VAIL RESORTS INC
Form 10-Q
June 08, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2015

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-09614

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No
As of June 3, 2015, 36,361,683 shares of the registrant's common stock were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements — Unaudited

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

	April 30, 2015	July 31, 2014	April 30, 2014
Assets			
Current assets:			
Cash and cash equivalents	$125,214	$44,406	$307,431
Restricted cash	13,139	13,181	13,057
Trade receivables, net	105,617	95,977	79,815
Inventories, net	62,167	67,183	60,409
Other current assets	64,054	54,299	58,696
Total current assets	370,191	275,046	519,408
Property, plant and equipment, net (Note 6)	1,259,093	1,147,990	1,164,387
Real estate held for sale and investment	137,740	157,858	170,818
Goodwill, net	470,286	378,148	378,220
Intangible assets, net	141,127	117,523	118,507
Other assets	41,068	97,284	97,104
Total assets	$2,419,505	$2,173,849	$2,448,444
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	$293,056	$289,218	$264,777
Income taxes payable	36,161	33,966	39,043
Long-term debt due within one year (Note 4)	256,953	1,022	879
Total current liabilities	586,170	324,206	304,699
Long-term debt (Note 4)	379,796	625,600	799,223
Other long-term liabilities (Note 6)	235,932	260,681	239,934
Deferred income taxes	240,133	128,562	183,473
Commitments and contingencies (Note 9)			
Stockholders' equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 41,309,969, 41,152,800 and 41,129,041 shares issued, respectively	413	412	411
Additional paid-in capital	623,274	612,322	608,153
Accumulated other comprehensive loss	(623)	(199)	(101)
Retained earnings	533,618	401,500	491,878
Treasury stock, at cost, 4,949,111 shares (Note 11)	(193,192)	(193,192)	(193,192)
Total Vail Resorts, Inc. stockholders' equity	963,490	820,843	907,149
Noncontrolling interests	13,984	13,957	13,966
Total stockholders' equity (Note 2)	977,474	834,800	921,115
Total liabilities and stockholders' equity	$2,419,505	$2,173,849	$2,448,444

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

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2015	2014	2015	2014
Net revenue:				
Mountain	$499,551	$460,587	$1,022,968	$909,574
Lodging	67,323	66,293	185,180	179,694
Real estate	12,469	16,167	29,694	29,890
Total net revenue	579,343	543,047	1,237,842	1,119,158
Segment operating expense (exclusive of depreciation and amortization shown separately below):				
Mountain	244,675	233,301	645,593	601,587
Lodging	54,726	53,182	166,407	163,346
Real estate	14,028	18,445	35,513	35,682
Total segment operating expense	313,429	304,928	847,513	800,615
Other operating (expense) income:				
Depreciation and amortization	(38,242)	(35,588)	(111,587)	(105,948)
Gain on sale of real property	151	—	151	—
Gain on litigation settlement (Note 5)	—	—	16,400	—
Change in fair value of contingent consideration (Note 8)	—	—	4,550	—
(Loss) gain on disposal of fixed assets and other, net	(71)	634	(852)	(839)
Income from operations	227,752	203,165	298,991	211,756
Mountain equity investment (loss) income, net	(129)	665	396	1,282
Investment income, net	119	124	155	289
Interest expense	(13,735)	(16,408)	(41,110)	(48,745)
Income before provision for income taxes	214,007	187,546	258,432	164,582
Provision for income taxes (Note 12)	(80,605)	(69,680)	(73,654)	(60,953)
Net income	133,402	117,866	184,778	103,629
Net loss attributable to noncontrolling interests	8	80	118	204
Net income attributable to Vail Resorts, Inc.	$133,410	$117,946	$184,896	$103,833
Per share amounts (Note 3):				
Basic net income per share attributable to Vail Resorts, Inc.	$3.67	$3.26	$5.09	$2.88
Diluted net income per share attributable to Vail Resorts, Inc.	$3.56	$3.18	$4.95	$2.80
Cash dividends declared per share	$0.6225	$0.4150	$1.4525	$0.8300

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

Vail Resorts, Inc.
Consolidated Condensed Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2015	2014	2015	2014
Net income	$133,402	$117,866	$184,778	$103,629
Foreign currency translation adjustments, net of tax	23	85	(424)	(34)
Comprehensive income	133,425	117,951	184,354	103,595
Comprehensive loss attributable to noncontrolling interests	8	80	118	204
Comprehensive income attributable to Vail Resorts, Inc.	$133,433	$118,031	$184,472	$103,799

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

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

	Nine Months Ended April 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$184,778	$103,629
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	111,587	105,948
Cost of real estate sales	23,058	22,635
Stock-based compensation expense	11,718	10,539
Deferred income taxes, net	114,795	60,953
Change in fair value of contingent consideration	(4,550)	—
Gain on litigation settlement	(16,400)	—
Park City litigation settlement payment	(10,000)	—
Other non-cash income, net	(3,009)	(2,423)
Changes in assets and liabilities:		
Trade receivables, net	(7,761)	(822)
Inventories, net	5,380	8,089
Accounts payable and accrued liabilities	(203)	326
Other assets and liabilities, net	(14,917)	(2,677)
Net cash provided by operating activities	394,476	306,197
Cash flows from investing activities:		
Capital expenditures	(85,583)	(108,100)
Acquisition of business	(182,500)	—
Other investing activities, net	3,274	920
Net cash used in investing activities	(264,809)	(107,180)
Cash flows from financing activities:		
Proceeds from borrowings under long-term debt	253,000	—
Payments of long-term debt	(254,013)	(977)
Dividends paid	(52,778)	(29,998)
Other financing activities, net	5,041	732
Net cash used in financing activities	(48,750)	(30,243)
Effect of exchange rate changes on cash and cash equivalents	(109)	53
Net increase in cash and cash equivalents	80,808	168,827
Cash and cash equivalents:		
Beginning of period	44,406	138,604
End of period	$125,214	$307,431
Non-cash investing and financing activities:		
Accrued capital expenditures	$4,257	$3,130
Capital expenditures under long-term financing	$7,037	$—

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

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

1. Organization and Business

Vail Resorts, Inc. (“Vail Resorts” or the “Parent Company”) is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the “Company”) operate in three business segments: Mountain, Lodging and Real Estate.

In the Mountain segment, the Company operates nine world-class mountain resort properties at the Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado; Canyons and Park City Mountain Resort ("Park City" acquired on September 11, 2014) in Utah; the Heavenly, Northstar, and Kirkwood mountain resorts in the Lake Tahoe area of California and Nevada; and the ski areas of Afton Alps in Minnesota and Mount Brighton in Michigan ("Urban" ski areas); as well as ancillary services, primarily including ski school, dining and retail/rental operations. These resorts (except for Northstar, Canyons, Park City and the Urban ski areas) operate primarily on federal land under the terms of Special Use Permits granted by the USDA Forest Service (the “Forest Service”).

In the Lodging segment, the Company owns and/or manages a collection of luxury hotels and condominiums under its RockResorts brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to the Company’s mountain resorts, National Park Service (“NPS”) concessionaire properties including the Grand Teton Lodge Company (“GTLC”), which operates destination resorts in the Grand Teton National Park, Colorado Mountain Express (“CME”), a Colorado resort ground transportation company, and mountain resort golf courses.

Vail Resorts Development Company (“VRDC”), a wholly-owned subsidiary, conducts the operations of the Company’s Real Estate segment, which owns and develops real estate in and around the Company’s resort communities.

The Company’s mountain business and its lodging properties at or around the Company’s mountain resorts are seasonal in nature with peak operating seasons primarily from mid-November through mid-April. The Company’s operations at its NPS concessionaire properties and its golf courses generally operate from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 7, Variable Interest Entities).

2. Summary of Significant Accounting Policies

Basis of Presentation

Consolidated Condensed Financial Statements— In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company’s financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire fiscal year. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended July 31, 2014. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The Consolidated Condensed Balance Sheet as of July 31, 2014 was derived from audited financial statements.

