLC offers three lodging options within the Grand Teton National Park: Jackson Lake Lodge, a full-service, 385-room resort with 17,000 square feet of conference facilities which can accommodate up to 600 people; the Jenny Lake Lodge, a small, rustically elegant retreat with 37 cabins; and Colter Bay Village, a facility with 166 log cabins, 66 tent cabins, 361 campsites and a 112-space RV park. GTLC offers dining options as extensive as its lodging options, with cafeterias, casual eateries and fine dining establishments. GTLC's resorts provide a wide range of activities for guests to enjoy, including cruises on Jackson Lake, boat rentals, horseback riding, guided fishing, float trips, golf and guided Grand Teton National Park tours. As a result of the extensive amenities offered as well as the tremendous popularity of the National Park System, GTLC's accommodations within the Grand Teton National Park operate near full capacity during their operating season.

Flagg Ranch features a range of lodging options from 92 standard, deluxe and premium cabins, to a 97-space RV park and 35 campsites. Flagg Ranch also offers additional amenities including dining, retail and activities for our guests to enjoy, including horseback riding, guided fishing, float trips and guided Yellowstone National Park and Grand Teton National Park tours. In addition to these summer offerings, Flagg Ranch provides limited winter operations to support Yellowstone National Park snowmobile tours.

Marketing and Sales

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

Seasonality

Our lodging business is highly seasonal in nature, with peak seasons primarily in the winter months (with the exception of GTLC, Flagg Ranch, certain managed properties and mountain resort golf operations). In recent years, we have promoted our extensive conference facilities and added more off-season activities to help offset the seasonality of our lodging business. We operate seven golf courses: The Beaver Creek Golf Club, The Keystone Ranch Golf Course, The River Course at Keystone, JHG&TC near Jackson, Wyoming, The Northstar Resort Golf Course and the Tom Fazio and Greg Norman courses at Red Sky Ranch near the Beaver Creek Resort. The Tom Fazio course at Red Sky Ranch was ranked the third best course in Colorado for 2013 by Golfweek Magazine, the Greg Norman course at Red Sky Ranch was ranked the eighth best course in Colorado for 2013 by Golfweek Magazine, and JHG&TC was ranked the fourth best course in Wyoming for 2013 by Golfweek Magazine.

Real Estate Segment

We have extensive holdings of real property at our resorts throughout Summit and Eagle Counties in Colorado. Our real estate operations, through Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary, include the planning, oversight, infrastructure improvement, development, marketing and sale of our real property holdings. In addition to the cash flow generated from real estate development sales, these development activities benefit our Mountain and Lodging segments through (1) the creation of additional resort lodging and other resort related facilities and venues (primarily restaurants, spas, commercial space, private mountain clubs, skier services facilities and parking structures) that provide us with the opportunity to create new sources of recurring revenue, enhance the guest experience at our resorts and expand our destination bed base; (2)

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the ability to control the architectural themes of our resorts; and (3) the expansion of our property management and commercial leasing operations.

In recent years we have primarily focused on projects in our Real Estate segment that involve significant vertical development. Over the past several years our completed projects include The Ritz-Carlton Residences, Vail, One Ski Hill Place in Breckenridge, the Arrabelle at Vail Square, Vail's Front Door, Crystal Peak Lodge at Breckenridge, and Gore Creek Place in Vail's Lionshead Village. We attempt to mitigate the risk associated with vertical development by often utilizing guaranteed maximum price construction contracts (although certain construction costs may not be covered by contractual limitations), pre-selling a portion of the project, requiring significant non-refundable deposits from buyers, and potentially obtaining non-recourse financing for certain projects (although our last two major vertical development projects have not incurred any direct third party financing).

Currently, VRDC's principal activities include the marketing and selling of remaining condominium units that are available for sale, which primarily relate to The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge; planning for future real estate development projects, including zoning and acquisition of applicable permits; and the purchase of selected strategic land parcels for future development. Although we continue to undertake preliminary planning and design work on future projects, we currently do not plan to undertake significant development activities on new projects until the current economic environment for real estate improves. We believe that, due to our low carrying cost of real estate land investments combined with the absence of third party debt associated with our real estate investments, we are well situated to time the launch of future projects with a more favorable economic environment.

Employees

Through certain operating subsidiaries, we currently employ approximately 4,800 year-round employees and during the height of our operating season we employ approximately 18,600 seasonal employees. In addition, we employ approximately 300 year-round employees and 100 seasonal employees on behalf of the owners of our managed hotel properties. We consider employee relations to be good.

Regulation and Legislation

Federal Regulation

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

Each distinct area of National Forest lands is required by the National Forest Management Act to develop and maintain a Land and Resource Management Plan (a “Forest Plan”), which establishes standards and guidelines for the Forest Service to follow and consider in reviewing and approving our proposed actions.

Under the 1986 Act, the Forest Service has the right to review and approve the location, design and construction of improvements in the permit area and many operational matters. Virtually all of the skiable terrain at Vail Mountain, Breckenridge, Heavenly, Keystone, and Kirkwood is located on Forest Service land. While Beaver Creek also operates on Forest Service land, a significant portion of the skiable terrain, primarily in the lower main mountain, Western Hillside, Bachelor Gulch and Arrowhead Mountain areas, is located on land that we own. Each of these six ski resorts operates under a SUP.

The operations of Northstar, Afton Alps, Mt. Brighton and Canyons are conducted primarily on private land, and do not require a SUP.

Special Use Permits

Vail Mountain operates under a SUP for the use of 12,353 acres that expires December 1, 2031. Breckenridge operates under a SUP for the use of 5,702 acres that expires December 31, 2029. Keystone operates under a SUP for the use of 8,376 acres that

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expires December 31, 2032. Beaver Creek operates under a SUP for the use of 3,849 acres that expires November 8, 2039. Heavenly operates under a SUP for the use of 7,050 acres that expires May 1, 2042. Kirkwood operates under a SUP for the use of approximately 2,330 acres that expires March 1, 2052. We anticipate requesting a new SUP for each resort prior to the expiration date identified above as provided by the Forest Service regulations and the terms of each existing SUP. We are not aware of the Forest Service refusing to issue a new SUP to replace an expiring SUP for a ski resort in operation at the time of expiration.

Each SUP contains a number of requirements, including that we indemnify the Forest Service from third-party claims arising out of our operation under the SUP and that we comply with applicable laws, such as those relating to water quality and endangered or threatened species.

For use of the SUPs, we pay a fee to the Forest Service ranging from 1.5% to 4.0% of sales for services occurring on Forest Service land. Included in the calculation are sales from, among other things, lift tickets, season passes, ski school lessons, food and beverages, equipment rentals and retail merchandise.

The SUPs may be amended by us or by the Forest Service to change the permit area or permitted uses. The Forest Service may amend a SUP, if it determines that such amendment is in the public interest. While the Forest Service is required to seek the permit holder's consent to any amendment, an amendment can be finalized over a permit holder's objection. Permit amendments must be consistent with the Forest Plan and are subject to the provisions of the National Environmental Policy Act (“NEPA”), both of which are discussed below.

The Forest Service can also terminate a SUP if it determines that termination is required in the public interest. However, to our knowledge, no SUP has ever been terminated by the Forest Service over the opposition of the permittee.

Master Development Plans

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

Forest Plans

Operational and development activities on National Forest System lands at our four Colorado ski resorts are subject to the additional regulatory and planning requirements set forth in the April 2002 Record of Decision (the “2002 ROD”) for the White River National Forest Land and Resources Management Plan (the “White River Forest Plan”). At Heavenly, operational and development activities on National Forest System lands are subject to the Lake Tahoe Basin Management Unit Land and Resources Management Plan (the “Lake Tahoe Forest Plan”), which was adopted in 1988. The Forest Service is currently in the process of amending the Lake Tahoe Forest Plan. A draft decision adopting a new Lake Tahoe Basin Management Unit Forest Plan is currently scheduled to be released before the end of 2013. At Kirkwood, operational and development activities on National Forest System lands are subject to the Eldorado National Forest Land and Resources Management Plan (the “Eldorado Forest Plan”), which was adopted in 1989.

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

National Environmental Policy Act; California Environmental Quality Act

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

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

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

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

Local Land Use Regulations

In addition to Federal and environmental regulations, each resort is subject to and must comply with state, county and local government land use regulations and restrictions, including, for example, employee housing ordinances, zoning and density restrictions, noise ordinances, wildlife regulations, and water and air quality restrictions. Specific land use regulations for each resort are discussed in more detail in the following sections.

Breckenridge Regulatory Matters

We submitted an updated MDP for Breckenridge, which was accepted by the Forest Service in January 2008. The MDP was updated to include, among other things, additional skiable area, snowmaking and lift improvements. In March 2013 we submitted an addendum to the MDP to address our conceptual plans for the addition of year-round improvements, approved by the Enhancement Act. This addendum was accepted in June 2013. A project proposal for, among other things, summer and year-round activities was tentatively accepted by the Forest Service in June 2013.

On August 21, 2012, we received Forest Service approval, in the form of a Record of Decision, of our proposal to develop a portion of Peak 6, which adjoins the Breckenridge Ski Area to the north. A subsequent administrative appeal affirmed the Forest Service's approval. The project was initially proposed in January 2008 and was under Forest Service review from then until approval in August 2012. Construction on the Peak 6 development began in July of 2013. We anticipate Peak 6 to be open and operational during the 2013/2014 ski season.

Keystone Regulatory Matters

In September 2009, the Forest Service accepted the updated Keystone MDP which contemplates, among other things, ski area expansion, construction of new lifts, trails and snowmaking systems, and construction or redevelopment of skier buildings and other facilities. In March 2013 we submitted an addendum to the MDP to address our conceptual plans for the addition of year-round improvements, approved by the Enhancement Act, which was accepted by the Forest Service in early June 2013. A project proposal for, among other things, summer and year-round activities was tentatively accepted by the Forest Service in June 2013.

We submitted to the Forest Service an amended project proposal under the updated Keystone MDP in June 2011. The project proposal focuses primarily on the "front side" of the mountain and includes trail widening, new trails, lift improvements and replacement or upgrade of on-mountain dining and skier service facilities. The Forest Service is finalizing the EA. We anticipate that the Forest Service will issue a decision on this proposal during the 2013/2014 ski season.

Vail Mountain Regulatory Matters

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In September 2007, the updated Vail Mountain MDP was accepted by the Forest Service. The Vail Mountain MDP includes, among other things, additional snowmaking on Vail Mountain, additional lifts, a race facility expansion at Vail's Golden Peak, and the addition of year-round activities and improvements.

In December 2009, the Forest Service issued a Record of Decision approving our first proposal under the updated MDP which included the installation of a new chairlift in Vail's Sundown Bowl, the upgrade of the existing Chair 5 to a high-speed, detachable quad chair lift, a new 6,000 square foot vehicle maintenance facility east of Eagles Nest and construction of a new dining facility at Mid-Vail. The installation and upgrade of Chair 5 was completed in the fall of 2010 and the upgraded chairlift was in service for the 2010/2011 ski season. The 10th, our new Mid-Vail fine dining facility, opened during the 2011/2012 ski season.

In March 2006, the Forest Service approved a proposal to construct a chairlift to service existing and potential future residential and commercial development in the proposed Ever Vail area. However, since receiving approval, we have modified the plans for the chairlift and have requested approval from the Forest Service of the modified plans. We do not know when, or if, we will receive such approval.

In March 2012, the Forest Service approved the replacement of the Vista Bahn Express Lift with a 10-passenger gondola. Construction is complete and the lift was operational for the 2012/2013 ski season.

In July 2012, we submitted to the Forest Service a project proposal under a Categorical Exclusion for construction of capital projects under our Epic Discovery plan. Two challenge courses and a zip line were approved and construction was completed in August 2013.

In addition, in July 2012 we submitted a project proposal to the Forest Service to develop a larger, more comprehensive program of summer activities and environmental education opportunities, including horse, bike and hiking trails, a new deck at Eagles Nest, two canopy tours, two lookout towers, and two “Forest Flyers”. The Forest Service is currently preparing an EIS analyzing the proposal. We anticipate a decision before the summer of 2014.

In December 2012, we submitted a proposal to the Forest Service for the replacement of Chair 4 with a high speed detachable six-person chairlift, which was accepted and approved by the Forest Service. The lift is currently under construction and is expected to be operational for the 2013/2014 ski season.

Beaver Creek Regulatory Matters

The Beaver Creek MDP was accepted by the Forest Service in October 2010. Included in the submitted Beaver Creek MDP, among other things, was certain chairlift and snowmaking upgrades and adjustments to visitor capacity parameters in light of prior lift and trail upgrades contemplated in the MDP.

Also in October 2010, we submitted a project proposal for ski area upgrades required in connection with the 2015 World Alpine Ski Championships, to be held in Beaver Creek and Vail. Upgrades include trail widening and grading, new finish arena facilities, replacement of Red Tail Camp, snowmaking and related infrastructure. The proposal was accepted by the Forest Service, which completed an EIS in May 2012 and issued a Record of Decision approving the project as proposed in early July 2012. Trail construction, widening and snowmaking were completed in 2012. Construction of Red Tail Camp and a new restaurant water tank and system are currently under construction and are expected to be operational for the 2013/2014 ski season.

In December 2012, we submitted a proposal to the Forest Service for the replacement of Chair 6, a new access road, and minor trail modifications related to the 2015 World Alpine Championships. Chair 6 and the trail modifications have been approved. The new access road is still pending approval.

In addition, we plan on constructing a Forest Flyer, a challenge course and summer tubing on private property near the top of the Buckaroo Gondola. We received Beaver Creek Design Review Board approval in July 2013 and are completing the final design. Although the Design Review Board approval remains subject to appeal, we anticipate construction by summer of 2014.