Use of Estimates— The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets

and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

	For the Nine Months Ended April 30,					
	2015			2014		
	Vail Resorts Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity	Vail Resorts Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance, beginning of period	$820,843	$ 13,957	$ 834,800	$823,868	$ 14,001	$ 837,869
Net income (loss)	184,896	(118)	184,778	103,833	(204)	103,629
Stock-based compensation expense	11,718	—	11,718	10,539	—	10,539
Issuance of shares under share award plans, net of shares withheld for taxes	(4,629)	—	(4,629)	(4,797)	—	(4,797)
Tax benefit from share award plans	3,864	—	3,864	3,738	—	3,738
Cash dividends paid on common stock	(52,778)	—	(52,778)	(29,998)	—	(29,998)
Contributions from noncontrolling interests, net	—	145	145	—	169	169
Foreign currency translation adjustments, net of tax	(424)	—	(424)	(34)	—	(34)
Balance, end of period	$963,490	$ 13,984	$ 977,474	$907,149	$ 13,966	$ 921,115

Fair Value Instruments— The recorded amounts for cash and cash equivalents, trade receivables, other current assets, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts outstanding under the Employee Housing Bonds (Note 4, Long-Term Debt) approximate book value due to the variable nature of the interest rate associated with that debt. The fair values of the 6.50% Senior Subordinated Notes due 2019 ("6.50% Notes") and the Company's Industrial Development Bonds are based on their redemption prices as of April 30, 2015; determined by their outstanding aggregate principal amounts as of April 30, 2015, plus redemption premiums to be paid on the redemption date of May 1, 2015 (refer to Note 4, Long-Term Debt for further discussion). The fair value of other long-term debt has been estimated using discounted cash flow analyses based on current borrowing rates for debt with similar remaining maturities and ratings (a Level 3 input). The estimated fair values of the 6.50% Notes, Industrial Development Bonds and other long-term debt as of April 30, 2015 are presented below (in thousands):

	April 30, 2015	
	Carrying Value	Fair Value
6.50% Notes	$215,000	$221,988
Industrial Development Bonds	$41,200	$42,848
Other long-term debt	$11,875	$12,521

New Accounting Standards— In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, "Revenue Recognition". This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets

recognized from costs incurred to obtain or fulfill a contract. This standard will be effective for the first interim period within fiscal years beginning after December 15, 2016 (the Company's 2018 first fiscal quarter), using one of two retrospective application methods. On April 1, 2015, the FASB voted to defer the effective date of the new revenue standard by one year, which is subject to a period for public comments, and would allow entities the option to early adopt the new revenue standard as of the original effective date. The Company is evaluating the impacts, if any, the adoption of this accounting standard will have on the Company's financial position or results of operations.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis", which amends the consolidation requirements in ASC 810, "Consolidation". This ASU affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception for certain entities. The standard will be effective for the first interim period within fiscal years beginning after December 15, 2015 (the Company's 2017 first fiscal quarter). The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company is evaluating the impacts, if any, the adoption of this accounting standard will have on the Company's financial position or results of operations.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance in the new standard is limited to the presentation of debt issuance costs and does not affect the recognition and measurement of debt issuance costs. The standard will be effective for the first interim period within fiscal years beginning after December 15, 2015 (the Company’s 2017 first fiscal quarter) and early adoption is permitted for financial statements that have not been previously issued. The standard should be applied on a retrospective basis. The adoption of this new accounting standard will amend presentation and disclosure requirements concerning debt issuance costs, and as such the adoption will not affect the Company’s financial position or results of operations.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement." The standard provides guidance about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for as an acquisition of a software license. If a cloud computing arrangement does not include a software license, it should be accounted for as a service contract. The standard will be effective for the first interim period within fiscal years beginning after December 15, 2015 (the Company’s 2017 first fiscal quarter) and may be adopted either retrospectively or prospectively. The Company is evaluating the impacts, if any, the adoption of this accounting standard will have on the Company's financial position or results of operations.

3. Net Income Per Common Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net income attributable to Vail Resorts stockholders by the weighted-average shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then participate in the earnings of Vail Resorts. Presented below is basic and diluted EPS for the three months ended April 30, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended April 30,			
	2015		2014	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income attributable to Vail Resorts	$133,410	$133,410	$117,946	$117,946
Weighted-average shares outstanding	36,354	36,354	36,159	36,159

Effect of dilutive securities	—	1,099	—	895
Total shares	36,354	37,453	36,159	37,054
Net income per share attributable to Vail Resorts	$3.67	$3.56	$3.26	$3.18

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. The number of shares issuable on the exercise of share based awards excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 15,000 and 4,000 for the three months ended April 30, 2015 and 2014, respectively.

Presented below is basic and diluted EPS for the nine months ended April 30, 2015 and 2014 (in thousands, except per share amounts):

	Nine Months Ended April 30,			
	2015		2014	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income attributable to Vail Resorts	$184,896	$184,896	$103,833	$103,833
Weighted-average shares outstanding	36,310	36,310	36,105	36,105
Effect of dilutive securities	—	1,052	—	920
Total shares	36,310	37,362	36,105	37,025
Net income per share attributable to Vail Resorts	$5.09	$4.95	$2.88	$2.80

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. The number of shares issuable on the exercise of share based awards excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 5,000 and 11,000 for the nine months ended April 30, 2015 and 2014, respectively.

During the three and nine months ended April 30, 2015, the Company paid dividends of $0.6225 and $1.4525 per share, respectively ($22.6 million and $52.8 million, respectively, in the aggregate). During the three and nine months ended April 30, 2014, the Company paid dividends of $0.4150 and $0.8300 per share, respectively ($15.0 million and $30.0 million, respectively, in the aggregate). On June 5, 2015 the Company's Board of Directors declared a quarterly cash dividend of $0.6225 per share payable on July 10, 2015 to stockholders of record as of June 25, 2015.

4. Long-Term Debt

Long-term debt as of April 30, 2015, July 31, 2014 and April 30, 2014 is summarized as follows (in thousands):

	Maturity (a)	April 30, 2015	July 31, 2014	April 30, 2014
Credit Facility Revolver (b)	2019	$—	$—	$—
Industrial Development Bonds (c)	2020	41,200	41,200	41,200
Employee Housing Bonds	2027-2039	52,575	52,575	52,575
6.50% Notes (c)	2019	215,000	215,000	390,000
Canyons obligation	2063	316,056	311,858	310,472
Other	2015-2029	11,918	5,989	5,855
Total debt		636,749	626,622	800,102
Less: Current maturities (d)		256,953	1,022	879
Long-term debt		$379,796	$625,600	$799,223

(a) Maturities are based on the Company's July 31 fiscal year end.

(b) On May 1, 2015, Vail Holdings, Inc. ("VHI"), a wholly-owned subsidiary of the Company, amended and restated its senior credit facility, the Sixth Amended and Restated Credit Agreement (the "Prior Credit Agreement"). The amended credit facility is now referred to as the Seventh Amended and Restated Credit Agreement (the "Credit Agreement") with VHI, as borrower, the Company and certain subsidiaries of the Company, as guarantors, Bank of America, N.A., as administrative agent, and the other Lenders party thereto. The Credit Agreement provides for a term loan facility in an aggregate principal amount of $250.0 million. The term loan facility is subject to quarterly amortization of principal, commencing on January 31, 2016, in equal installments, with five percent payable in each year and the final payment of all amounts outstanding, plus accrued and unpaid interest due on May 1, 2020.

Pursuant to the terms of the Credit Agreement, VHI has the ability to increase availability (under the revolver or in the form of term loans) to an aggregate principal amount not to exceed the greater of (i) $950.0 million and (ii) the

product of 2.75 and the trailing twelve-month Adjusted EBITDA, as defined in the Credit Agreement. The material terms of the Credit Agreement are substantially similar to those of the Prior Credit Agreement described in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2014. Key modifications to the Prior Credit Agreement included, among other things, the extension of the maturity on the revolving credit facility from March 2019 to May 2020 and increases in certain baskets for and improved flexibility to incur debt and make distributions. VHI's obligations under the Credit Agreement are guaranteed by the Company and certain of its subsidiaries and are collateralized by a pledge of all the capital stock of VHI and substantially all of its subsidiaries (with certain additional

exceptions for the pledge of the capital stock of foreign subsidiaries). The proceeds of the loans made under the Credit Agreement may be used, in addition to the redemption of the 6.50% Notes and Industrial Development Bonds, to fund the Company's working capital needs, capital expenditures, acquisitions, investments and other general corporate purposes, including the issuance of letters of credit. Borrowings under the Credit Agreement, including the term loan facility, bear interest annually at a rate of (i) LIBOR plus a margin or (ii) the Agent's prime lending rate plus a margin. Interest rate margins may fluctuate based upon the ratio of the Company's Net Funded Debt to Adjusted EBITDA on a trailing four-quarter basis.