Northstar Regulatory Matters

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

In February 2009, Northstar adopted a Habitat Management Plan (the “HMP”), in part to comply with its obligations under a Settlement Agreement with regional conservation groups entered into in 2005. The HMP provides a framework for habitat and resource management for future development of the Northstar ski area and base area. In 2012, Northstar requested Placer County approval of the Northstar Mountain Master Plan (the “NMMP”) and is pursuing CEQA approval through an Environmental Impact Review process, which provides site specific and programmatic review of potential future resort improvement projects.

During the spring of 2011, Northstar received Placer County approval for an approximately 750 person on-mountain restaurant and additional ski terrain (the “S-Pod”). The S-Pod approval allowed us to develop approximately 70 acres of cleared ski trails, add additional snowmaking and install a new high-speed, four person chairlift to serve the new terrain, located on the backside of Northstar. These projects were completed and opened early in the 2011/2012 ski season. In July 2012, the on-mountain restaurant, the Zephyr Lodge, received LEED certification from the U.S. Green Building Council.

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

Heavenly Regulatory Matters

During the summer of 2007, an amendment to the Heavenly Master Plan (the “Master Plan Amendment”) including new and upgraded trails, lifts, snowmaking, lodges and other facilities was accepted by the Forest Service and approved by the Tahoe Regional Planning Agency (“TRPA”) and the underlying units of local government with jurisdiction. Portions of the Master Plan Amendment applying to the California side of the resort were subject to the approval of TRPA and El Dorado County, which required compliance with CEQA. The Master Plan Amendment was approved by TRPA and El Dorado County after completion of a joint TRPA/Forest Service EIS/EIR to comply with both CEQA and NEPA. Approval of the Master Plan Amendment included approval by TRPA of the Phase I projects contemplated in the Master Plan Amendment.

In September 2011, we submitted a project proposal for, among other things, ski trail improvements, an additional surface lift to serve a terrain park, water wells and other circulation and guest service enhancements. Final approval from the Forest Service and the TRPA were received in 2012 for most project elements. However, the ski trail improvements and the water well were set aside by the Forest Service for additional analysis under NEPA.

In November 2012, we submitted a project proposal to the TRPA and in September 2013, we submitted a project proposal to the Forest Service for additional summer activities to be located at the top of the gondola. In December 2012 and April 2013, those activities were approved for implementation by the TRPA and the Forest Service, respectively, with the exception of a large, monolithic climbing rock. While the NEPA analysis concluded that there were no adverse effects associated with the climbing rock, the Forest Service determined that implementation of the climbing rock must await implementation of the summer activities regulations by the Forest Service. Implementation of the regulations (and subsequently the climbing rock) is expected in 2014.

In June 2013, Heavenly submitted a project proposal to the Forest Service and TRPA to develop a larger, more comprehensive program of summer activities and environmental education opportunities on the upper mountain, which includes canopy tours, hiking and biking trails, Forest Flyers and zip lines, known as Epic Discovery. The Epic Discovery proposal will be analyzed using a focused EIS which is expected to take between 12 and 18 months to complete.

Kirkwood Regulatory Matters

In April 2012, we acquired Kirkwood, which is located in Alpine, Amador and El Dorado Counties, California. Kirkwood has an approved specific plan from Alpine and Amador Counties for the private land base areas and an accepted MDP from the El Dorado National Forest for the National Forest land portions of the resort.

In January 2013, we submitted a project proposal to the Forest Service that included replacement of Chair 4, ski run modifications, development of a new ski patrol building at the top of Chair 10 and the installation of new remote Epic Mix gantries. Of the activities proposed, the new patrol building is being constructed in 2013. The other improvements may be made in the future.

Afton Alps Regulatory Matters

In December 2012, we acquired Afton Alps ski area, located in Washington County, Minnesota. Afton Alps operates as a Planned Unit Development pursuant to a Conditional Use Permit which was most recently approved by Denmark Township on November 5, 2012, and Washington County on January 30, 2013. The ski area is also located within the South Washington Watershed District, which monitors wetlands, water quality, runoff and other watershed issues within the area.

In June and July of 2013, Afton Alps received approval from the county, Denmark Township, the Minnesota Pollution Control Agency, and the South Washington Watershed District for the grading and fill placement of an expanded irrigation reservoir for snowmaking and golf facilities. Approvals include the expansion of the existing reservoir, a new pumping station and fill placement on existing runs and parking lots. Improvements are expected to be operational for the 2013/2014 ski season.

Mt. Brighton Regulatory Matters

In December 2012, we acquired Mt. Brighton ski area in Livingston County, Michigan. Mt. Brighton is located within Genoa Township, Michigan, and is subject to the Genoa Township Zoning Ordinance. The ski area is located within a Public and Recreational Facilities District and operates pursuant to a Special Land Use Permit and various other state and local permits.

In April and May of 2013, we submitted an application for site plan improvements and an Environmental Impact Assessment to Genoa Township. Approval was received from the Planning Commission and from the Township Board in May 2013. The improvements include the installation of two new lifts, relocation of two lifts, trail grading and shaping, storm water improvements, and snowmaking improvements, including new piping, guns and pump station and enhanced slope lighting.

We also received approval and completed the project to fill a portion of an existing golf course pond in order to expand the ski race arena finish area. Improvements are scheduled to be operational for the 2013/2014 ski season.

Canyons Regulatory Matters

In May 2013, we entered into a long-term lease to operate Canyons, located in Summit County, Utah. The resort is part of the Canyons Specially Planned Area (“SPA”) pursuant to a county ordinance adopted in 1998, and a Development Agreement and Master Development Plan with affected property owners, developers and the county, the most recent versions of which were adopted in 1999. Land use within the SPA is within the jurisdiction of Summit County.

GTLC Concession Contract

GTLC operates three lodging properties, food and beverage services, retail, camping and other services within the Grand Teton National Park under a concession contract with the NPS. Our concession contract with the NPS for GTLC expires on December 31, 2021. Upon expiration of the concession contract, we will have to bid against other prospective concessionaires for award of a new contract.

The NPS may suspend operations under the concession contract at any time if the NPS determines it is necessary to protect visitors or resources within the National Park. NPS also has the right to terminate the contract for breach, following notice and a 15 day cure period or if it believes termination is necessary to protect visitors or resources within the National Park.

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

Flagg Ranch Concession Contract

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

Like our GTLC concession contract, the NPS may suspend operations under the concession contract at any time if the NPS determines it is necessary to protect visitors or resources within the National Park. NPS may also terminate the contract for breach, following notice and a 15 day cure period or if it believes termination is necessary to protect visitors or resources within the National Park.

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

Water and Snowmaking

We rely on a supply of water for operation of our ski areas for domestic and snowmaking purposes and for real estate development. Availability of water depends on existence of adequate water rights as well as physical delivery of the water when and where it is needed.

To provide a level of predictability in dates of operation of our ski areas, we rely on snowmaking. Snowmaking requires a significant volume of water, which is viewed as a non-consumptive use - approximately 80% of the water is returned to the watershed at spring runoff.

In Colorado, we own or have ownership interests in water rights in reservoir companies, reservoirs, groundwater wells, and other sources. The primary source of water for Keystone and Breckenridge is the Clinton Reservoir, in which we own a non-controlling interest. For Vail Mountain and Beaver Creek, the primary water source is Eagle Park Reservoir, in which we own a controlling interest. We believe we have rights to sufficient quantities of water for the operation of our four Colorado resorts for the foreseeable future.

Delivery of the water to each resort is typically by stream, from which the water is diverted by us to on-site storage facilities or directly into the snowmaking system. The streams that deliver the water are subject to minimum stream flows, freezing and other limitations that may prevent or reduce the amount of water physically available to the resort.

Unlike our other Colorado resorts, Keystone does not have on-site storage for snowmaking water and may be more vulnerable to interruptions in delivery of constant physical supply of water during high demand snowmaking periods. Although we have not experienced significant issues to date, we continue to look for ways to improve storage and delivery options for Keystone.

Heavenly's primary sources of water are the South Tahoe Public Utility District (“STPUD”) and Kingsbury General Improvement District (“KGID”), which are California and Nevada utilities, respectively. We have negotiated a long term contract with STPUD, which includes favorable rates upon our completion of certain water delivery system improvements. Despite the added security provided by this agreement, the delivery of water by STPUD is interruptible. If STPUD exercises its rights to interrupt Heavenly's water service, Heavenly's ability to make snow may be impaired. In 2012, KGID adopted a new water rate schedule that accounts for Heavenly as a large, seasonal water customer. The new rate schedule, which was based on a cost of service analysis study prepared by an outside consulting firm, has resulted in lowered water rate costs for Heavenly's snowmaking operations. Further, the delivery systems of each utility are limited and may not be able to provide the immediate physical supply of water needed for optimal snowmaking.

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

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

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

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

Available Information

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

ITEM 1A. RISK FACTORS.

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

Risks Related to Our Business

We are subject to the risk of prolonged weakness in general economic conditions including continued adverse effects on the overall travel and leisure related industries. Weak economic conditions currently present or recently present in the United States, Europe and parts of the rest of the world, including high unemployment, erosion of consumer confidence, sovereign debt issues, and financial instability in the global markets, may potentially have negative effects on the travel and leisure industry and on our results of operations. As a result of these and other economic uncertainties, we have experienced and may experience in the future, among other items, a change in booking trends such that guest reservations are made much closer to the actual date of stay, a decrease in the length of stay and a decrease in group bookings. We cannot predict what impact these uncertainties may have on overall travel and leisure or more specifically, on our guest visitation, guest spending or other related trends and the ultimate impact it will have on our future results of operations. The actual or perceived fear of weakness in the economy could also lead to decreased spending by our guests. Skiing, travel and tourism are discretionary recreational activities that can entail a relatively high cost of participation and are adversely affected by economic slowdown or recession. This could further be exacerbated by the fact that we charge some of the highest prices for our lift tickets and ancillary services in the ski industry. In the event of a decrease in visitation and overall guest spending we may be required to offer a higher amount of discounts and incentives than we have historically, which would adversely impact our operating results.

Leisure and business travel are particularly susceptible to various factors outside of our control, including terrorism, the uncertainty of military conflicts, outbreaks of contagious diseases and the cost and availability of travel options. Our business is sensitive to the willingness of our guests to travel. Acts of terrorism, the spread of contagious diseases, political events and developments in military conflicts in areas of the world from which we draw our guests could depress the public's propensity to travel and cause severe disruptions in both domestic and international air travel and consumer discretionary spending, which could reduce the number of visitors to our resorts and have an adverse effect on our results of operations. Many of our guests travel by air and the impact of higher prices for commercial airline services and availability of air services could cause a decrease in visitation by Destination guests to our resorts. Also, many of our guests travel by vehicle and higher gasoline prices could adversely impact our guests' willingness to travel to our resorts. Higher cost of travel may also affect the amount that guests are willing to spend at our resorts and could negatively impact our revenue particularly for lodging, ski school, dining and retail/rental.

Our business is highly seasonal. Our mountain and lodging operations are highly seasonal in nature. In particular, revenue and profits from our mountain and most of our lodging operations are substantially lower and historically result in losses from late spring to late fall. Conversely, peak operating seasons for GTLC and Flagg Ranch and our golf courses occur during the summer months while the winter season generally results in operating losses. Revenue and profits generated by GTLC and Flagg Ranch's summer operations and golf operations are not nearly sufficient to fully offset our off-season losses from our mountain and other lodging operations. For Fiscal 2013, 77% of total combined Mountain and Lodging segment net revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) was earned during our second and third fiscal quarters. This seasonality is partially mitigated by the sale of season passes (which for the 2012/2013 ski season accounted for approximately 38% of the total lift revenue recognized in the second and third quarters) predominately during the period prior to the start of the ski season as the cash from those sales is collected in advance. In addition, the timing of major holidays can impact vacation patterns and therefore visitation at our ski resorts/areas. If we were to experience an adverse event or realize a significant deterioration in our operating results during our peak periods (our fiscal second and third quarters) we would be unable to fully recover any significant declines due to the seasonality of our business. Operating results for any three-month period are not necessarily indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year (see Note 14, Selected Quarterly Financial Data, of the Notes to Consolidated Financial Statements).

In the fall of 2011, the Ski Area Recreational Opportunity Enhancement Act was enacted into law which clarifies that the Forest Service is authorized to permit year-round recreational activities on land owned by the Forest Service. As such, this will allow our ski resorts on Forest Service land to offer more summer-season recreational opportunities. In the summer of 2013, we started construction on the first phase of comprehensive summer activities and we are in various phases of project construction

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and stages of approval. The projects include a number of new activities, including among other activities, zip lines, ropes courses, climbing walls, mountain excursions and Forest Flyers. The first phase of improvements at Vail Mountain which includes two challenge rope courses and a zip line were completed and operational for a portion of the summer of 2013. We anticipate that if our proposed plans are approved and implemented, that once these summer activities mature, we could realize substantial incremental summer guest visitation and revenue. However, our new summer activities plan may not generate the initial projected revenue and profit margins we expect, and even if our plans are successful, we do not expect that these enhanced summer operations will fully mitigate the seasonal losses that our mountain operations experience from late spring to late fall.