(c) On March 13, 2015, the Company submitted redemption notices to the trustees to redeem the outstanding $215.0 million aggregate principal amount of the 6.50% Notes and the $41.2 million aggregate principal amount of Industrial Development Bonds. As a result, the Company classified the aggregate principal amounts outstanding as long-term debt due within one year. On May 1, 2015, the Company redeemed the outstanding aggregate principal amounts of its 6.50% Notes and Industrial Development Bonds which was funded by the $250.0 million term loan facility and cash on hand. The redemption premium for the 6.50% Notes was 103.250%, plus accrued and unpaid interest to the redemption date of May 1, 2015. The redemption premium for the Industrial Development Bonds was 104.000%, plus accrued and unpaid interest to the redemption date of May 1, 2015. As a result, the Company incurred an early redemption premium of $8.6 million, which will be recorded, along with a write-off of $2.4 million of unamortized debt issuance costs, as a loss on extinguishment of debt in the fourth quarter of the fiscal year ending July 31, 2015. Upon completion of the redemptions, no amounts of the 6.50% Notes or Industrial Development Bonds remained outstanding.

(d) Current maturities represent principal payments due in the next 12 months.

Aggregate maturities for debt outstanding as of April 30, 2015 reflected by fiscal year are as follows (in thousands):

	Total
2015	$ 256,319
2016	779
2017	854
2018	897
2019	955
Thereafter	376,945
Total debt	$ 636,749

The Company incurred gross interest expense of $13.7 million and $16.4 million for the three months ended April 30, 2015 and 2014, respectively, of which $0.4 million and $0.5 million, respectively, were amortization of deferred financing costs. The Company incurred gross interest expense of $41.1 million and $48.7 million for the nine months ended April 30, 2015 and 2014, respectively, of which $1.1 million and $1.5 million, respectively, were amortization of deferred financing costs.

5. Acquisitions

Park City Mountain Resort

On September 11, 2014, VR CPC Holdings, Inc. ("VR CPC"), a wholly-owned subsidiary of the Company, and Greater Park City Company, Powdr Corp., Greater Properties, Inc., Park Properties, Inc., and Powdr Development Company (collectively, "Park City Sellers") entered into a Purchase and Sale Agreement (the "Purchase Agreement") providing for the acquisition of substantially all of the assets related to Park City in Park City, Utah. The cash purchase price was $182.5 million, subject to certain post-closing adjustments. The Company funded the cash purchase price through borrowings under the revolver portion of its existing credit facility.

As provided under the Purchase Agreement, the Company acquired the property, assets and operations of Park City, which includes the ski area and related amenities, from Park City Sellers and assumed leases of certain realty,

acquired certain assets, and assumed certain liabilities of Park City Sellers relating to Park City. In addition to the Purchase Agreement, the parties settled the litigation related to the validity of a lease of certain land owned by Talisker Land Holdings, LLC under the ski terrain of Park City (the "Park City Litigation"). In connection with settling the Park City Litigation, the Company recorded a non-cash gain of $16.4 million in the Mountain segment for the nine months ended April 30, 2015. The gain on litigation settlement represents the estimated fair value of the rents (including damages and interest) due the Company from the Park City Sellers for their use of land and improvements from the Canyons transaction date of May 29, 2013 to the Park City acquisition date. Additionally, the Company assigned a fair value of $10.1 million to the settlement of the Park City Litigation that applied to the period prior to the Canyons transaction. The combined fair value of the Park City Litigation settlement of $26.5 million

was determined by applying market capitalization rates to the estimated fair market value of the land and improvements, plus an estimate of statutory damages and interest. The estimated fair value of the Park City Litigation settlement was not received in cash, but was instead reflected as part of the cash price negotiated for the Park City acquisition. Accordingly, the estimated fair value of the Park City Litigation settlement was included in the total consideration for the acquisition of Park City. Under an agreement entered into in conjunction with the Canyons transaction, the Company made a $10.0 million payment to Talisker in the nine months ended April 30, 2015, resulting from the settlement of the Park City Litigation.

The following summarizes the preliminary estimated fair values of the identifiable assets acquired and liabilities assumed at the date the transaction was effective (in thousands).

	Estimates of Fair Value at Effective Date of Transaction
Accounts receivable	$1,024
Other assets	3,075
Property, plant and equipment	76,605
Deferred income tax assets, net	7,444
Real estate held for sale and investment	7,000
Intangible assets	27,650
Goodwill	92,431
Total identifiable assets acquired	$215,229
Accounts payable and accrued liabilities	$1,960
Deferred revenue	4,319
Total liabilities assumed	$6,279
Total purchase price	$208,950

The estimated fair values of assets acquired and liabilities assumed in the acquisition of Park City are preliminary and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is obtaining additional information necessary to finalize those fair values. Therefore, the preliminary measurements of fair value reflected are subject to change. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. During the three months ended January 31, 2015, the Company recorded an adjustment to its preliminary purchase price allocation of $13.0 million, which reduced real estate held for sale and investment with a corresponding increase to goodwill and will reflect this as a retrospective adjustment as of October 31, 2014.

The excess of the purchase price over the aggregate fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected synergies, the assembled workforce of Park City and other factors. The majority of goodwill is expected to be deductible for income tax purposes. The intangible assets primarily consist of trademarks, water rights, and customer lists. The intangible assets have a weighted-average amortization period of approximately 46 years. The operating results of Park City, which are recorded in the Mountain segment, contributed $35.4 million and $63.8 million of net revenue (including an allocation of season pass revenue) for the three and nine months ended April 30, 2015, respectively. The Company has recognized $0.8 million of transaction related expenses in Mountain operating expense in the Consolidated Condensed Statements of Operations for the nine months ended April 30, 2015.

Certain land and improvements in the Park City ski area (excluding the base area) were part of the Talikser leased premises to Park City and was subject to the Park City Litigation as of the Canyons transaction date, and as such, was

recorded as a deposit ("Park City Deposit") for the potential future interests in the land and associated improvements at its estimated fair value in conjunction with the Canyons transaction. Upon settlement of the Park City Litigation, the land and improvements associated with the Talisker leased premises became subject to the Canyons lease, and as a result, the Company reclassified the Park City Deposit to the respective assets within property, plant and equipment in the nine months ended April 30, 2015. The inclusion of the land and certain land improvements that was subject to the Park City Litigation and now included in the Canyons lease requires no additional consideration from the Company to Talisker, but the financial contribution from the operations of Park City will be included as part of the calculation of EBITDA for the resort operations, and as a result, factor into the participating contingent payments (see Note 8, Fair Value Measurements). The majority of the assets acquired under the Park City acquisition, although not under lease, are subject to the terms and conditions of the Canyons lease.

The following presents the unaudited pro forma consolidated financial information of the Company as if the acquisition of Park City was completed on August 1, 2013. The following unaudited pro forma financial information includes adjustments for (i) depreciation on acquired property, plant and equipment; (ii) amortization of intangible assets recorded at the date of the transaction; (iii) related-party land leases; and (iv) transaction and business integration related costs. This unaudited pro forma financial information is presented for informational purposes only and does not purport to be indicative of the results of future operations or the results that would have occurred had the transaction taken place on August 1, 2013 (in thousands, except per share amounts).

	Three Months Ended April 30, 2014
Pro forma net revenue	$575,637
Pro forma net income attributable to Vail Resorts, Inc.	$127,625
Pro forma basic net income per share attributable to Vail Resorts, Inc.	$3.53
Pro forma diluted net income per share attributable to Vail Resorts, Inc.	$3.44

	Nine Months Ended April 30,	
	2015	2014
Pro forma net revenue	$1,239,878	$1,175,694
Pro forma net income attributable to Vail Resorts, Inc.	$185,565	$113,179
Pro forma basic net income per share attributable to Vail Resorts, Inc.	$5.11	$3.13
Pro forma diluted net income per share attributable to Vail Resorts, Inc.	$4.97	$3.06

Perisher Ski Resort

On March 30, 2015, VR Australia Holdings Pty Limited, a wholly-owned subsidiary of the Company, and Murray Publishers Pty Ltd, Consolidated Press Holdings Pty Limited, Transfield Corporate Pty Limited and Transfield Pty Limited (collectively, “Perisher Sellers”) entered into a Purchase and Sale Agreement (the “Perisher Purchase Agreement”) providing for the acquisition of 100% of the stock in the entities that operate Perisher Ski Resort ("Perisher") in New South Wales, Australia for cash consideration of approximately AU$176 million. Perisher holds a long-term lease and license with the New South Wales Government under the National Parks and Wildlife Act, which expires in 2048 with a 20-year renewal option. As provided under the Perisher Purchase Agreement, the Company will acquire the entities that hold the assets and operations that include the long-term lease and license with the New South Wales government for the ski area and related amenities of Perisher, including assumed liabilities, from Perisher Sellers. The acquisition is expected to close following the approval by the New South Wales government under the long-term lease and license. The Company expects the transaction to be recorded as a business combination in its consolidated financial statements.

6. Supplementary Balance Sheet Information

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

	April 30, 2015	July 31, 2014	April 30, 2014
Land and land improvements	$413,775	$348,328	$350,674
Buildings and building improvements	957,594	907,280	908,829
Machinery and equipment	777,011	700,745	701,825
Furniture and fixtures	284,403	269,209	273,202
Software	105,482	98,653	99,958
Vehicles	59,708	55,724	55,324
Construction in progress	20,245	31,487	19,453
Gross property, plant and equipment	2,618,218	2,411,426	2,409,265
Accumulated depreciation	(1,359,125)	(1,263,436)	(1,244,878)
Property, plant and equipment, net	$1,259,093	$1,147,990	$1,164,387

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

	April 30, 2015	July 31, 2014	April 30, 2014
Trade payables	$52,371	$71,823	$48,406
Deferred revenue	115,300	110,566	93,135
Accrued salaries, wages and deferred compensation	38,594	29,833	35,221
Accrued benefits	26,459	21,351	25,468
Deposits	18,199	15,272	17,772
Accrued interest	7,865	5,429	13,549
Other accruals	34,268	34,944	31,226
Total accounts payable and accrued liabilities	$293,056	$289,218	$264,777

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

	April 30, 2015	July 31, 2014	April 30, 2014
Private club deferred initiation fee revenue	$128,295	$128,824	$130,543
Unfavorable lease obligation, net	29,325	31,338	32,034
Other long-term liabilities	78,312	100,519	77,357
Total other long-term liabilities	$235,932	$260,681	$239,934

The changes in the net carrying amount of goodwill allocated between the Company's segments for the nine months ended April 30, 2015 are as follows (in thousands):

	Mountain	Lodging	Goodwill, net
Balance at July 31, 2014	$310,249	$67,899	$378,148
Acquisition	92,431	—	92,431
Effects of changes in foreign currency exchange rates	(293)	—	(293)
Balance at April 30, 2015	$402,387	$67,899	$470,286

7. Variable Interest Entities

The Company is the primary beneficiary of four employee housing entities (collectively, the “Employee Housing Entities”), Breckenridge Terrace, LLC, The Tarnes at BC, LLC, BC Housing, LLC and Tenderfoot Seasonal Housing, LLC, which are variable interest entities (“VIEs”), and the Company has consolidated them in its Consolidated Condensed Financial Statements. As a group, as of April 30, 2015, the Employee Housing Entities had total assets of $26.8 million (primarily recorded in property, plant and equipment, net) and total liabilities of $63.8 million (primarily recorded in long-term debt as “Employee Housing Bonds”). The Company’s lenders have issued letters of credit totaling $53.4 million under the Company's Credit Agreement related to Employee Housing Bonds. Payments under the letters of credit would be triggered in the event that one of the entities defaults on required payments. The letters of credit have no default provisions.

The Company is the primary beneficiary of Avon Partners II, LLC (“APII”), which is a VIE. APII owns commercial space and the Company leases substantially all of that space. APII had total assets of $4.3 million (primarily recorded in property, plant and equipment, net) and no debt as of April 30, 2015.

8. Fair Value Measurements

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

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

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

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

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

Description	Fair Value Measurement as of April 30, 2015 Balance at April 30, 2015	Level 1	Level 2	Level 3
Assets:				
Money Market	$7,578	$7,578	$—	$—
Commercial Paper	$2,401	$—	$2,401	$—
Certificates of Deposit	$2,651	$—	$2,651	$—
Liabilities:				
Contingent Consideration	$6,000	$—	$—	$6,000

Description	Fair Value Measurement as of July 31, 2014 Balance at July 31, 2014	Level 1	Level 2	Level 3
Assets:				
Money Market	$9,022	$9,022	$—	$—
Commercial Paper	$630	$—	$630	$—
Certificates of Deposit	$880	$—	$880	$—
Liabilities:				
Contingent Consideration	$10,500	$—	$—	$10,500

Description	Fair Value Measurement as of April 30, 2014 Balance at April 30, 2014	Level 1	Level 2	Level 3
Assets:				
Money Market	$78,851	$78,851	$—	$—
Commercial Paper	$630	$—	$630	$—
Certificates of Deposit	$630	$—	$630	$—
Liabilities:				
Contingent Consideration	$9,100	$—	$—	$9,100

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

The changes in Contingent Consideration during the nine months ended April 30, 2015 and 2014 were as follows:

Balance as of July 31, 2014 and 2013, respectively	$10,500	$9,100
Change in fair value	(4,500	)—
Balance as of April 30, 2015 and 2014, respectively	$6,000	$9,100

The lease for Canyons provides for participating contingent payments to Talisker of 42% of the amount by which EBITDA for the resort operations, as calculated under the lease, exceed approximately $35 million, as established at the transaction date, with such threshold amount subsequently increased annually by an inflation linked index and a 10% adjustment for any capital improvements or investments made under the lease by the Company (the "Contingent Consideration"). The fair value of Contingent Consideration includes the resort operations of Park City in the calculation of EBITDA on which participating contingent payments are made, and increases the EBITDA threshold

before which participating contingent payments are made equal to 10% of the purchase price paid by the Company, plus future capital expenditures. The Company estimated the fair value of the Contingent Consideration payments using an option pricing valuation model. Key assumptions included a discount rate of 11.5%, volatility of 20.0%, and credit risk of 3.0%. The model also incorporates assumptions for EBITDA and capital expenditures, which are unobservable inputs and thus are considered Level 3 inputs. As Contingent Consideration is classified as a liability, the liability is remeasured to fair value at each reporting date until the contingency is resolved. During the nine months ended April 30, 2015, the Company recorded a decrease of $4.5 million in the estimated fair value of the participating

contingent payments, and recorded the related gain in income from operations. The estimated fair value of the contingent consideration is $6.0 million as of April 30, 2015 and this liability is recorded in other long-term liabilities in the Consolidated Condensed Balance Sheets.

9. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances $8.0 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through an $8.1 million letter of credit issued under the Credit Agreement. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to Red Sky Ranch Metropolitan District ("RSRMD") until RSRMD's revenue streams from property taxes are sufficient to meet debt service requirements under HCMD's bonds, and the Company has recorded a liability of $1.8 million primarily within "other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheets, as of April 30, 2015, July 31, 2014 and April 30, 2014, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates it will make capital improvement fee payments under this arrangement through the year ending July 31, 2029.

Guarantees/Indemnifications

As of April 30, 2015, the Company had various other letters of credit for $64.3 million, consisting primarily of $53.4 million to support the Employee Housing Bonds and $10.9 million for workers' compensation, general liability construction related deductibles and other activities.

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

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

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

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

Self Insurance

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

Legal

The Company is a party to various lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage and/or has accrued for loss contingencies for all known matters deemed to be probable losses and estimable. As of April 30, 2015, July 31, 2014 and April 30, 2014, the accrual for the above loss contingencies was not material individually and in the aggregate.