We are vulnerable to the risk of unfavorable weather conditions and the impact of natural disasters. Our ability to attract guests to our resorts is influenced by weather conditions and by the amount and timing of snowfall during the ski season. Unfavorable weather conditions can adversely affect skier visits and our revenue and profits. Unseasonably warm weather may result in inadequate natural snowfall and reduce skiable terrain which increases the cost of snowmaking and could render snowmaking wholly or partially ineffective in maintaining quality skiing conditions, including in areas which are not accessible by snowmaking equipment. In addition, a severe and prolonged drought could affect our otherwise adequate snowmaking water supplies or increase the cost of snowmaking. Excessive natural snowfall may materially increase the costs incurred for grooming trails and may also make it difficult for guests to obtain access to our mountain resorts. In the past 20 years, our mountain ski resorts have averaged between 20 and 39 feet of annual snowfall which is significantly in excess of the average for United States ski resorts. However, there can be no certainty that our resorts will receive seasonal snowfalls near their historical average in the future, and in fact, during the recent 2011/2012 ski season we experienced historic low snowfall across all our resorts. The early season snow conditions and skier perceptions of early season snow conditions influence the momentum and success of the overall ski season. Unfavorable weather conditions can adversely affect our resorts and lodging properties as guests tend to delay or postpone vacations if conditions differ from those that typically prevail at such resorts for a given season. There is no way for us to predict future weather patterns or the impact that weather patterns may have on our results of operations or visitation.

A severe natural disaster, such as a forest fire, may interrupt our operations, damage our properties, reduce the number of guests who visit our resorts in affected areas and negatively impact our revenue and profitability. Damage to our properties could take a long time to repair and there is no guarantee that we would have adequate insurance to cover the costs of repair and recoup lost profits. Furthermore, such a disaster may interrupt or impede access to our affected properties or require evacuations and may cause visits to our affected properties to decrease for an indefinite period. The ability to attract visitors to our resorts is also influenced by the aesthetics and natural beauty of the outdoor environment where our resorts are located. A severe forest fire or other severe impacts from naturally occurring events could negatively impact the natural beauty of our resorts and have a long-term negative impact on our overall guest visitation as it would take several years for the environment to recover.

We face significant competition. The ski resort and lodging industries are highly competitive. The number of people who ski in the United States (as measured in skier visits) has generally ranged between 51 million and 61 million annually over the last decade, with approximately 56.9 million visits for the 2012/2013 ski season. The factors that we believe are important to customers include:

- proximity to population centers;
- availability and cost of transportation to ski areas;
- ease of travel to ski areas (including direct flights by major airlines);
- pricing of lift tickets and/or season passes and the magnitude, quality and price of related ancillary services (ski school, dining and retail/rental), amenities and lodging;
- snowmaking facilities;
- type and quality of skiing and snowboarding offered;

- duration of the ski season;
- weather conditions; and
- reputation.

We have many competitors for our guests, including other major resorts in Colorado, California, Nevada, Utah, the Pacific Northwest and Southwest and other major destination ski areas worldwide. Our guests can choose from any of these alternatives, as well as non-skiing vacation options and destinations around the world. In addition, other forms of leisure such as sporting events and participation in other competing indoor and outdoor recreational activities are available to potential guests.

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

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

Our current or future real estate development projects might not be successful. We have completed significant real estate development projects and have preliminary plans for significant future development projects. We could experience significant difficulties in realizing the anticipated financial benefits on completed projects or in initiating or completing future projects, due to among other things:

- sustained deterioration in real estate markets;
- difficulty in selling units or the ability of buyers to obtain necessary funds to close on units;
- escalation in construction costs due to price increases in commodities, unforeseen conditions, inadequate design or drawings, or other causes;
- work stoppages;
- weather interferences;
- shortages in obtaining materials;
- difficulty in financing real estate development projects;
- difficulty in receiving the necessary regulatory approvals;
- difficulty in obtaining qualified contractors or subcontractors; and
- unanticipated incremental remediation costs related to design and construction issues.

Our real estate development projects are designed to make our resorts attractive to our guests and to maintain competitiveness. If these projects are not successful, in addition to not realizing intended profits from the real estate developments, our guests may choose to go to other resorts that they perceive have better amenities.

There are significant risks associated with our recently completed real estate projects, which could adversely affect our financial condition, results of operations or anticipated cash inflows from these projects as we have units remaining that have not been sold. For example, in the event that the carrying cost of the remaining units available for sale exceeds anticipated future proceeds from the sale of these units, we would be required to record an impairment charge. During fiscal 2011, we completed The Ritz-Carlton Residences, Vail and in fiscal 2010 we completed One Ski Hill Place at the base of our Breckenridge ski resort, of which 51 units with a carrying cost of $93.6 million remain to be sold for both projects as of July 31, 2013. We have risk associated with selling and closing units in these projects as a result of the continued instability in the residential real estate credit markets and in the overall real estate market and, as a result we may not be able to sell units for a profit or at the prices or selling pace we anticipate. Furthermore, given the current economic climate, certain potential buyers may be unable to purchase units in part due to a reduction in funds available and/or decreases in mortgage availability.

We may not be able to fund resort capital expenditures and investment in future real estate projects. We anticipate that resort capital expenditures (primarily related to the Mountain and Lodging segments) will be approximately $130 million to $140 million for calendar year 2013. Additionally, our resort capital expenditures beyond calendar year 2013 could increase in connection with acquisitions and from, among other initiatives, anticipated new summer activities plans. Our ability to fund expenditures will depend on our ability to generate sufficient cash flow from operations and/or to borrow from third parties. We cannot provide assurances that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. In addition, there can be no assurances that future real estate development projects (currently no significant development efforts are in progress) can be self-funded with cash available on hand, through advance pre-sale deposits or through third party real estate financing. Our ability to generate cash flow and to obtain third-party financing will depend upon many factors, including:

- our future operating performance;
- general economic conditions and economic conditions affecting the resort industry, the ski industry and the general capital markets;
- competition;
- legislative and regulatory matters affecting our operations and business; and
- our ability to meet our pre-sell targets on our future vertical real estate development projects;

We could finance future expenditures from any combination of the following sources:

- cash flow from operations;
- construction financing, including non-recourse or other financing;
- bank borrowings;
- public offerings of debt or equity; and
- private placements of debt or equity.

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

We rely on government permits and landlord approvals.  Our resort operations require permits and approvals from certain Federal, state, and local authorities, including the Forest Service and U.S. Army Corps of Engineers. Virtually all of our ski trails and related activities at Vail Mountain, Breckenridge, Keystone, Heavenly, Kirkwood and a majority of Beaver Creek are located on National Forest land. The Forest Service has granted us permits to use these lands, but maintains the right to review and approve many operational matters, as well as the location, design and construction of improvements in these areas. Currently, our permits expire December 31, 2029 for Breckenridge, December 1, 2031 for Vail Mountain, December 31, 2032 for Keystone, November 8, 2039 for Beaver Creek, May 1, 2042 for Heavenly, and March 1, 2052 for Kirkwood. The Forest Service can terminate or amend these permits if, in its opinion, such termination is required in the public interest. A termination or amendment of any of our permits could have a materially adverse effect on our business and operations. In order to undertake improvements and new development, we must apply for permits and other approvals. These efforts, if unsuccessful, could impact our expansion efforts. Furthermore, Congress may materially increase the fees we pay to the Forest Service for use of these National Forest lands. The Forest Service is in the process of developing SUP language to enforce its policy with regard to ownership of water used within ski area SUP boundaries.  Once the new SUP language is finalized, the Forest Service will have the right to amend our existing SUPs to include this new language. The new permit language may substantially impair the value of or our ability to fully use existing water rights at Breckenridge, Vail Mountain, Keystone, Beaver Creek or Heavenly and may make it difficult to acquire new sources of water in the future. Additionally, our operations at Northstar and Canyons are conducted pursuant to long-term leases with third parties which require us to operate the resorts in accordance with the terms of the leases and seek certain approvals from the respective landlords for improvements made to the resorts. The initial lease term for Northstar with affiliates of CNL Lifestyle Properties, Inc. expires in January 2027, and allows for three 10-year renewal options. We entered into a transaction agreement, master lease agreement and ancillary transaction documents with affiliate companies of Talisker Corporation ("Talisker"), the initial lease term for Canyons with Talisker expires in May 2063, and allows for six 50-year renewal options. With respect to either Northstar or Canyons, there is no guarantee that at the end of the initial lease terms we will renew or, if desired, be able to negotiate new terms that are favorable to us. At our resorts that operate on privately-owned land, Northstar, Canyons, Afton Alps and Mt. Brighton, and at the portions of our other resorts that operate on private land, we are subject to local land use regulation and oversight by county and/or town government and may not be able to obtain the requisite approvals needed for resort improvements or expansions.

We are subject to extensive environmental laws and regulations in the ordinary course of business. Our operations are subject to a variety of Federal, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. For example, future expansions of certain of our ski facilities must comply with applicable forest plans approved under the National Forest Management Act, state and federal wildlife protection laws or local zoning requirements. In addition, most projects to improve, upgrade or expand our ski areas are subject to environmental review under the NEPA and, for California projects at Heavenly, Kirkwood and Northstar, the CEQA. Both acts require that the Forest Service, or other governmental entities, study any proposal for potential environmental impacts and include in its analysis various alternatives. Our ski area improvement proposals may not be approved or may be approved with modifications that substantially increase the cost or decrease the desirability of implementing the project. Our facilities are subject to risks associated with mold and other indoor building contaminants. From time to time our operations are subject to inspections by environmental regulators or other regulatory agencies. We are also subject to worker health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements.

However, our efforts to comply do not eliminate the risk that we may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties we now or formerly owned or operated, newly discovered environmental impacts or contamination at or from any of our properties, or changes in environmental laws and regulations or their enforcement.

We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to adapt to technological developments or industry trends could harm our business. We depend on the use of sophisticated information technology and systems, including technology and systems used for central reservations, point of sale, procurement, administration and technologies we make available to our guests. We must continuously improve and upgrade our systems and infrastructure to offer enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our infrastructure to meet rapidly evolving consumer trends and demands and to respond to competitive service and product offerings.

In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Delays or difficulties in implementing new or enhanced systems may keep us from achieving the desired results in a timely manner, to the extent anticipated, or at all. Any interruptions, outages or delays in our systems, or deterioration in their performance, could impair our ability to process transactions and could decrease our quality of service that we offer to our guests. Also, we may be unable to devote financial resources to new technologies and systems in the future. If any of these events occur, our business and financial performance could suffer.

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

We are subject to litigation in the ordinary course of business. We are, from time to time, subject to various asserted or unasserted legal proceedings and claims. Any such claims, regardless of merit, could be time consuming and expensive to defend and could divert management's attention and resources. While we believe we have adequate insurance coverage and/or accrue for loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations. For a more detailed discussion of our legal proceedings see Legal Proceedings under Item 3 and Note 12, Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

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

We depend on a seasonal workforce. Our mountain and lodging operations are highly dependent on a large seasonal workforce. We recruit year-round to fill thousands of seasonal staffing needs each season and work to manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. We cannot guarantee that material increases in the cost of securing our seasonal workforce will not be necessary in the future. Furthermore, we cannot guarantee that we will be able to recruit and hire adequate seasonal personnel as the business requires. Increased seasonal wages or an inadequate workforce could have an adverse impact on our results of operations.

If we do not retain our key personnel, our business may suffer.  The success of our business is heavily dependent on the leadership of key management personnel, including our senior executive officers. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed. As previously disclosed, our Executive Vice President and General Counsel has announced her resignation to be effective upon the hiring of her successor. We are currently conducting a search for a new General Counsel. We do not maintain “key-man” life insurance on any of our employees.

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

- our evaluation of the synergies and/or long-term benefits of an acquired business;
- our inability to integrate acquired businesses into our operations as planned;
- diversion of our management's attention;
- potential increased debt leverage;
- litigation arising from acquisition activity;
- potential goodwill impairments; and
- unanticipated problems or liabilities.

In addition, we run the risk that any new acquisitions may fail to perform in accordance with expectations, and that estimates of the costs of improvements for such properties may prove inaccurate.

We may not realize the anticipated benefits of our long-term lease for Canyons.  In May 2013, we entered into a long-term lease pursuant to which we assumed the operations of Canyons which includes the ski area and related amenities. The lease has an initial term of 50 years with six 50-year renewal options. The lease provides for $25 million in annual fixed payments, which increase each year by an inflation linked index of CPI less 1%, with a floor of 2% per annum. In addition, the lease includes participating contingent payments of 42% of the amount by which EBITDA for the resort operations exceeds approximately $35 million, with such threshold amount increased by an inflation linked index and a 10% adjustment for any capital improvements or investments made under the lease by us.

In addition to the lease, we entered into ancillary transaction documents setting forth our rights among others, to ongoing litigation between the current operator of Park City Mountain Resort and Talisker related to the validity of a lease of the Talisker owned land under the ski terrain of Park City Mountain Resort. If the outcome of the litigation is favorable to Talisker, the land under the ski terrain of Park City Mountain Resort will become subject to our lease with Talisker. If the outcome of the litigation is unfavorable, we will be entitled to receive from Talisker the rent payments that Talisker receives from the current resort operator until such time as the current resort operator's lease has ended and the ski terrain under Park City Mountain Resort is then included in the lease. For a more detailed discussion of this litigation, see Legal Proceedings under Item 3 of this Form 10-K. If the litigation associated with the land under the ski terrain of Park City Mountain resort results in an unfavorable outcome, it could result in a material impairment charge attributable to goodwill, certain indefinite-lived intangible assets and/or other assets recorded in conjunction with the Canyons transaction, negatively impacting our results of operations and stockholders' equity.

We cannot predict whether we will realize all of the synergies we expect to arise from our operation of Canyons, nor can we predict the outcome of the ongoing litigation surrounding the land under the ski terrain of Park City Mountain Resort. We may also underestimate the resources required to integrate its operations and we are unable to predict the impact Canyons will have on our future results of operations. Additionally, as lease payments increase annually, we may also be adversely impacted by these increases that are not off-set by increased cash flow generated from operations at Canyons.

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

We are subject to accounting regulations and use certain accounting estimates and judgments that may differ significantly from actual results. Implementation of existing and future legislation, rulings, standards and interpretations from the FASB or other regulatory bodies could affect the presentation of our financial statements and related disclosures. Future regulatory requirements could significantly change our current accounting practices and disclosures. Such changes in the presentation of our financial statements and related disclosures could change an investor's interpretation or perception of our financial position and results of operations.

We use many methods, estimates and judgments in applying our accounting policies (see Critical Accounting Policies in Item 7 of this Form 10-K). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations.

Risks Relating to Our Capital Structure

Our stock price is highly volatile. The market price of our stock is highly volatile and subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

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

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

We cannot provide assurance that we will continue to increase dividend payments and/or pay dividends.

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 of $0.60 per share, subject to quarterly declaration. On March 5, 2012 our Board of Directors approved a 25% increase to the annual cash dividend to an annual rate of $0.75 per share, subject to quarterly declaration. On March 4, 2013 our Board of Directors approved an increase of approximately 11% to the annual cash dividend to an annual rate of $0.83 per share, subject to quarterly declaration. This dividend is anticipated to be funded through cash flow from operations and available cash on hand. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of dividends is subject to the discretion of our Board of Directors, and is limited by applicable state law concepts of available funds for distribution as well as contractual restrictions. As a result, the amount, if any, of the dividends to be paid in the future will depend upon a number of factors, including our available cash on hand, anticipated cash needs, overall financial condition, restrictions contained in our senior credit facility, the Fifth Amended and Restated Credit Agreement, as amended, among us, Bank of America, N.A., as administrative agent, and the Lenders party thereto ("Credit Agreement") and the Indenture, dated April 25, 2011 among us, the guarantors therein and The Bank of New York Mellon Trust Company, N.A., as Trustee ("Indenture"), governing our 6.50% Senior Subordinated Notes due 2019 ("6.50% Notes"), any future contractual restrictions, future prospects for earnings and cash flows, as well as other factors considered relevant by our

Board of Directors. In addition, our Board of Directors may also suspend the payment of dividends at any time if it deems such action to be in the best interests of the Company and its stockholders. If we do not pay dividends, the price of our common stock must appreciate for investors to realize a gain on their investment in Vail Resorts, Inc. This appreciation may not occur and our stock may in fact depreciate in value.

Anti-takeover provisions affecting us could prevent or delay a change of control that is beneficial to our stockholders. Provisions of our certificate of incorporation and bylaws, provisions of our debt instruments and other agreements and provisions of applicable Delaware law and applicable Federal and state regulations may discourage, delay or prevent a merger or other change of control that holders of our securities may consider favorable. These provisions could:

- delay, defer or prevent a change in control of our company;
- discourage bids for our securities at a premium over the market price;
- adversely affect the market price of, and the voting and other rights of the holders of our securities; or
- impede the ability of the holders of our securities to change our management.

Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations. Our level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, including the annual fixed lease payments under the Canyons obligation, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, real estate developments, marketing efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

We may be able to incur substantial additional indebtedness in the future. The terms of our Indenture do not fully prohibit us from doing so. As of July 31, 2013, we have $333.8 million available under the revolver component of our Credit Agreement (which represents the total commitment of $400.0 million less certain letters of credit outstanding of $66.2 million). If new debt is added to our current debt levels, the related risks that we face could intensify.

There are restrictions imposed by the terms of our indebtedness. The operating and financial restrictions and covenants in our Credit Agreement and Indenture may adversely affect our ability to finance future operations or capital needs or to engage in other business activities and strategic initiatives that may be in our long-term best interests. For example, the Indenture and the Credit Agreement contain a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

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

- make capital expenditures.

In addition, there can be no assurance that we will meet the financial covenants contained in our Credit Agreement. If we breach any of these restrictions or covenants, or suffer a material adverse change which restricts our borrowing ability under our Credit Agreement, we would not be able to borrow funds thereunder without a waiver. Any inability to borrow could have an adverse effect on our business, financial condition and results of operations. In addition, a breach, if uncured, could cause a default under the Indenture and our other debt. Our indebtedness may then become immediately due and payable. We may not have or be able to obtain sufficient funds to make these accelerated payments, including payments on the 6.50% Notes.

ITEM 1B. UNRESOLVED STAFF COMMENTS.
None.

ITEM 2. PROPERTIES.

The following table sets forth the principal properties that we own or lease for use in our operations:

| Location | Ownership | Use |
|---|---|---|
| Afton Alps, MN (296 acres) | Owned | Ski resort operations, including ski lifts, ski trails, golf course, clubhouse, buildings, commercial space and other improvements |
| Arrowhead Mountain, CO | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management and commercial space |
| BC Housing Riveredge, CO | 26% Owned | Employee housing facilities |
| Bachelor Gulch Village, CO | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management and commercial space |
| Beaver Creek Resort, CO | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management, commercial space and real estate held for sale or development |
| Beaver Creek Mountain, CO (3,849 acres) | SUP | Ski trails, ski lifts, buildings and other improvements |
| Beaver Creek Mountain Resort, CO | Owned | Golf course, clubhouse, commercial space and residential condominium units |
| Breckenridge Ski Resort, CO | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management, commercial space and real estate held for sale or development |
| Breckenridge Mountain, CO (5,702 acres) | SUP | Ski trails, ski lifts, buildings and other improvements |
| Breckenridge Terrace, CO | 50% Owned | Employee housing facilities |
| Broomfield, CO | Leased | Corporate offices |
| Canyons Resort, UT (6,100 acres) | Leased * | Ski resort operations, including ski lifts, ski trails, buildings, commercial space, dining facilities, property management, conference facilities and other improvements |
| Colter Bay Village, WY | Concessionaire contract | Lodging and dining facilities |
| Eagle-Vail, CO | Owned | Warehouse facility |
| Edwards, CO | Leased | Administrative offices |
| DoubleTree by Hilton Breckenridge, CO | Owned | Lodging, dining and conference facilities |
| Headwaters Lodge & Cabins, WY | Concessionaire contract | Lodging and dining facilities |
| Heavenly Mountain Resort, CA & NV | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements and commercial space |
| Heavenly Mountain, CA & NV (7,050 acres) | SUP | Ski trails, ski lifts, buildings and other improvements |

| | | |
|---|---|---|
| Inn at Keystone, CO | Owned | Lodging, dining and conference facilities |
| Jackson Hole Golf & Tennis Club, WY | Owned | Golf course, clubhouse, tennis facilities, dining and real estate held for sale or development |
| Jackson Lake Lodge, WY | Concessionaire contract | Lodging, dining and conference facilities |
| Jenny Lake Lodge, WY | Concessionaire contract | Lodging and dining facilities |

| | | |
|---|---|---|
| Keystone Conference Center, CO | Owned | Conference facility |
| Keystone Lodge, CO | Owned | Lodging, spa, dining and conference facilities |
| Keystone Resort, CO | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, commercial space, property management, dining and real estate held for sale or development |
| Keystone Mountain, CO (8,376 acres) | SUP | Ski trails, ski lifts, buildings and other improvements |
| Keystone Ranch, CO | Owned | Golf course, clubhouse and dining facilities |
| Kirkwood Mountain Resort, CA | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management and commercial space |
| Kirkwood Mountain, CA (2,330 acres) | SUP | Ski trails, ski lifts, buildings and other improvements |
| Mt. Brighton, MI (193 acres) | Owned | Ski resort operations, including ski lifts, ski trails, golf course, clubhouse, buildings, commercial space and other improvements |
| Northstar California Resort, CA** (7,200 acres) | Leased | Ski trails, ski lifts, golf course, commercial space, dining facilities, buildings and other improvements |
| Northstar Village, CA** | Leased | Commercial space, ski resort operations, dining facilities, buildings, property management and other improvements |
| Red Cliffs Lodge, CA | Leased | Dining facilities, ski resort operations, commercial space, administrative offices |
| Red Sky Ranch, CO | Owned | Golf courses, clubhouses, dining facilities and real estate held for sale or development |
| River Course at Keystone, CO | Owned | Golf course and clubhouse |
| Seasons at Avon, CO | Leased/50% Owned | Administrative offices, commercial space |
| SSI Venture, LLC (“SSV”) Properties; CO, CA, NV, UT, MN & WI | Owned/Leased | Approximately 180 retail stores (of which 118 stores are currently held under lease) for recreational products, and 4 leased warehouses |
| Ski Tip Lodge, CO | Owned | Lodging and dining facilities |
| The Arrabelle at Vail Square, CO | Owned | Lodging, spa, dining and conference facilities |
| The Lodge at Vail, CO | Owned | Lodging, spa, dining and conference facilities |
| The Osprey at Beaver Creek, CO | Owned | Lodging, dining and conference facilities |
| The Tarnes at Beaver Creek, CO | 31% Owned | Employee housing facilities |
| Tenderfoot Housing, CO | 50% Owned | Employee housing facilities |
| The Pines Lodge at Beaver Creek, CO | Owned | Lodging, dining and conference facilities |
| The Village Hotel, Breckenridge, CO | Owned | Lodging, dining, conference facilities and commercial space |
| Vail Mountain, CO | Owned | Ski resort operations, including ski lifts, ski trails, buildings and other improvements, property management, commercial space and real estate held for sale or development |
| Vail Mountain, CO (12,353 acres) | SUP | Ski trails, ski lifts, buildings and other improvements |

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

* The operations of Canyons are conducted pursuant to a long-term lease on land and with certain operating assets owned by Talisker. The lease provides for the payment of a minimum annual base rent with periodic increases in base rent over the lease term and participating contingent payments of a percentage of the amount by which EBITDA for resort operations exceeds certain thresholds, also subject to periodic increases over the lease term. The initial term of the lease expires in fiscal 2063 and

is subject to six 50-year renewal options. Additionally, in connection with the lease, we entered into certain ancillary agreements with third parties, including leases and easements, allowing for various resort operations.

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

ITEM 3. LEGAL PROCEEDINGS.

We are a party to various lawsuits arising in the ordinary course of business. We believe that we have adequate insurance coverage and/or have accrued for loss contingencies for all known matters and that, although the ultimate outcome of such claims cannot be ascertained, current pending and threatened claims are not expected to have a material, individually and in the aggregate, adverse impact on our financial position, results of operations and cash flows.

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 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. However, at this point, the District Court proceedings have been continued pending on-going settlement discussions between the parties.

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. The trial date for the Tax Court proceedings has been continued pending on-going settlement discussions between the parties.

PCMR Litigation

On May 29, 2013, in connection with our lease for Canyons Resort, we also assumed control over Talisker's ongoing litigation with the current Park City Mountain Resort ("PCMR") operator related to the validity of one or more leases of the Talisker owned land under the majority of the ski terrain of PCMR (the "PCMR litigation"). If the PCMR litigation concludes with a finding that the leases are not valid, the land under the ski terrain of PCMR previously subject to those leases will become subject to our existing lease for Canyons Resort. If the PCMR litigation concludes with a finding that the leases are valid, we will be entitled to receive from the landlord the rent payments it receives from the current PCMR operator until such time as the current PCMR operator's lease has ended and the ski terrain under PCMR is then included in our lease.

The PCMR litigation was instituted on March 9, 2012 in the Third Judicial District Court in Summit County, Utah by Greater Park City Company and Greater Properties, Inc. (collectively, "GPCC") against United Park City Mines Company and Talisker Land Holdings, LLC (collectively, "TLH"). GPCC filed the PCMR litigation seeking, among other things, a declaration from the court that they had properly extended the leases or that the leases have not expired based on theories of waiver or equitable estoppel. In the alternative, GPCC seeks damages of approximately $7.0 million caused by TLH's alleged failure to disclose to GPCC until December 2011 that the leases had expired. On November 20, 2012, the Court ruled on a motion to dismiss filed by TLH, dismissing GPCC's claim that they had properly extended the leases in accordance with their terms. The remaining claims are currently in discovery.

On September 18, 2013, the Court granted GPCC's motion to amend to add a claim based upon a right of first refusal to purchase certain land covered by the leases, which they claim may have been triggered by our transaction with Talisker and/or by another transaction in which Talisker was involved. GPCC has been ordered to join other parties to this claim whose interests may be impacted, including VR CPC Holdings, Inc., a subsidiary of the Company.
There is no trial date currently set.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Market Information and Dividend Policy

Our common stock is traded on the New York Stock Exchange under the symbol "MTN." As of September 20, 2013, 35,964,133 shares of common stock were outstanding, held by approximately 335 holders of record.

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

| Quarter Ended | Market Price Per Share | | Cash Dividends Declared |
|---|---|---|---|
| | High | Low | Per Share |
| Fiscal Year 2013 | | | |
| October 31, | $59.49 | $48.65 | $0.1875 |
| January 31, | $58.40 | $49.35 | $0.1875 |
| April 30, | $64.33 | $52.66 | $0.2075 |
| July 31, | $67.74 | $59.17 | $0.2075 |
| Fiscal Year 2012 | | | |
| October 31, | $48.13 | $34.54 | $0.15 |
| January 31, | $46.96 | $37.54 | $0.15 |
| April 30, | $46.75 | $39.94 | $0.1875 |
| July 31, | $51.00 | $40.30 | $0.1875 |

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 of $0.60 per share, subject to quarterly declaration. On March 5, 2012 the Company's Board of Directors approved a 25% increase to the annual cash dividend to an annual rate of $0.75 per share, subject to quarterly declaration. Additionally, on March 4, 2013, our Board of Directors approved an increase of approximately 11% to our annual cash dividend to an annual rate of $0.83 per share, subject to quarterly declaration. This dividend is anticipated to be funded through cash flow from operations and available cash on hand. Subject to the discretion of our Board of Directors, applicable law and contractual restrictions, we anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our available cash on hand, anticipated cash needs, overall financial condition, restrictions contained in our Credit Agreement and the Indenture, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

Repurchase of Equity Securities

The following table sets forth our purchases of shares of our common stock during the fourth quarter of Fiscal 2013:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| May 1, 2013 – May 31, 2013 | — | $— | — | 1,050,889 |
| June 1, 2013 – June 30, 2013 | — | — | — | 1,050,889 |
| July 1, 2013 – July 31, 2013 | — | — | — | 1,050,889 |

| | | | | |
|---|---|---|---|---|
| Total | — | $— | — | 1,050,889 |

(1) The share repurchase program is conducted under authorizations made from time to time by our Board of Directors. The Board of Directors initially authorized the repurchase of up to 3,000,000 shares of common stock

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(March 9, 2006), and later authorized additional repurchases of up to 3,000,000 additional shares (July 16, 2008). Repurchases under these authorizations may be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. These authorizations have no expiration date.