10. Segment Information

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

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

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

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

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2015	2014	2015	2014
Net revenue:				
Lift	$285,249	$251,914	$524,537	$447,271
Ski school	66,216	62,512	123,511	109,442
Dining	44,003	42,303	90,661	82,369
Retail/rental	71,078	73,785	195,563	188,401
Other	33,005	30,073	88,696	82,091
Total Mountain net revenue	499,551	460,587	1,022,968	909,574
Lodging	67,323	66,293	185,180	179,694
Total Resort net revenue	566,874	526,880	1,208,148	1,089,268
Real estate	12,469	16,167	29,694	29,890
Total net revenue	$579,343	$543,047	$1,237,842	$1,119,158
Operating expense:				
Mountain	$244,675	$233,301	$645,593	$601,587
Lodging	54,726	53,182	166,407	163,346
Total Resort operating expense	299,401	286,483	812,000	764,933
Real estate	14,028	18,445	35,513	35,682
Total segment operating expense	$313,429	$304,928	$847,513	$800,615
Gain on litigation settlement	$—	$—	$16,400	$—
Gain on sale of real property	$151	$—	$151	$—
Mountain equity investment (loss) income, net	$(129)	$665	$396	$1,282
Reported EBITDA:				
Mountain	$254,747	$227,951	$394,171	$309,269
Lodging	12,597	13,111	18,773	16,348
Resort	267,344	241,062	412,944	325,617
Real estate	(1,408)	(2,278)	(5,668)	(5,792)
Total Reported EBITDA	$265,936	$238,784	$407,276	$319,825
Real estate held for sale and investment	$137,740	$170,818	$137,740	$170,818
Reconciliation to net income attributable to Vail Resorts, Inc.:				
Total Reported EBITDA	$265,936	$238,784	$407,276	$319,825
Depreciation and amortization	(38,242)	(35,588)	(111,587)	(105,948)
Change in fair value of contingent consideration	—	—	4,550	—
(Loss) gain on disposal of fixed assets and other, net	(71)	634	(852)	(839)
Investment income, net	119	124	155	289
Interest expense	(13,735)	(16,408)	(41,110)	(48,745)
Income before provision for income taxes	214,007	187,546	258,432	164,582
Provision for income taxes	(80,605)	(69,680)	(73,654)	(60,953)
Net income	$133,402	$117,866	$184,778	$103,629
Net loss attributable to noncontrolling interests	8	80	118	204
Net income attributable to Vail Resorts, Inc.	$133,410	$117,946	$184,896	$103,833

11. Stock Repurchase Plan

On March 9, 2006, the Company's Board of Directors approved the repurchase of up to 3,000,000 shares of common stock and on July 16, 2008 approved an increase of the Company's common stock repurchase authorization by an additional 3,000,000 shares. During the three and nine months ended April 30, 2015 and 2014, the Company did not repurchase any shares of common stock. Since inception of its stock repurchase program through April 30, 2015, the Company has repurchased 4,949,111 shares at a cost of approximately $193.2 million. As of April 30, 2015, 1,050,889 shares remained available to repurchase under the existing repurchase authorization. Shares of common stock purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under the Company's employee share award plan.

12. Income Taxes

The Company had Federal net operating loss ("NOL") carryforwards that expired in the year ended July 31, 2008 and were limited in deductibility each year under Section 382 of the Internal Revenue Code. The Company had only been able to use these NOL carryforwards to the extent of approximately $8.0 million per year through December 31, 2007 (the "Section 382 Amount"). However, during the year ended July 31, 2005, the Company amended previously filed tax returns (for tax years 1997-2002) in an effort to remove the restrictions under Section 382 of the Internal Revenue Code on approximately $73.8 million of NOL carryforwards to reduce future taxable income. As a result, the Company requested a refund related to the amended returns in the amount of $6.2 million and reduced its federal tax liability in the amount of $19.6 million in subsequent returns. These NOL carryforwards relate to fresh start accounting from the Company's reorganization in 1992. During the year ended July 31, 2006, the Internal Revenue Service ("IRS") completed its examination of the Company's filing position in these amended returns and disallowed the Company's request for refund and its position to remove the restrictions under Section 382 of the Internal Revenue Code. The Company appealed the examiner's disallowance of these NOL carryforwards to the Office of Appeals. In December 2008, the Office of Appeals denied the Company's appeal, as well as a request for mediation. The Company disagreed with the IRS interpretation disallowing the utilization of the NOL's and in August 2009, the Company 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, plus interest. On July 1, 2011, the District Court granted the Company summary judgment, concluding that the IRS's decision disallowing the utilization of the NOLs was inappropriate. The computations themselves, however, remained in dispute, and the District Court's ruling was subject to appeal by the IRS. Subsequently, the District Court proceedings were continued pending settlement discussions between the parties.

The Company also filed two related tax proceedings in the United States Tax Court regarding calculation of NOL carryover deductions for tax years 2006, 2007, and 2008. The two proceedings involved substantially the same issues as the litigation in the District Court for tax years 2000 and 2001 in which the Company disagreed with the IRS as to the utilization of NOLs. Like the District Court proceedings, the Tax Court proceedings were continued pending settlement discussions between the parties.

On January 29, 2015, the parties completed the execution of a comprehensive settlement agreement resolving all issues and computations in the above mentioned pending proceedings, which allowed the Company to utilize a significant portion of the NOLs. As a result, the Company reversed $27.7 million of other long-term liabilities related to uncertain tax benefits, and recorded income tax benefits of $23.8 million for the utilization of the NOLs, including the reversal of accrued interest and penalties, within its Consolidated Condensed Statements of Operations for the nine months ended April 30, 2015.

13. Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company’s payment obligations under the 6.50% Notes (see Note 4, Long-Term Debt) are fully and unconditionally guaranteed on a joint and several, senior subordinated basis by substantially all of the Company’s consolidated subsidiaries (collectively, and excluding Non-Guarantor Subsidiaries (as defined below), the “Guarantor Subsidiaries”), except for Eagle Park Reservoir Company, Larkspur Restaurant & Bar, LLC, Black Diamond Insurance, Inc., Skiinfo AS and certain other insignificant entities (together, the “Non-Guarantor Subsidiaries”). APII and the Employee Housing Entities are included with the Non-Guarantor Subsidiaries for purposes of the consolidated financial information, but are not considered subsidiaries under the indenture governing the 6.50% Notes. On May 1, 2015, the Company redeemed the outstanding aggregate principal amount of its 6.50% Notes (see Note 4, Long-Term Debt) which upon redemption released the Company's consolidated subsidiary guarantees.

Presented below is the consolidated financial information of the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. Financial information for the Non-Guarantor Subsidiaries is presented in the column titled “Other Subsidiaries.” Balance sheets are presented as of April 30, 2015, July 31, 2014, and April 30, 2014. Statements of operations and statements of comprehensive income are presented for the three and nine months ended April 30, 2015 and 2014. Statements of cash flows are presented for the nine months ended April 30, 2015 and 2014. As of April 30, 2014, the Company revised its classification of advances to Parent in the amount of $520.1 million to properly present it as contra equity in the Supplemental Consolidating Condensed Balance Sheet from advances to Parent within total assets. The Company has determined that this revision is not material to the Supplemental Consolidating Condensed Balance Sheet.

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

Supplemental Consolidating Condensed Balance Sheet
As of April 30, 2015
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$—	$117,569	$7,645	$—	$125,214
Restricted cash	—	10,672	2,467	—	13,139
Trade receivables, net	—	102,290	3,327	—	105,617
Inventories, net	—	62,007	160	—	62,167
Other current assets	33,732	30,016	306	—	64,054
Total current assets	33,732	322,554	13,905	—	370,191
Property, plant and equipment, net	—	1,219,273	39,820	—	1,259,093
Real estate held for sale and investment	—	137,740	—	—	137,740
Goodwill, net	—	468,922	1,364	—	470,286
Intangible assets, net	—	122,064	19,063	—	141,127
Other assets	2,374	43,639	5,036	(9,981)	41,068
Investments in subsidiaries	2,112,937	(8,625)	—	(2,104,312)	—
Advances to affiliates	—	—	4,027	(4,027)	—
Total assets	$2,149,043	$2,305,567	$83,215	$(2,118,320)	$2,419,505
Current liabilities:					
Accounts payable and accrued liabilities	$7,262	$275,979	$9,815	$—	$293,056
Income taxes payable	36,161	—	—	—	36,161
Long-term debt due within one year	215,000	41,709	244	—	256,953
Total current liabilities	258,423	317,688	10,059	—	586,170
Advances from affiliates	665,400	4,027	—	(669,427)	—
Long-term debt	—	322,533	57,263	—	379,796
Other long-term liabilities	21,211	213,782	10,920	(9,981)	235,932
Deferred income taxes	240,519	—	(386)	—	240,133
Total Vail Resorts, Inc. stockholders' equity (deficit)	963,490	2,112,937	(8,625)	(2,104,312)	963,490
Advances to Parent	—	(665,400)	—	665,400	—
Noncontrolling interests	—	—	13,984	—	13,984
Total stockholders' equity	963,490	1,447,537	5,359	(1,438,912)	977,474
Total liabilities and stockholders' equity	$2,149,043	$2,305,567	$83,215	$(2,118,320)	$2,419,505