Performance Graph

The total return graph above is presented for the period from the end of our 2008 fiscal year through the end of Fiscal 2013. The comparison assumes that $100 was invested at the beginning of the period in our common stock (“MTN”), The Russell 2000, The Standard & Poor’s 500 Stock Index and the Dow Jones U.S. Travel and Leisure Stock Index. We included the Dow Jones U.S. Travel and Leisure Index as we believe we compete in the travel and leisure industry.

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

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected historical consolidated financial data derived from our Consolidated Financial Statements for the periods indicated. The financial data for Fiscal 2013, the year ended July 31, 2012 (“Fiscal 2012”) and the year ended July 31, 2011 (“Fiscal 2011”) and as of July 31, 2013 and 2012 should be read in conjunction with the Consolidated Financial Statements, related notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Form 10-K. The table presented below is unaudited. The data presented below are in thousands, except for diluted net income per share attributable to Vail Resorts, Inc., cash dividends declared per share, effective ticket price (“ETP”), ADR and RevPAR amounts.

| | Year Ended July 31, 2013[1] | 2012[1] | 2011[1] | 2010[1] | 2009[1] |
|---|---|---|---|---|---|
| Statement of Operations Data: | | | | | |
| Net revenue: | | | | | |
| Mountain | $867,514 | $766,608 | $752,191 | $638,495 | $614,597 |
| Lodging | 210,974 | 210,623 | 214,658 | 195,301 | 203,606 |
| Real estate | 42,309 | 47,163 | 200,197 | 61,007 | 186,150 |
| Total net revenue | 1,120,797 | 1,024,394 | 1,167,046 | 894,803 | 1,004,353 |
| Segment operating expense: | | | | | |
| Mountain | 639,706 | 568,578 | 540,366 | 456,017 | 451,025 |
| Lodging | 198,813 | 204,270 | 205,903 | 192,909 | 196,847 |
| Real estate | 58,090 | 63,170 | 205,232 | 71,402 | 142,070 |
| Total segment operating expense | 896,609 | 836,018 | 951,501 | 720,328 | 789,942 |
| Depreciation and amortization | (132,688) | (127,581) | (117,957) | (110,638) | (107,213) |
| Gain on sale of real property | 6,675 | — | — | 6,087 | — |
| Mountain equity investment income, net | 891 | 878 | 1,342 | 1,558 | 817 |
| Investment income, net | 351 | 469 | 719 | 445 | 1,793 |
| Interest expense, net | (38,966) | (33,586) | (33,641) | (17,515) | (27,548) |
| Loss on extinguishment of debt | — | — | (7,372) | — | — |
| Income before provision for income taxes | 59,229 | 27,092 | 55,520 | 53,797 | 81,196 |
| Net income | 37,610 | 16,391 | 34,422 | 35,775 | 50,552 |
| Net loss (income) attributable to noncontrolling interests | 133 | 62 | 67 | (5,390) | (1,602) |
| Net income attributable to Vail Resorts, Inc. | $37,743 | $16,453 | $34,489 | $30,385 | $48,950 |
| Diluted net income per share attributable to Vail Resorts, Inc. | $1.03 | $0.45 | $0.94 | $0.83 | $1.33 |
| Cash dividends declared per share | $0.79 | $0.675 | $0.15 | $— | $— |
| Other Data: | | | | | |
| Mountain | | | | | |
| Skier visits[2] | 6,977 | 6,144 | 6,991 | 6,010 | 5,864 |
| ETP [3] | $56.02 | $55.75 | $48.99 | $48.13 | $47.16 |
| Lodging | | | | | |
| ADR[4] | $264.36 | $260.04 | $245.03 | $237.57 | $230.48 |
| RevPAR[5] | $96.14 | $90.36 | $93.79 | $89.35 | $98.92 |
| Real Estate | | | | | |
| Real estate held for sale and investment[6] | $195,230 | $237,668 | $273,663 | $422,164 | $311,485 |
| Other Balance Sheet Data | | | | | |
| Cash and cash equivalents[7] | $138,604 | $46,053 | $70,143 | $14,745 | $69,298 |
| Total assets | $2,275,422 | $1,927,614 | $1,946,236 | $1,922,809 | $1,884,480 |
| Long-term debt (including long-term debt due within one year) | $796,922 | $490,765 | $491,743 | $526,711 | $491,960 |
| Net Debt[8] | $658,318 | $444,712 | $421,600 | $511,966 | $422,662 |
| Total Vail Resorts, Inc. stockholders' equity | $823,868 | $802,311 | $829,723 | $788,770 | $765,295 |

(footnotes to selected financial data appear on following page)

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Footnotes to Selected Financial Data:

(1) We have made several acquisitions which impact comparability between years during the past five years. The more significant of those include the acquisitions of: Canyons transaction (entered into in May 2013); Urban ski areas (acquired in December 2012); Kirkwood Mountain Resort (acquired in April 2012); Skiinfo (acquired February 2012); Northstar (acquired in October 2010); Mountain News Corporation ("Mountain News") (acquired May 2010); the remaining noncontrolling interest in SSV (acquired in April 2010); and CME (acquired in November 2008).

(2) A skier visit represents a person utilizing a ticket or pass to access a mountain resort for any part of one day, and includes both paid and complimentary access.

(3) ETP is calculated by dividing lift revenue by total skier visits during the respective periods.

(4) ADR is calculated by dividing total room revenue (includes both owned and managed condominium room revenue) by the number of occupied rooms during the respective periods.

(5) RevPAR is calculated by dividing total room revenue (includes both owned and managed condominium room revenue) by the number of rooms that are available to guests during the respective periods.

(6) Real estate held for sale and investment includes all land, development costs and other improvements associated with real estate held for sale and investment.

(7) Cash and cash equivalents excludes restricted cash.

(8) Net Debt is defined as long-term debt plus long-term debt due within one year less cash and cash equivalents.

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

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

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

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

### Overview

Our operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. Resort is the combination of the Mountain and Lodging segments. Revenue from the Mountain, Lodging and Real Estate segments represented 77%, 19% and 4%, respectively, of our net revenue for Fiscal 2013.

### Mountain Segment

The Mountain segment is comprised of the operations of eight ski resort properties at the Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado ("Colorado" resorts); the Heavenly, Northstar and Kirkwood mountain resorts in the Lake Tahoe area of California and Nevada ("Tahoe" resorts); the Canyons mountain resort in Park City, Utah (acquired in May 2013); and the ski areas of Afton Alps in Minnesota and Mount Brighton in Michigan (both acquired in December 2012) ("Urban" ski areas); as well as ancillary services, primarily including ski school, dining and retail/rental operations. Our mountain ski resorts were open for business for the 2012/2013 ski season primarily from mid-November through mid-April, which is the peak operating season for the Mountain segment. Our single largest source of Mountain segment revenue is the sale of lift tickets (including season passes), which represented approximately 45%, 45% and 46% of Mountain segment net revenue for Fiscal 2013, Fiscal 2012 and Fiscal 2011, respectively.

Lift revenue is driven by volume and pricing. Pricing is impacted by both absolute pricing as well as the demographic mix of guests, which impacts the price points at which various products are purchased. The demographic mix of guests is divided into two primary categories: (1) out-of-state and international ("Destination") guests and (2) in-state and local ("In-State") guests. For the 2012/2013 ski season, Destination guests comprised approximately 56% of our mountain resort skier visits, while In-State guests comprised approximately 44% of our mountain resort skier visits, which compares to approximately 57% and 43%, respectively, for the 2011/2012 and 2010/11 ski seasons.

Destination guests generally purchase our higher-priced lift ticket products and utilize more ancillary services such as ski school, dining and retail/rental, as well as lodging at or around our resorts. Destination guest visitation is less likely to be impacted by changes in the weather, but can be more impacted by adverse economic conditions or the global geopolitical climate. In-State guests tend to be more value-oriented and weather sensitive. We offer a variety of season pass products for all of our ski resorts/ski areas, marketed towards both Destination and In-State guests. Our season pass product offerings range from providing access to a combination of our resorts to our Epic Season Pass that allows pass holders unlimited and unrestricted access to all of our ski resorts and Urban ski areas. Our season pass products provide a value option to our guests,



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which in turn assists us in developing a loyal base of customers who commit to ski at our resorts/areas generally in advance of the ski season and typically ski more days each season at our resorts/areas than those guests who do not buy season passes. As such, our season pass program drives strong customer loyalty; mitigates exposure to many weather sensitive guests; and generates additional ancillary spending. In addition, our season pass products attract new guests to our resorts/areas. All of our season pass products, including the Epic Season Pass, are predominately sold prior to the start of the ski season. Season pass revenue, although primarily collected prior to the ski season, is recognized in the Consolidated Statement of Operations ratably over the ski season. For the 2012/2013, 2011/2012 and 2010/2011 ski seasons, approximately 38%, 40% and 35%, respectively, of total lift revenue recognized was derived from season pass revenue.

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

Lodging Segment

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

The performance of lodging properties (including managed condominium rooms) proximate to our ski resorts, and CME, is closely aligned with the performance of the Mountain segment and generally experiences similar seasonal trends, particularly with respect to visitation by Destination guests, and represented approximately 67%, 66% and 67% of Lodging segment net revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) for Fiscal 2013, Fiscal 2012 and Fiscal 2011, respectively. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursements and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense have no effect on our Lodging Reported EBITDA which we use to evaluate Lodging segment performance. Revenue of the Lodging segment during our first and fourth fiscal quarters is generated primarily by the operations of our NPS concessionaire properties (as their operating season generally occurs from mid-May to mid-October); mountain resort golf operations and seasonally low operations from our other owned and managed properties and businesses.

Real Estate Segment

The Real Estate segment owns and develops real estate in and around our resort communities and primarily engages in vertical development of projects, as well as occasional sales of land to third-party developers. Currently, the principal activities of our Real Estate segment include the marketing and selling of remaining condominium units that are available for sale, sale of strategic land parcels, 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 associated with 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

The data provided in this section should be read in conjunction with the risk factors identified in Item 1A and elsewhere in this Form 10-K. We have identified the following important factors (as well as uncertainties associated with such factors) that could impact our future financial performance:

- The timing and amount of snowfall can have an impact on Mountain and Lodging revenue particularly in regards to skier visits and the duration and frequency of guest visitation. To help mitigate this impact, we sell a variety of season pass products prior to the beginning of the ski season resulting in a more stabilized stream of lift revenue. Additionally, our season pass products provide a value option to our guests, which in turn creates a guest commitment predominantly prior to the start of the ski season. In March 2013, we began our pre-season pass sales program for the 2013/2014 ski season. Through September 22, 2013, our pre-season pass sales for the upcoming 2013/2014 ski season (including the Urban ski areas and Canyons for both the current and prior year, which prior year includes pass sales that occurred before our acquisition of the Urban ski areas and the Canyons transaction) have increased approximately 19% in units and increased approximately 23% in sales dollars, compared to the prior year period ended September 23, 2012. We cannot predict if this favorable trend will continue through the fall 2013 pass sales campaign, nor can we predict the overall impact that season pass sales will have on lift revenue for the 2013/2014 ski season.

- In Fiscal 2013, our lift revenue was favorably impacted by price increases at our mountain resorts that were implemented for the 2012/2013 ski season. Prices for the 2013/2014 ski season have not yet been finalized; and as such, there can be no assurances as to the level of price increases, if any, which will occur and the impact that pricing may have on visitation or revenue.
- Our Fiscal 2013 results for our Mountain and Lodging segments showed significant improvement over Fiscal 2012 largely due to the unprecedented low snowfall conditions throughout the 2011/2012 ski season. However, our Fiscal 2013 results were tempered by poor snowfall and unseasonably warm temperatures that occurred during the early 2012/2013 ski season in Colorado and during the latter half of the 2012/2013 ski season in Tahoe. We cannot predict whether snowfall levels will return to historical averages for the upcoming 2013/2014 ski season nor can we estimate the impact there may be to advance bookings, guest travel, season pass sales, lift revenue (excluding season passes), retail/rental sales or other ancillary services revenue next ski season as a result of the past two ski seasons' snowfall conditions, or if snowfall levels do not return to their historical average levels.
- Although many key economic indicators have improved recently including growth in the US stock markets, rising consumer confidence, and housing prices and lower unemployment, the US economy has struggled to gain momentum amid sweeping federal budget cuts, higher taxes, uncertainty over monetary policy and slow growth in many economies around the world. Given these economic trends and uncertainties, we cannot predict what the impact will be on overall travel and leisure or more specifically, on our guest visitation, guest spending or other related trends for the upcoming 2013/2014 ski season.
- On May 29, 2013, we entered into a long-term lease with Talisker pursuant to which we assumed resort operations of Canyons which includes the ski area and related amenities. The lease between us and Talisker for Canyons has an initial term of 50 years with six 50-year renewal options. The lease provides for $25 million in annual fixed payments, which increase each year by an inflation linked index of CPI less 1%, with a floor of 2% per annum. In addition, the lease includes participating contingent payments to Talisker of 42% of the amount by which EBITDA for the resort operations, as calculated under the lease, exceeds approximately $35 million, with such threshold amount increased by an inflation linked index and a 10% adjustment for any capital improvements or investments made under the lease by us. As a result of this transaction, we recorded $306.3 million in long-term debt (including capital lease obligations) and other liabilities including an estimate for future participating contingent payments. In addition to the lease, we entered into ancillary transaction documents setting forth our rights among others, to ongoing litigation between the current operator of Park City Mountain Resort and Talisker related to the validity of a lease of the Talisker owned land under the ski terrain of Park City Mountain Resort. If the outcome of the litigation is favorable to Talisker, the land under the ski terrain of Park City Mountain Resort will become subject to our lease with Talisker, which we expect would be beneficial to us as the inclusion of the ski terrain of Park City Mountain Resort in the lease would require no additional consideration from us but any earnings derived from that ski terrain would accrue to our benefit. Any such financial contribution from the additional ski terrain would be included as part of the calculation of EBITDA for the resort operations, and as a result, factor into the participating contingent payment component of the lease payment as described above. If the outcome of the litigation is unfavorable, we will be entitled to receive from Talisker the rent payments that Talisker receives from the current resort operator until such time as the current resort operator's lease has ended and the ski terrain under Park City Mountain Resort is then included in the lease. We cannot predict whether we will realize all of the synergies expected from our operation of Canyons nor can we predict the resources required to integrate its operations and the ultimate impact Canyons will have on our future results of operations. Furthermore, if the litigation associated with the land under the ski terrain of Park City Mountain Resort results in an unfavorable outcome it could result in a material impairment charge attributable to goodwill, certain indefinite-lived intangible assets and/or other assets recorded in conjunction with this transaction, negatively

impacting our results of operations and stockholders' equity.

- During Fiscal 2013, in addition to the Canyons transaction as discussed above, we announced our calendar 2013 capital expenditure plan which is estimated between approximately $130 million and $140 million, including resort capital expenditures for the first phase of our new summer activities plans, and is the largest number of planned improvements in our history; we completed the acquisition of two ski areas, Afton Alps in Minnesota and Mount Brighton in Michigan, for net cash consideration of approximately $20.0 million; and on March 4, 2013, our Board of Directors increased our regular quarterly cash dividend on our common stock by approximately 11% to $0.2075 per share (or approximately $29.8 million annually based on our shares outstanding as of July 31, 2013). We cannot predict that any strategic initiatives undertaken will achieve the anticipated results.
- As of July 31, 2013, we had $138.6 million in cash and cash equivalents, as well as $333.8 million available under the revolver component of our Credit Agreement (which represents the total commitment of $400.0 million less certain letters of credit outstanding of $66.2 million). Additionally, we believe that the terms of our 6.50% Notes and our Credit Agreement allow for sufficient flexibility in our ability to make future acquisitions, investments, distributions to stockholders and incur additional debt. This, combined with our completed 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, and the continued positive cash flow from operating activities (primarily occurring during our second and third fiscal quarters) less capital expenditures has and is anticipated to continue to provide us with significant liquidity which we believe will allow us to consider additional strategic investments and other forms of returning value to our stockholders including the continued payment of a quarterly cash dividend.
- Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on condominium units available for sale, which determines when revenue and associated cost of sales is recognized. Changes to the anticipated timing or mix of closing on one or more real estate projects, or unit closings within a real estate project, could materially impact Real Estate Reported EBITDA for a particular quarter or fiscal year. As of July 31, 2013, we had 22 units (of which two units sold subsequent to July 31, 2013) at The Ritz-Carlton Residences, Vail and 29 units (of which one unit sold subsequent to July 31, 2013) at One Ski Hill Place in Breckenridge available for sale. 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 more than currently anticipated 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 do generate cash flow from placing unsold units into our rental program until such time selling prices are at acceptable levels to us. Furthermore, if weakness in the real estate market were to persist for multiple years, thus requiring us to sell remaining units below anticipated 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 (see Critical Accounting Policies in this section of this Form 10-K).
- In accordance with GAAP, we test goodwill and indefinite-lived intangible assets for impairment annually as well as on an interim basis to the extent factors or indicators become apparent that could reduce the fair value of our reporting units or indefinite-lived intangible assets below book value. We also evaluate long-lived assets 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 2013 annual impairment test did not result in a goodwill or significant indefinite-lived intangible asset impairment (see Critical Accounting Policies in this section of this Form 10-K). However, if lower than projected levels of cash flows were to occur due to prolonged abnormal weather conditions or a prolonged weakness in general economic conditions, among other risks, it could cause less than expected growth and/or a reduction in terminal values and cash flows and could result in an impairment charge attributable to certain goodwill, indefinite-lived intangible assets and/or long-lived assets (particularly related to our

Lodging operations), negatively impacting our results of operations and stockholders' equity.
Results of Operations

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Summary

Shown below is a summary of operating results for Fiscal 2013, Fiscal 2012 and Fiscal 2011 (in thousands):

| | Year Ended July 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Mountain Reported EBITDA | $228,699 | $198,908 | $213,167 |
| Lodging Reported EBITDA | 12,161 | 6,353 | 8,755 |
| Resort Reported EBITDA | 240,860 | 205,261 | 221,922 |
| Real Estate Reported EBITDA | (9,106) | (16,007) | (5,035) |
| Income before provision for income taxes | 59,229 | 27,092 | 55,520 |
| Net income attributable to Vail Resorts, Inc. | $37,743 | $16,453 | $34,489 |

Mountain Segment

Mountain segment operating results for Fiscal 2013, Fiscal 2012 and Fiscal 2011 are presented by category as follows (in thousands, except ETP):

| | Year Ended July 31, | | | Percentage Increase/(Decrease) | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013/2012 | 2012/2011 |
| Net Mountain revenue: | | | | | |
| Lift | $390,820 | $342,500 | $342,514 | 14.1 % | — % |
| Ski school | 95,254 | 84,292 | 83,818 | 13.0 % | 0.6 % |
| Dining | 81,175 | 68,376 | 68,052 | 18.7 % | 0.5 % |
| Retail/rental | 199,418 | 181,772 | 174,339 | 9.7 % | 4.3 % |
| Other | 100,847 | 89,668 | 83,468 | 12.5 % | 7.4 % |
| Total Mountain net revenue | $867,514 | $766,608 | $752,191 | 13.2 % | 1.9 % |
| | | | | | |
| Mountain operating expense: | | | | | |
| Labor and labor-related benefits | $238,479 | $207,269 | $200,475 | 15.1 % | 3.4 % |
| Retail cost of sales | 88,500 | 79,657 | 71,961 | 11.1 % | 10.7 % |
| Resort related fees | 41,970 | 39,557 | 39,476 | 6.1 % | 0.2 % |
| General and administrative | 119,938 | 107,483 | 102,296 | 11.6 % | 5.1 % |
| Other | 150,819 | 134,612 | 126,158 | 12.0 % | 6.7 % |
| Total Mountain operating expense | $639,706 | $568,578 | $540,366 | 12.5 % | 5.2 % |
| Mountain equity investment income, net | 891 | 878 | 1,342 | 1.5 % | (34.6 )% |
| Mountain Reported EBITDA | $228,699 | $198,908 | $213,167 | 15.0 % | (6.7 )% |
| Total skier visits | 6,977 | 6,144 | 6,991 | 13.6 % | (12.1 )% |
| ETP | $56.02 | $55.75 | $48.99 | 0.5 % | 13.8 % |

Certain Mountain segment operating expenses presented above for Fiscal 2012 and Fiscal 2011, have been reclassified to conform to the current fiscal year presentation.

Mountain Reported EBITDA includes $9.0 million, $7.6 million and $7.1 million of stock-based compensation expense for Fiscal 2013, Fiscal 2012 and Fiscal 2011, respectively.

Fiscal 2013 compared to Fiscal 2012

Overall, Fiscal 2013 results reflect an increase in Mountain net revenue of $100.9 million, or 13.2%, compared to Fiscal 2012 driven by higher overall visitation due to improved weather conditions during the 2012/2013 ski season compared to the 2011/2012 ski season. Our Fiscal 2013 results also benefited from higher pricing, increased average guest spend on ancillary services and higher pass sales. Excluding the incremental revenue from the Acquisitions (as defined below) of $29.3 million,

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revenue increased $71.6 million, or 9.3%, for Fiscal 2013 compared to Fiscal 2012. Mountain Reported EBITDA for Fiscal 2013 increased $29.8 million, or 15.0%, compared to Fiscal 2012, and includes incremental positive EBITDA of $5.5 million from the acquisitions of Kirkwood (acquired in April 2012) and the Urban ski areas (acquired in December 2012), and $8.4 million of negative EBITDA (including $5.5 million of transaction and transition related costs) related to the Canyons transaction (entered into in May 2013) (the "Acquisitions"). Our Colorado resorts experienced strong results from the peak holiday periods of Christmas through Spring Break and Easter compared to the prior year; however, these results were tempered by poor snowfall and unseasonably warm temperatures which occurred from the start of the ski season through the pre-Christmas holiday period which adversely impacted skier visitation to our Colorado resorts during this period. As such, skier visitation to our Colorado resorts increased 4.0% overall for the 2012/2013 ski season compared to the 2011/2012 ski season. Our Tahoe resorts experienced significantly better snowfall and weather conditions during first half of the 2012/2013 ski season which contributed to a significant increase in skier visitation to the Tahoe region combined with the addition of Kirkwood; however, the early momentum at our Tahoe resorts was slowed by dry conditions and warm temperatures experienced throughout the latter half of the 2012/2013 ski season. Overall, our Tahoe resorts saw an increase in skier visitation of 32.1% (including Kirkwood).

Lift revenue increased $48.3 million, or 14.1%, from prior year, resulting from a $36.4 million, or 17.6% increase in lift revenue excluding season pass revenue, as well as a $11.9 million, or 8.8%, increase in season pass revenue. The increase in lift revenue excluding season pass revenue was driven by an increase in visitation excluding season pass holders of 14.5%, and an increase in ETP, excluding season pass holders, of $2.01 or 2.7%. Excluding the Acquisitions, lift revenue excluding season pass holders increased $26.4 million, or 12.8%, driven by a 5.7% increase in visitation excluding season pass holders and an increase in ETP excluding season pass holders of $4.94, or 6.7%. The increase in ETP excluding season pass holders was primarily due to increases in pricing. The increase in season pass revenue was driven by a combination of both an increase in units sold and pricing. Total ETP was relatively flat compared to prior year due primarily to an increase in visitation from our season pass holders offset by price increases in both season passes and daily lift tickets.

Ski school revenue increased $11.0 million, or 13.0%, for Fiscal 2013 compared to Fiscal 2012, with our Colorado resorts ski school revenue increasing $5.7 million, or 7.9%, and our Tahoe resorts (including Kirkwood) ski school revenue increasing $4.8 million, or 39.6%, compared to prior year. Ski school revenue benefited from the increase in skier visitation at both our Colorado and Tahoe resorts (as discussed above) and an increase in yield per skier visit of 2.1%. Excluding the Acquisitions, ski school revenue increased $9.1 million, or 10.8%, and yield per skier visit increased 4.4%.

Dining revenue for Fiscal 2013 compared to Fiscal 2012, increased $12.8 million, or 18.7%, with our Tahoe resorts (including Kirkwood) generating an increase of $6.1 million, or 36.8%, due to incremental Kirkwood revenue ($3.2 million), an increase in skier visitation and an increase in yield per skier visit. Dining revenue at our Colorado resorts increased $4.8 million, or 9.3%, primarily attributable to increased skier visitation and an increase in yield per skier visit during the 2012/2013 ski season, as well as improved summer visitation. Excluding the Acquisitions, dining revenue increased $7.7 million, or 11.4%, and yield per skier visit increased 6.5% for the 2012/2013 ski season.

Retail/rental revenue increased $17.6 million, or 9.7%, for Fiscal 2013 compared to Fiscal 2012, which was driven by an increase in retail sales of $11.9 million, or 8.6%, and an increase in rental revenues of $5.7 million, or 13.4%. The increase in retail sales was primarily attributable to our Any Mountain stores (in the San Francisco bay area) along with our stores proximate to our Tahoe resorts, at which sales increased a combined $5.5 million due to increased skier visitation during the 2012/2013 ski season and the addition of Kirkwood; stores proximate to our Colorado resorts which were up a combined $3.7 million; an increase in sales from our on-line retailer of $2.8 million; all of which was partially offset by decreases at our Colorado front range stores which were negatively impacted by unfavorable weather conditions during the early ski season. The increase in rental revenue was primarily driven by stores proximate to our Tahoe resorts (including Kirkwood), which increased $2.2 million; our Colorado resort stores, which increased by $0.9 million; and the addition of the Urban ski areas, which contributed $1.2 million. Excluding the Acquisitions, retail/rental revenue increased $13.6 million, or 7.5%.

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 Fiscal 2013, other revenue increased $11.2 million, or 12.5%, compared to Fiscal 2012, primarily due to incremental internet advertising revenue from Skiinfo of $2.5 million; increased base area services and parking revenue of $2.2 million; an increase in strategic alliance marketing revenue of $2.0 million; an increase in summer activities revenue of $1.4 million due to increased summer visitation; increased employee housing revenue of $0.8 million; and on-mountain group events of $0.5 million.