Supplemental Consolidating Condensed Balance Sheet
As of July 31, 2014
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$—	$35,070	$9,336	$—	$44,406
Restricted cash	—	11,321	1,860	—	13,181
Trade receivables, net	—	94,390	1,587	—	95,977
Inventories, net	—	66,988	195	—	67,183
Other current assets	29,249	24,736	314	—	54,299
Total current assets	29,249	232,505	13,292	—	275,046
Property, plant and equipment, net	—	1,105,830	42,160	—	1,147,990
Real estate held for sale and investment	—	157,858	—	—	157,858
Goodwill, net	—	376,491	1,657	—	378,148
Intangible assets, net	—	98,227	19,296	—	117,523
Other assets	2,762	100,365	4,137	(9,980)	97,284
Investments in subsidiaries	1,945,001	(7,188)	—	(1,937,813)	—
Advances to affiliates	—	—	2,621	(2,621)	—
Total assets	$1,977,012	$2,064,088	$83,163	$(1,950,414)	$2,173,849
Current liabilities:					
Accounts payable and accrued liabilities	$3,803	$277,738	$7,677	$—	$289,218
Income taxes payable	33,966	—	—	—	33,966
Long-term debt due within one year	—	791	231	—	1,022
Total current liabilities	37,769	278,529	7,908	—	324,206
Advances from affiliates	725,839	2,621	—	(728,460)	—
Long-term debt	215,000	353,093	57,507	—	625,600
Other long-term liabilities	48,875	210,683	11,103	(9,980)	260,681
Deferred income taxes	128,686	—	(124)	—	128,562
Total Vail Resorts, Inc. stockholders' equity (deficit)	820,843	1,945,001	(7,188)	(1,937,813)	820,843
Advances to Parent	—	(725,839)	—	725,839	—
Noncontrolling interests	—	—	13,957	—	13,957
Total stockholders' equity	820,843	1,219,162	6,769	(1,211,974)	834,800
Total liabilities and stockholders' equity	$1,977,012	$2,064,088	$83,163	$(1,950,414)	$2,173,849

Supplemental Consolidating Condensed Balance Sheet
As of April 30, 2014
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Current assets:					
Cash and cash equivalents	$—	$298,642	$8,789	$—	$307,431
Restricted cash	—	11,285	1,772	—	13,057
Trade receivables, net	—	77,108	2,707	—	79,815
Inventories, net	—	60,229	180	—	60,409
Other current assets	29,217	28,961	518	—	58,696
Total current assets	29,217	476,225	13,966	—	519,408
Property, plant and equipment, net	—	1,121,251	43,136	—	1,164,387
Real estate held for sale and investment	—	170,818	—	—	170,818
Goodwill, net	—	376,491	1,729	—	378,220
Intangible assets, net	—	99,149	19,358	—	118,507
Other assets	5,274	97,136	4,154	(9,460)	97,104
Investments in subsidiaries	2,046,019	(4,984)	—	(2,041,035)	—
Advances to affiliates	—	—	3,379	(3,379)	—
Total assets	$2,080,510	$2,336,086	$85,722	$(2,053,874)	$2,448,444
Current liabilities:					
Accounts payable and accrued liabilities	$13,014	$243,284	$8,479	$—	$264,777
Income taxes payable	39,043	—	—	—	39,043
Long-term debt due within one year	—	648	231	—	879
Total current liabilities	52,057	243,932	8,710	—	304,699
Advances from affiliates	520,096	3,379	—	(523,475)	—
Long-term debt	390,000	351,716	57,507	—	799,223
Other long-term liabilities	27,673	211,136	10,585	(9,460)	239,934
Deferred income taxes	183,535	—	(62)	—	183,473
Total Vail Resorts, Inc. stockholders' equity (deficit)	907,149	2,046,019	(4,984)	(2,041,035)	907,149
Advances to Parent	—	(520,096)	—	520,096	—
Noncontrolling interests	—	—	13,966	—	13,966
Total stockholders' equity	907,149	1,525,923	8,982	(1,520,939)	921,115
Total liabilities and stockholders' equity	$2,080,510	$2,336,086	$85,722	$(2,053,874)	$2,448,444

Supplemental Consolidating Condensed Statement of Operations
For the three months ended April 30, 2015
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$—	$577,461	$6,493	$(4,611)	$579,343
Total operating expense	64	350,193	5,907	(4,573)	351,591
(Loss) income from operations	(64)	227,268	586	(38)	227,752
Other expense, net	(3,593)	(9,743)	(318)	38	(13,616)
Equity investment loss, net	—	(129)	—	—	(129)
(Loss) income before benefit (provision) for income taxes	(3,657)	217,396	268	—	214,007
Benefit (provision) for income taxes	1,257	(81,823)	(39)	—	(80,605)
Net (loss) income before equity in income of consolidated subsidiaries	(2,400)	135,573	229	—	133,402
Equity in income of consolidated subsidiaries	135,810	237	—	(136,047)	—
Net income	133,410	135,810	229	(136,047)	133,402
Net loss attributable to noncontrolling interests	—	—	8	—	8
Net income attributable to Vail Resorts, Inc.	$133,410	$135,810	$237	$(136,047)	$133,410

Supplemental Consolidating Condensed Statement of Operations
For the three months ended April 30, 2014
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$—	$539,704	$6,494	$(3,151)	$543,047
Total operating expense	106	336,623	6,266	(3,113)	339,882
(Loss) income from operations	(106)	203,081	228	(38)	203,165
Other expense, net	(6,600)	(9,331)	(391)	38	(16,284)
Equity investment income, net	—	665	—	—	665
(Loss) income before benefit (provision) for income taxes	(6,706)	194,415	(163)	—	187,546
Benefit (provision) for income taxes	2,564	(72,295)	51	—	(69,680)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(4,142)	122,120	(112)	—	117,866
Equity in income (loss) of consolidated subsidiaries	122,088	(32)	—	(122,056)	—
Net income (loss)	117,946	122,088	(112)	(122,056)	117,866
Net loss attributable to noncontrolling interests	—	—	80	—	80

Net income (loss) attributable to Vail Resorts, Inc.	$117,946	$122,088	$(32)	$(122,056)	$117,946

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Supplemental Consolidating Condensed Statement of Operations
For the nine months ended April 30, 2015
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$—	$1,235,712	$15,710	$(13,580)	$1,237,842
Total operating expense	285	956,630	16,352	(13,466)	959,801
Gain on litigation settlement	—	16,400	—	—	16,400
Change in fair value of contingent consideration	—	4,550	—	—	4,550
(Loss) income from operations	(285)	300,032	(642)	(114)	298,991
Other expense, net	(10,871)	(29,197)	(1,001)	114	(40,955)
Equity investment income, net	—	396	—	—	396
(Loss) income before benefit (provision) for income taxes	(11,156)	271,231	(1,643)	—	258,432
Benefit (provision) for income taxes	27,691	(101,406)	61	—	(73,654)
Net income (loss) before equity in income (loss) of consolidated subsidiaries	16,535	169,825	(1,582)	—	184,778
Equity in income (loss) of consolidated subsidiaries	168,361	(1,464)	—	(166,897)	—
Net income (loss)	184,896	168,361	(1,582)	(166,897)	184,778
Net loss attributable to noncontrolling interests	—	—	118	—	118
Net income (loss) attributable to Vail Resorts, Inc.	$184,896	$168,361	$(1,464)	$(166,897)	$184,896

Supplemental Consolidating Condensed Statement of Operations
For the nine months ended April 30, 2014
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Total net revenue	$—	$1,113,141	$15,840	$(9,823)	$1,119,158
Total operating expense	286	899,631	17,194	(9,709)	907,402
(Loss) income from operations	(286)	213,510	(1,354)	(114)	211,756
Other expense, net	(19,802)	(27,630)	(1,138)	114	(48,456)
Equity investment income, net	—	1,282	—	—	1,282
(Loss) income before benefit (provision) for income taxes	(20,088)	187,162	(2,492)	—	164,582
Benefit (provision) for income taxes	7,810	(68,971)	208	—	(60,953)
Net (loss) income before equity in income (loss) of consolidated subsidiaries	(12,278)	118,191	(2,284)	—	103,629
Equity in income (loss) of consolidated subsidiaries	116,111	(2,080)	—	(114,031)	—

Net income (loss)	103,833	116,111	(2,284)	(114,031)	103,629
Net loss attributable to noncontrolling interests	—	—	204	—	204
Net income (loss) attributable to Vail Resorts, Inc.	$103,833	$116,111	$(2,080)	$(114,031)	$103,833

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Supplemental Consolidating Condensed Statement of Comprehensive Income
For the three months ended April 30, 2015
(In thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Net income	$133,410	$135,810	$229	$(136,047)	$133,402
Foreign currency translation adjustments, net of tax	23	(23)	(23)	46	23
Comprehensive income	133,433	135,787	206	(136,001)	133,425
Comprehensive loss attributable to noncontrolling interests	—	—	8	—	8
Comprehensive income attributable to Vail Resorts, Inc.	$133,433	$135,787	$214	$(136,001)	$133,433

Supplemental Consolidating Condensed Statement of Comprehensive Income (Loss)
For the three months ended April 30, 2014
(In thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Net income (loss)	$117,946	$122,088	$(112)	$(122,056)	$117,866
Foreign currency translation adjustments, net of tax	85	85	85	(170)	85
Comprehensive income (loss)	118,031	122,173	(27)	(122,226)	117,951
Comprehensive loss attributable to noncontrolling interests	—	—	80	—	80
Comprehensive income attributable to Vail Resorts, Inc.	$118,031	$122,173	$53	$(122,226)	$118,031

Supplemental Consolidating Condensed Statement of Comprehensive Income (Loss)
For the nine months ended April 30, 2015
(In thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Net income (loss)	$184,896	$168,361	$(1,582)	$(166,897)	$184,778
Foreign currency translation adjustments, net of tax	(424)	424	424	(848)	(424)
Comprehensive income (loss)	184,472	168,785	(1,158)	(167,745)	184,354
Comprehensive loss attributable to noncontrolling interests	—	—	118	—	118
Comprehensive income (loss) attributable to Vail Resorts, Inc.	$184,472	$168,785	$(1,040)	$(167,745)	$184,472

Supplemental Consolidating Condensed Statement of Comprehensive Income (Loss)
For the nine months ended April 30, 2014
(In thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Eliminating Entries	Consolidated
Net income (loss)	$103,833	$116,111	$(2,284)	$(114,031)	$103,629
Foreign currency translation adjustments, net of tax	(34)	(34)	(34)	68	(34)
Comprehensive income (loss)	103,799	116,077	(2,318)	(113,963)	103,595
Comprehensive loss attributable to noncontrolling interests	—	—	204	—	204
Comprehensive income (loss) attributable to Vail Resorts, Inc.	$103,799	$116,077	$(2,114)	$(113,963)	$103,799

Supplemental Consolidating Condensed Statement of Cash Flows
For the nine months ended April 30, 2015
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash provided by (used in) operating activities	$109,692	$285,406	$(622)	$394,476
Cash flows from investing activities:				
Capital expenditures	—	(84,941)	(642)	(85,583)
Acquisition of business	—	(182,500)	—	(182,500)
Other investing activities, net	—	3,288	(14)	3,274
Net cash used in investing activities	—	(264,153)	(656)	(264,809)
Cash flows from financing activities:				
Proceeds from borrowings under long-term debt	—	253,000	—	253,000
Payments of other long-term debt	—	(253,782)	(231)	(254,013)
Dividends paid	(52,778)	—	—	(52,778)
Other financing activities, net	3,878	1,018	145	5,041
Advances	(60,792)	60,792	—	—
Net cash (used in) provided by financing activities	(109,692)	61,028	(86)	(48,750)
Effect of exchange rate changes on cash and cash equivalents	—	218	(327)	(109)
Net increase (decrease) in cash and cash equivalents	—	82,499	(1,691)	80,808
Cash and cash equivalents:				
Beginning of period	—	35,070	9,336	44,406
End of period	$—	$117,569	$7,645	$125,214

Supplemental Consolidating Condensed Statement of Cash Flows
For the nine months ended April 30, 2014
(in thousands)
(Unaudited)

	Parent Company	100% Owned Guarantor Subsidiaries	Other Subsidiaries	Consolidated
Net cash provided by operating activities	$52,146	$252,610	$1,441	$306,197
Cash flows from investing activities:				
Capital expenditures	—	(107,208)	(892)	(108,100)
Other investing activities, net	—	912	8	920
Net cash used in investing activities	—	(106,296)	(884)	(107,180)
Cash flows from financing activities:				
Payments of other long-term debt	—	(758)	(219)	(977)
Dividends paid	(29,998)	—	—	(29,998)
Other financing activities, net	3,880	(3,891)	743	732
Advances	(26,028)	26,028	—	—
Net cash (used in) provided by financing activities	(52,146)	21,379	524	(30,243)
Effect of exchange rate changes on cash and cash equivalents	—	(21)	74	53
Net increase in cash and cash equivalents	—	167,672	1,155	168,827
Cash and cash equivalents:				
Beginning of period	—	130,970	7,634	138,604
End of period	$—	$298,642	$8,789	$307,431

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

Vail Resorts, Inc. together with its subsidiaries, is referred to throughout this Quarterly Report on Form 10-Q for the period ended April 30, 2015 ("Form 10-Q") as "we", "us", "our" or the "Company".

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended July 31, 2014 ("Form 10-K") and the Consolidated Condensed Financial Statements as of April 30, 2015 and 2014 and for the three and nine months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding our financial position, results of operations and cash flows. To the extent that the following Management's Discussion and Analysis contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements" below. These risks include, but are not limited to, those discussed in this Form 10-Q and in our other filings with the Securities and Exchange Commission ("SEC"), including the risks described in Item 1A "Risk Factors" of Part I of the Form 10-K.

The following Management's Discussion and Analysis includes discussion of financial performance within each of our segments. We have chosen to specifically include Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment income or loss, plus gain on litigation settlement and for the Real Estate segment, plus gain on sale of real property) and Net Debt (defined as long-term debt plus long-term debt due within one year less cash and cash equivalents), in the following discussion because we consider these measurements to be significant indications of our financial performance and available capital resources. Reported EBITDA and Net Debt are not measures of financial performance or liquidity under accounting principles generally accepted in the United States of America ("GAAP"). We utilize Reported EBITDA in evaluating our performance and in allocating resources to our segments. Refer to the end of the "Results of Operations" section below 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 below 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 Condensed Financial Statements as indicators of financial performance or liquidity. Because Reported EBITDA and Net Debt are not measurements determined in accordance with GAAP and are susceptible to varying calculations, Reported EBITDA and Net Debt as presented may not be comparable to other similarly titled measures of other companies.

Overview

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

Mountain Segment

The Mountain segment is comprised of the operations of mountain resort properties at the Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado ("Colorado" resorts); Canyons and Park City Mountain Resort ("Park City" acquired on September 11, 2014) in Utah ("Utah" resorts); the Heavenly, Northstar and Kirkwood mountain resorts in the Lake Tahoe area of California and Nevada ("Tahoe" resorts); and Afton Alps ski area in Minnesota and Mount Brighton ski area in Michigan ("Urban" ski areas); as well as ancillary services, primarily including ski school, dining and retail/rental operations. Mountain segment revenue is seasonal, with the majority of revenue earned in our second and third fiscal quarters. Our mountain resorts are typically open for business 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 57% and 55% of Mountain net revenue for the three months ended April 30, 2015 and 2014, respectively, and approximately 51% and 49% of Mountain net revenue for the nine months ended April 30, 2015 and 2014, 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 visiting our resorts is divided into two primary categories: (i) out-of-state and international ("Destination") guests and (ii) in-state and local ("In-State") guests. For the 2014/2015 ski season, Destination guests comprised approximately 59% of our skier visits, while In-State guests comprised approximately 41% of our skier visits. For the 2013/2014 ski season, Destination guests comprised approximately 56% of our skier visits, while In-State guests comprised approximately 44% of our skier visits.