Operating expense increased $71.1 million, or 12.5%, for Fiscal 2013 compared to Fiscal 2012, which includes incremental operating expense from the Acquisitions of $27.2 million and transaction related fees associated with the Urban ski areas and Canyons transactions of $5.0 million. Excluding Acquisitions related expenses, operating expense increased $38.9 million, or 6.8%, for Fiscal 2013 compared to Fiscal 2012. Labor and labor-related benefits (excluding incremental expense from the Acquisitions) increased $18.7 million, or 9.0%, primarily due to normal wage adjustments, higher bonus expense, increased

staffing levels to support higher volumes primarily in ski school, mountain operations, on-mountain dining, summer operations and higher store labor primarily due to new retail stores. Retail cost of sales (excluding incremental expense from the Acquisitions) increased $7.6 million, or 9.5%, primarily due to an increase in overall retail sales, and higher cost of sales margins due primarily to an increase in on-line sales which generate a lower gross profit margin and more discounting at our city stores. General and administrative expense (excluding incremental expense from the Acquisitions) increased $8.3 million, or 7.7%, primarily due to higher Mountain segment component of allocated corporate costs including increased sales and marketing expense and higher costs associated with employee housing, and a shift in allocated corporate expenses to the Mountain segment, partially offset by lower employee medical costs. Resort related fees (excluding incremental expense from the Acquisitions) increased $1.6 million, or 4.0%, due to overall increases in revenue upon which those fees are based. Other expense (excluding incremental expense from the Acquisitions) increased $2.7 million, or 2.0%, which was driven by higher operating expenses including food and beverage cost of sales and supplies expense, partially offset by lower utilities expense.
Mountain equity investment income, net primarily includes our share of income from the operations of a real estate brokerage joint venture.

Fiscal 2012 compared to Fiscal 2011

During Fiscal 2012, our resorts experienced historically low snowfall (with cumulative snowfall down more than 50% over the 2010/2011 ski season) and one of the mildest winters on record, including over the key Christmas, Spring Break and Easter periods. These weather conditions adversely impacted our skier visitation which was down 12.1% (with our Colorado and Tahoe resorts down 8.9% and 22.3%, respectively) for the 2011/2012 ski season compared to the 2010/2011 ski season. Despite these unprecedented adverse conditions, revenues were generally stabilized by increased season pass sales, higher pricing and increased average guest spend. Additionally, Mountain Reported EBITDA for Fiscal 2012 was unfavorably impacted as compared to Fiscal 2011 due to the inclusion of first quarter operating results and transaction costs of Northstar (acquired in October 2010) in Fiscal 2012 which generated $7.2 million of negative EBITDA due to no ski operations (partially offset by Fiscal 2011 acquisition costs of $4.1 million), and due to the timing of the acquisition of Kirkwood (acquired in April 2012) which generated $1.0 million of negative EBITDA and acquisition related costs incurred on Kirkwood and Skiinfo (acquired in February 2012) of $1.6 million.
Lift revenue remained relatively flat for Fiscal 2012, compared to Fiscal 2011, resulting from a $15.8 million, or 13.2%, increase in season pass revenue, offset by a $15.9 million, or 7.1%, decrease in lift revenue excluding season pass revenue. The increase in season pass revenue was driven primarily by an increase in pricing for season pass products as well as a 3% increase in unit sales. The decline in lift revenue excluding season pass revenue was due to a decline in visitation excluding season pass holders of 15.0%, compared to Fiscal 2011, partially offset by an increase in ETP excluding season pass holders of $6.30, or 9.3%. The increase in ETP excluding season pass holders was due primarily to price increases and a change in mix as a greater percentage of higher priced lead/window lift ticket products were sold in Fiscal 2012 compared to Fiscal 2011. Total ETP increased $6.76, or 13.8%, compared to Fiscal 2011, due primarily to price increases, as discussed above, and a decline from Fiscal 2011 in visitation from our season pass holders of approximately 1.2 days per pass, or 11.3%.

Ski school revenue increased $0.5 million, or 0.6%, for Fiscal 2012 compared to Fiscal 2011, with our Colorado resorts ski school revenue increasing $2.4 million, or 3.4%, compared to Fiscal 2011. Although all of our resorts were negatively impacted by a decline in skier visitation as discussed above, the impact to ski school revenue resulting from lower visitation was entirely offset by improved yields per skier visit. Ski school revenue benefited from an overall 14.4% increase in yield per skier visit primarily due to higher guest penetration and pricing compared to Fiscal 2011.

Dining revenue increased $0.3 million, or 0.5%, for Fiscal 2012 compared to Fiscal 2011, which was primarily driven by a 12.9% increase in yield per skier visit during the 2011/2012 ski season, offset by the decline in skier visitation (as discussed above), and the impact of later terrain openings and earlier closings of certain dining facility operations during the 2011/2012 ski season. Additionally, dining revenue was favorably impacted by the opening of new on-mountain dining venues in Vail and Northstar, as well as higher summer visitation, particularly in the fourth quarter of Fiscal 2012, compared to Fiscal 2011.

Retail/rental revenue increased $7.4 million, or 4.3%, for Fiscal 2012 compared to Fiscal 2011, which was primarily driven by an increase in retail sales of $12.5 million generated by our on-line retailer (acquired in July 2011) and increased sales at our Colorado front range stores which were primarily attributable to strong sales at pre-ski season sales events. Partially offsetting these increases were declines in retail sales occurring at stores proximate to our Tahoe resorts and our Any Mountain stores (in the San Francisco bay area) resulting from historically low snowfall and unseasonably warm weather during the 2011/2012 ski season compared to the 2010/2011 ski season. Additionally, impacting retail/rental revenue was a decline in rental revenue of $1.4 million, or 3.3%, compared to Fiscal 2011, due to the decline in skier visitation as discussed above.

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 Fiscal 2012, other revenue increased $6.2 million, or 7.4%, compared to Fiscal 2011, primarily due to increased internet advertising revenue resulting from the acquisition of Skiinfo in February 2012, an increase in summer activities revenue, and an increase in strategic alliance marketing revenue. Our summer activities revenue was favorably impacted in the fourth quarter of Fiscal 2012 by increased summer visitation and an earlier opening of on-mountain activities, such as chairlift and gondola rides, mountain biking, and the alpine slide and alpine coaster. Operating expense increased $28.2 million, or 5.2%, for Fiscal 2012 compared to Fiscal 2011. Retail cost of sales increased $7.7 million, or 10.7%, due primarily to an $8.5 million increase in cost of sales from higher sales volumes generated by our on-line retailer (acquired in July 2011). General and administrative expense increased $8.0 million, or 7.7%, compared to Fiscal 2011, primarily due to higher Mountain segment component of corporate costs which includes costs related to the newly introduced EpicMix Photo, increased sales and marketing expense, as well as increased costs associated with higher internet advertising revenue resulting from the acquisition of Skiinfo, partially offset by lower employee medical costs and $4.1 million of Northstar acquisition related costs incurred in Fiscal 2011. Other expense increased $7.5 million, or 6.0%, compared to Fiscal 2011, primarily due to higher utilities expense as a result of extended snowmaking operations due to the unprecedented weather conditions occurring during the 2011/2012 ski season and higher operating expense (primarily rent expense) associated with the ownership of Northstar (acquired in October 2010). Additionally, labor and labor-related benefits increased $4.9 million, or 2.4%, compared to Fiscal 2011. Labor and labor-related benefits were impacted by incremental labor expense associated with the acquisition of Northstar and our on-line retailer, partially offset by a decrease in staffing primarily in ski school, as well as reduced bonus expense.

Mountain equity investment income, net primarily includes our share of income from the operations of a real estate brokerage joint venture. The decrease in equity investment income for Fiscal 2012 is primarily due to decreased commissions earned by the brokerage due to a lower level of real estate closures on multi-unit projects compared to Fiscal 2011.

Lodging Segment

Lodging segment operating results for Fiscal 2013, Fiscal 2012 and Fiscal 2011 are presented by category as follows (in thousands, except ADR and RevPAR):

| | Year Ended July 31, | | | Percentage Increase/(Decrease) | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013/2012 | 2012/2011 |
| Lodging net revenue: | | | | | |
| Owned hotel rooms | $48,449 | $45,131 | $43,327 | 7.4 % | 4.2 % |
| Managed condominium rooms | 44,486 | 40,473 | 39,239 | 9.9 % | 3.1 % |
| Dining | 33,809 | 29,980 | 29,885 | 12.8 % | 0.3 % |
| Transportation | 19,602 | 18,860 | 19,810 | 3.9 % | (4.8 )% |
| Golf | 15,237 | 15,159 | 14,461 | 0.5 % | 4.8 % |
| Other | 38,562 | 38,383 | 39,301 | 0.5 % | (2.3 )% |
| | 200,145 | 187,986 | 186,023 | 6.5 % | 1.1 % |
| Payroll cost reimbursements | 10,829 | 22,637 | 28,635 | (52.2 )% | (20.9 )% |
| Total Lodging net revenue | $210,974 | $210,623 | $214,658 | 0.2 % | (1.9 )% |
| Lodging operating expense: | | | | | |
| Labor and labor-related benefits | $92,737 | $88,777 | $86,584 | 4.5 % | 2.5 % |
| General and administrative | 28,446 | 29,280 | 31,265 | (2.8 )% | (6.3 )% |
| Other | 66,801 | 63,576 | 59,419 | 5.1 % | 7.0 % |
| | 187,984 | 181,633 | 177,268 | 3.5 % | 2.5 % |
| Reimbursed payroll costs | 10,829 | 22,637 | 28,635 | (52.2 )% | (20.9 )% |
| Total Lodging operating expense | $198,813 | $204,270 | $205,903 | (2.7 )% | (0.8 )% |
| Lodging Reported EBITDA | $12,161 | $6,353 | $8,755 | 91.4 % | (27.4 )% |
| Owned hotel statistics: | | | | | |
| ADR | $203.61 | $205.02 | $195.69 | (0.7 )% | 4.8 % |
| RevPar | $122.77 | $114.73 | $114.03 | 7.0 % | 0.6 % |
| Managed condominium statistics: | | | | | |
| ADR | $333.98 | $320.30 | $296.74 | 4.3 % | 7.9 % |
| RevPar | $83.48 | $78.65 | $83.54 | 6.1 % | (5.9 )% |
| Owned hotel and managed condominium statistics (combined): | | | | | |
| ADR | $264.36 | $260.04 | $245.03 | 1.7 % | 6.1 % |
| RevPar | $96.14 | $90.36 | $93.79 | 6.4 % | (3.7 )% |

The Lodging segment ADR and RevPAR statistics presented above for Fiscal 2013 exclude the managed condominium rooms at Canyons (assumed in May 2013) that do not have comparable results for Fiscal 2012 and 2011. The Lodging segment ADR and RevPAR statistics presented above for Fiscal 2011 have been adjusted to include the managed condominium rooms in the Lake Tahoe region (acquired in October 2010) and exclude for Fiscal 2012 and 2011 Breckenridge Mountain Lodge (an owned property that was closed in Fiscal 2012).

Lodging Reported EBITDA includes $1.9 million, $1.7 million and $2.1 million of stock-based compensation expense for Fiscal 2013, Fiscal 2012 and Fiscal 2011, respectively.

Fiscal 2013 compared to Fiscal 2012

Total Lodging net revenue (excluding payroll cost reimbursements) for Fiscal 2013 increased $12.2 million, or 6.5%, as compared to Fiscal 2012, including incremental revenue of $1.9 million from Flagg Ranch (a NPS concessionaire contract that was awarded in November 2011) and $2.8 million from the addition of Canyons in May 2013. Additionally, Flagg Ranch contributed $0.6 million and Canyons contributed $0.8 million of incremental EBITDA for

Fiscal 2013.

Revenue from owned hotel rooms increased $3.3 million, or 7.4%, for Fiscal 2013 compared to Fiscal 2012, which includes $1.0 million of incremental room revenue from Flagg Ranch for the three months ended October 31, 2012. Owned room revenue was also positively impacted by our Colorado lodging properties, which increased $2.2 million, resulting from improved summer visitation and an increase in transient guest visitation attributable to increased skier visits at our Colorado mountain resorts during the 2012/2013 ski season. Owned occupancy increased by 4.3 percentage points and RevPAR increased 7.0%. The increase in occupancy and RevPAR is primarily due to an increase in transient business at The DoubleTree in Breckenridge and transient and group business at our Keystone resort properties. Revenue from managed condominium rooms increased $4.0 million, or 9.9%, for Fiscal 2013 compared to Fiscal 2012, and was attributable to $1.1 million of incremental revenue from managed condominium units at Canyons, additional managed condominium units at Kirkwood, and an increase in transient guest visitation at our managed condominium rooms in Colorado and the Tahoe region due to increased skier visitation during the 2012/2013 ski season.

Dining revenue for Fiscal 2013 increased $3.8 million, or 12.8%, compared to Fiscal 2012, primarily due to a $1.2 million increase in group business at Keystone, increased dining revenue at The Arrabelle and the DoubleTree in Breckenridge due to an increase in transient and group visitation, increased dining revenue at GTLC, as well as incremental dining revenue from Canyons and Flagg Ranch, partially offset by a decline in Vail lodging banquet revenue. Transportation revenue increased $0.7 million, or 3.9%, for Fiscal 2013 compared to Fiscal 2012 primarily due to an increase in total passengers of 8.7%, partially offset by a 4.4% decline in revenue per passenger driven by competitive pricing strategies. Other revenue for Fiscal 2013 increased $0.2 million, or 0.5%, as compared to Fiscal 2012, primarily due to an increase in conference services provided to our group business, an increase in retail and ancillary revenue from GTLC and Flagg Ranch, and an increase in strategic alliance marketing revenue, partially offset by lower revenue from managed hotel properties as a result of the previously announced RockResorts reorganization plan.

Operating expense (excluding reimbursed payroll costs) increased $6.4 million, or 3.5%, for Fiscal 2013 compared to Fiscal 2012. Labor and labor-related benefits increased $4.0 million, or 4.5%, resulting from normal wage adjustments, an increase in contract labor associated with increased occupancy, increased conference services provided to our group business, and incremental labor costs associated with Canyons and Flagg Ranch of $1.7 million, partially offset by a reduction in overhead labor associated with the RockResorts reorganization plan. Other expense increased $3.2 million, or 5.1%, primarily due to incremental expenses associated with Canyons and Flagg Ranch of $1.6 million, higher variable operating costs including higher food and beverage cost of sales, partially offset by a decrease in reimbursable costs (other than payroll) from managed hotel properties due to the RockResorts reorganization plan. General and administrative expense decreased $0.8 million, or 2.8%, for Fiscal 2013 compared to Fiscal 2012, as a result of the RockResorts reorganization plan, partially offset by higher allocated corporate costs. Revenue from payroll cost reimbursements and the corresponding reimbursed payroll costs relates to payroll costs at managed hotel properties where we are the employer and all payroll costs are reimbursed by the owners of the properties under contractual arrangements. Since the reimbursements are made based upon the costs incurred with no added margin, the revenue and corresponding expense have no effect on our Lodging Reported EBITDA. The decrease in revenue from payroll cost reimbursements and the corresponding decrease in reimbursed payroll costs for Fiscal 2013 compared to Fiscal 2012 was due to a reduction in the number of managed hotel properties as previously announced under the RockResorts reorganization plan.

Fiscal 2012 compared to Fiscal 2011

Revenue from owned hotel rooms increased $1.8 million, or 4.2%, for Fiscal 2012 compared to Fiscal 2011, which was primarily driven by a $2.3 million increase in room revenue from GTLC and Flagg Ranch. GTLC's room revenue increased $1.1 million, or 6.8%, in Fiscal 2012 compared to Fiscal 2011 and was driven by increases in both ADR and occupancy as gains in occupancy were largely driven by improved weather conditions in May and June 2012 compared to the same period in Fiscal 2011. Our Colorado lodging resort properties room revenue was adversely impacted by a decline in occupancy in Fiscal 2012 primarily due to a decrease in transient guest visitation which was adversely impacted by a decrease in skier visitation at our Colorado ski resorts as discussed in the Mountain segment. Also negatively impacting revenue from owned hotel rooms for Fiscal 2012 compared to Fiscal 2011 was a decline in group business at our Keystone resort, as well as the closure of Breckenridge Mountain Lodge. Revenue from managed condominium rooms increased $1.2 million, or 3.1%, for Fiscal 2012 compared to Fiscal 2011, and was primarily attributable to additional managed condominium units at One Ski Hill Place in Breckenridge and The Ritz-Carlton Residences, Vail, partially offset by the decline in group business at our Keystone resort.

Dining revenue for Fiscal 2012 increased $0.1 million, or 0.3%, as compared to Fiscal 2011, primarily due to increased dining revenue at The Arrabelle, and increased dining revenue at GTLC due to higher park visitation and the addition of Flagg Ranch in Fiscal 2012, mostly offset by a decrease in group visitation at our Keystone resort and the conversion of an owned restaurant

at the Lodge at Vail to a leased facility. Transportation revenue decreased $1.0 million, or 4.8%, for Fiscal 2012 compared to Fiscal 2011, primarily due to the decline in destination skier visitation discussed in the Mountain segment as well as price decreases instituted during the 2011/2012 ski season to compete with rental car discounts and other competitors which resulted in a 4.2% decline in revenue per passenger combined with a decrease in passengers of 0.8%. Golf revenue increased $0.7 million or 4.8%, for Fiscal 2012 compared to prior year, primarily due to the addition of a golf course at Northstar as part of that resort acquisition in October 2010 and an increase in the number of paid golf rounds played at our other golf courses. Other revenue decreased $0.9 million, or 2.3%, for Fiscal 2012 compared to Fiscal 2011, primarily due to a decrease in conference services provided to our group business at our Keystone resort, lower management revenue from managed hotel properties, and lower commissions earned from reservations booked through our central reservation system, partially offset by an increase in ancillary and retail revenue at GTLC and Flagg Ranch.
Operating expense (excluding reimbursed payroll costs) increased $4.4 million, or 2.5%, for Fiscal 2012 compared to Fiscal 2011. Operating expense for Fiscal 2011 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 the CME settlement, operating expenses increased $1.4 million, or 0.8%, in Fiscal 2012 compared to Fiscal 2011. Labor and labor-related benefits increased $2.2 million, or 2.5%, resulting from normal wage and benefit increases, increased labor costs associated with operating Flagg Ranch, and incremental labor associated with the addition of managed condominiums in the Lake Tahoe region, partially offset by lower staffing levels associated with decreased occupancy primarily at our Colorado lodging properties and decreased conference services provided to our group business. General and administrative expense for Fiscal 2012 decreased $2.0 million, or 6.3%, compared to Fiscal 2011 due to a decrease in the Lodging segment component of corporate costs, lower central reservations costs, and lower employee medical costs, partially offset by reorganization related expenses and estimated uncollectible account receivables from managed hotel properties in conjunction with the previously announced RockResorts reorganization plan. Other expense, excluding the CME settlement, increased $1.2 million, or 2.0%, primarily due to the addition of Flagg Ranch and managed condominiums in the Lake Tahoe region, partially offset by a decrease in reimbursable costs (other than payroll) associated with managed hotel properties.

Revenue from payroll cost reimbursements and the corresponding reimbursed payroll costs relates to payroll costs at managed hotel properties where we are the employer and all payroll costs are reimbursed by the owners of the properties under contractual arrangements. Since the reimbursements are made based upon the costs incurred with no added margin, the revenue and corresponding expense have no effect on our Lodging Reported EBITDA. The decrease in revenue from payroll cost reimbursements and the corresponding reimbursed payroll costs in Fiscal 2012 compared to Fiscal 2011 was due to a reduction in the number of managed hotel properties where we are the employer as announced under the RockResorts reorganization plan.

Real Estate Segment

Real Estate segment operating results for Fiscal 2013, Fiscal 2012 and Fiscal 2011 are presented by category as follows (in thousands):

| | Year Ended July 31, | | | Percentage Increase/(Decrease) | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013/2012 | 2012/2011 |
| Total Real Estate net revenue | $42,309 | $47,163 | $200,197 | (10.3)% | (76.4)% |
| Real Estate operating expense: | | | | | |
| Cost of sales (including sales commissions) | 35,503 | 39,153 | 178,295 | (9.3)% | (78.0)% |
| Other | 22,587 | 24,017 | 26,937 | (6.0)% | (10.8)% |
| Total Real Estate operating expense | 58,090 | 63,170 | 205,232 | (8.0)% | (69.2)% |
| Gain on sale of real property | 6,675 | — | — | nm | —% |

| | | | | | |
|---|---|---|---|---|---|
| Real Estate Reported EBITDA | $(9,106) | $(16,007) | $(5,035) | 43.1 % | (217.9)% |

Real Estate Reported EBITDA includes $1.4 million, $2.6 million and $3.3 million of stock-based compensation expense for Fiscal 2013, Fiscal 2012 and Fiscal 2011, respectively.

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

Fiscal 2013

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

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

Fiscal 2012

Real Estate segment net revenue for Fiscal 2012 was driven primarily by the closing of 13 condominium units at The Ritz-Carlton Residences, Vail ($33.2 million of revenue with an average selling price per unit of $2.6 million and an average price per square foot of $1,146) and seven condominium units at One Ski Hill Place ($8.6 million of revenue with an average selling price per unit of $1.2 million and an average price per square foot of $975). In addition to the revenue generated by the closing of units as noted above, Real Estate net revenue also included $1.5 million of rental revenue from placing certain of our unsold units into our rental program.

Operating expense for Fiscal 2012 included cost of sales of $35.4 million resulting from the closing of 13 condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of $976) and from the closing of seven condominium units at One Ski Hill Place (average cost per square foot of $808). Additionally, sales commissions of approximately $2.5 million were incurred commensurate with revenue recognized. Other operating expense of $24.0 million (including $2.6 million of stock-based compensation expense) was primarily comprised of general and administrative costs which includes marketing expense for the real estate available for sale (including those units that have not yet closed), carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs. In addition, included in other segment operating expense is a $1.4 million charge recorded due to a dispute with contractors and an insurance carrier over the recovery of costs incurred by us in the fourth quarter of Fiscal 2012 for remediation work at The Arrabelle project. This charge was partially offset by the receipt (in the fourth quarter of Fiscal 2012) of a $1.2 million settlement for alleged damages caused by the architect on The Arrabelle project (included as a credit to other expense in Fiscal 2012).

Fiscal 2011

Real Estate segment net revenue for Fiscal 2011 was driven primarily by the closing of 71 condominium units (45 units sold to The Ritz-Carlton Development Company and 26 units sold to individuals) at The Ritz-Carlton Residences, Vail ($186.4 million of revenue with an average selling price per unit of $2.6 million and an average price per square foot of $1,216). Additionally, during Fiscal 2011, we recognized $7.8 million of revenue related to deposits

from buyers who defaulted on units under contract at The Ritz-Carlton Residences, Vail and we closed on four condominium units at One Ski Hill Place ($4.3 million of revenue with an average selling price per unit of $1.1 million and an average price per square foot of $982).
Operating expense for Fiscal 2011 included cost of sales of $170.6 million resulting from the closing of 71 condominium units at The Ritz-Carlton Residences, Vail (average cost per square foot of $1,090) and from the closing of four condominium units at One Ski Hill Place (average cost per square foot of $769). Additionally, sales commissions of approximately $7.2 million were incurred commensurate with revenue recognized. Other operating expense of $26.9 million (including $3.3 million of stock-based compensation expense) was primarily comprised of general and administrative costs which include 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 contribute to our overall financial position.

Depreciation and amortization. Depreciation and amortization expense for both Fiscal 2013 and Fiscal 2012 increased over the applicable prior fiscal year primarily due to an increase in the fixed asset base due to incremental capital expenditures, assets assumed in the Acquisitions and for Fiscal 2012, the increase included depreciation on unsold One Ski Hill Place and Ritz-Carlton Residences, Vail units that are included in our rental program.

Asset impairment charge. We previously extended a $2.6 million note receivable, including accrued interest, to an entity that owned a hotel that we managed. This entity was in default on certain debt owed by it and the third party owners of the entity were unable to reach an agreement to restructure the debt with their creditor. As a result, the creditor foreclosed on the hotel in June 2011. As such, we recorded an asset impairment charge relating to the note receivable of $2.6 million in our Consolidated Statements of Operations for Fiscal 2011.

Loss on extinguishment of debt. In April 2011, we issued $390 million of 6.50% Notes, the proceeds of which, along with available cash resources, were used to retire the outstanding $390 million principal amount of 6.75% Notes and paid related call premiums, issuance costs, transaction and legal fees. Total costs to retire the 6.75% Notes and issuance costs for the 6.50% Notes were $15.7 million, of which $8.3 million were recorded as deferred financing costs and $7.4 million was recorded as a loss on extinguishment in our Consolidated Statements of Operations for Fiscal 2011. Additionally, included in the loss on extinguishment is a write-off of a portion of unamortized debt issuance costs and legal fees associated with the previously issued 6.75% Notes.

Interest expense, net. Interest expense increased for Fiscal 2013 compared to Fiscal 2012 due to $5.4 million of interest expense on the Canyons obligation recorded in conjunction with the Canyons transaction entered into on May 29, 2013. Interest expense was relatively flat for Fiscal 2012 compared to Fiscal 2011 due to lower interest expense from the issuance of the 6.50% Notes and the extinguishment of the 6.75% Notes in Fiscal 2011, mostly offset by capitalized interest recorded on The Ritz-Carlton Residences, Vail development project in Fiscal 2011.

Income taxes. Our effective tax rate was 36.5%, 39.5% and 38.0% in Fiscal 2013, Fiscal 2012 and Fiscal 2011, respectively. Our tax provision and effective tax rate are driven primarily by the amount of pre-tax income, which is adjusted for items that are deductible/non-deductible for tax purposes only (i.e. permanent items) and taxable income generated by state jurisdictions that varies from the consolidated pre-tax income. Additionally, the income tax provision recorded for Fiscal 2013, 2012, and 2011, reflects $0.1 million, $0.4 million, and $0.7 million, respectively, of income tax benefits due to a 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 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. However, at this point, the District Court proceedings have been stayed pending on-going settlement discussions between the parties. 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. The trial date for Tax Court proceedings has been continued pending on-going settlement discussions between the parties.

Since the legal proceeding surrounding the utilization of the NOLs has 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

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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 our 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 income attributable to Vail Resorts, Inc. (in thousands):

| | Year Ended July 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Mountain Reported EBITDA | $228,699 | $198,908 | $213,167 |
| Lodging Reported EBITDA | 12,161 | 6,353 | 8,755 |
| Resort Reported EBITDA | 240,860 | 205,261 | 221,922 |
| Real Estate Reported EBITDA | (9,106) | (16,007) | (5,035) |
| Total Reported EBITDA | 231,754 | 189,254 | 216,887 |
| Depreciation and amortization | (132,688) | (127,581) | (117,957) |
| Loss on disposal of fixed assets, net | (1,222) | (1,464) | (555) |
| Investment income, net | 351 | | |