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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 the lodging at or around our mountain resorts. Destination guest visitation is less likely to be impacted by changes in the weather, but can be more impacted by adverse economic conditions or the global geopolitical climate. In-State guests tend to be more value-oriented and weather sensitive. We offer a variety of season pass products for all of our mountain resorts and Urban ski areas, marketed towards both Destination and In-State guests. Our season pass product offerings range from providing access to one or a combination of our mountain resorts and Urban ski areas to our Epic Season Pass that allows season pass holders unlimited and unrestricted access to all of our mountain resorts and Urban ski areas. Our season pass products provide a compelling value proposition to our guests, which in turn assists us in developing a loyal base of customers who commit to ski at our mountain resorts and Urban ski areas generally in advance of the ski season and typically ski more days each season at our mountain resorts and Urban ski areas than those guests who do not buy season passes. As such, our season pass program drives strong customer loyalty; mitigates exposure to many weather sensitive guests; and generates additional ancillary spending. In addition, our season pass products attract new guests to our mountain resorts and Urban ski areas. All of our season pass products, including the Epic Season Pass, are sold predominately prior to the start of the ski season. Season pass revenue, although primarily collected prior to the ski season, is recognized in the Consolidated Condensed Statement of Operations ratably over the ski season. For the 2014/2015 and 2013/2014 ski seasons, approximately 41% and 40%, respectively, of total lift revenue was comprised of season pass revenue.

The cost structure of our mountain resort operations has a significant fixed component with variable expenses including, but not limited to, USDA Forest Service (“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 and condominiums through the RockResorts brand, including several proximate to our mountain resorts;
(ii) ownership/management of non-RockResorts branded hotels and condominiums proximate to our mountain resorts;
(iii) National Park Service ("NPS") concessionaire properties including the Grand Teton Lodge Company ("GTLC");
(iv) Colorado Mountain Express ("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 mountain resorts, and CME, is closely aligned with the performance of the Mountain segment and generally experiences similar seasonal trends, particularly with respect to visitation by Destination guests, and represented approximately 93% and 94% of Lodging segment revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) for the three months ended April 30, 2015 and 2014, respectively and 79% of Lodging segment revenue (excluding Lodging segment revenue associated with reimbursement of payroll costs) for both the nine months ended April 30, 2015 and 2014. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursement and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense have no effect on our Lodging Reported EBITDA which we use to evaluate Lodging segment performance. 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 principal activities of our Real Estate segment include the marketing and selling of remaining condominium units available for sale, which primarily relate to The Ritz-Carlton Residences, Vail, and One Ski Hill Place in Breckenridge; planning for future real estate development projects, including zoning and acquisition of applicable

permits; and the occasional purchase of selected strategic land parcels for future development as well as the sale of land parcels to third-party developers. Revenue from vertical development projects is not recognized until closing of individual units within a project, which occurs after substantial completion of the project. Additionally, our real estate development projects most often result in the creation of certain resort assets that provide additional benefit to the Mountain and Lodging segments. Although we continue to undertake preliminary planning and design work on future projects, we currently do not plan to undertake significant vertical development activities on new projects. 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 evaluate the launch of future projects with favorable terms and limiting future risk for the Company. Our revenue from the Real Estate segment, and associated expense, can fluctuate significantly based upon the timing of closings and the type of real estate being sold, causing volatility in the Real Estate segment's operating results from period to period.

Recent Trends, Risks and Uncertainties

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

- 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 partially mitigate the impact to our operating results from the timing and amount of snowfall, 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 within the second and third fiscal quarters, when the season pass sales are recorded as revenue. Additionally, our season pass products provide a compelling value proposition to our guests, which in turn creates a guest commitment predominately prior to the start of the ski season. In March 2015, we began our early season pass sales program for the 2015/2016 ski season. Through May 26, 2015, our early season pass sales for the upcoming 2015/2016 ski season have increased approximately 12% in units and increased approximately 20% in sales dollars, compared to the prior year period ended May 27, 2014 (including Park City for the prior year, which prior year includes pass sales that were specific to Park City and occurred before our acquisition, and excluding Perisher Freedom Pass sales). However, we cannot predict if this favorable trend will continue through the Fall 2015 pass sales campaign or the overall impact that season pass sales will have on lift revenue for the 2015/2016 ski season.

- In May 2013, we entered into a long-term lease with Talisker Corporation (“Talisker”) under which we assumed resort operations of Canyons, which includes the ski area and related amenities. In addition to the lease, we entered into ancillary transaction documents setting forth our rights related to, among other things, the litigation between the then current operator of Park City and Talisker concerning the validity of a lease of the Talisker-owned land under the ski terrain of Park City (excluding the base area). On September 11, 2014, we entered into a Purchase and Sale Agreement (the “Park City Purchase Agreement”) providing for the acquisition of substantially all of the assets related to Park City. Pursuant to the Park City Purchase Agreement and ancillary transaction documents dated the same date, we assumed resort operations of Park City. In addition, the parties entered into ancillary transaction documents, including an agreement that settled all litigation related to the validity of the lease of the Talisker-owned land. In connection with settling the litigation, we recorded a non-cash gain of $16.4 million for the nine months ended April 30, 2015, based upon the estimated fair value of the settlement. Additionally, we recorded a credit of $4.5 million for the nine months ended April 30, 2015 for the change in fair value of the contingent consideration, which includes the resort operations of Park City in the calculation of EBITDA on which participating contingent payments are made, and increases the EBITDA threshold before which participating contingent payments are made equal to 10% of the purchase price paid by us, plus future capital expenditures. We expect that Park City will significantly contribute to our results of operations; however, we cannot predict whether we will realize all of the synergies expected from the operations of our Utah resorts nor can we predict all the resources required to integrate Park City operations and the ultimate impact our Utah resorts will have on our future results of operations.

The estimated fair values of assets acquired and liabilities assumed in the Park City acquisition are preliminary and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. We believe that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but we are obtaining additional information necessary to finalize those fair values. Therefore, the preliminary measurements of fair value reflected within the Consolidated Condensed Balance Sheets as of April 30, 2015 are subject to change.

- On March 30, 2015, we entered into the Perisher Purchase Agreement with Perisher Sellers providing for the acquisition of the entities that operate Perisher in New South Wales, Australia. The cash purchase price will be approximately AU$176 million and we plan to fund the cash purchase price through available cash on hand and borrowings from the revolving portion of our Seventh Amended and Restated Credit Agreement (the "Credit Agreement"). We expect that Perisher will positively contribute to our results of operations with its

- peak operating season occurring during our first and fourth fiscal quarters. In addition, we cannot predict whether we will realize all of the synergies expected from the operations of Perisher and the ultimate impact Perisher will have on our future results of operations.

As of April 30, 2015, we had $125.2 million in cash and cash equivalents, as well as $327.7 million available under our senior credit facility, the Sixth Amended and Restated Credit Agreement (the “Prior Credit Agreement”) (which represents the total commitment of $400.0 million less certain letters of credit outstanding of $72.3 million). The cash purchase price of $182.5 million for our acquisition of Park City in September 2014 was funded through borrowings under the revolver portion of our Prior Credit Agreement. During the nine months ended April 30, 2015, we repaid the outstanding borrowings under our Prior Credit Agreement through cash flow generated from operating activities. On March 13, 2015, we submitted redemption notices to the trustees to redeem the outstanding $215.0 million aggregate

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principal amount of 6.50% Senior Subordinated Notes due 2019 (“6.50% Notes”) and the $41.2 million aggregate principal amount of 6.95% Eagle County Industrial Development Bonds ("Industrial Development Bonds"). On May 1, 2015, we redeemed the outstanding aggregate principal amounts of our 6.50% Notes and Industrial Development Bonds and paid $8.6 million in early redemption premiums, which will be recorded, along with a write-off of unamortized debt issuance costs of $2.4 million, as a loss on extinguishment of debt in the fourth quarter of the fiscal year ending July 31, 2015. Additionally, we amended our Prior Credit Agreement to, among other items, provide for a $250.0 million term loan facility due May 2020, which borrowings from the term loan facility and cash on hand were used to fund the redemptions.

We believe that the terms of our Credit Agreement allow for sufficient flexibility in our ability to make future acquisitions, investments, distributions to stockholders and incur additional debt. This, combined with the continued positive cash flow from operating activities of our Mountain and Lodging segments and 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 occasional land sales less resort capital expenditures, has and is anticipated to continue to provide us with significant liquidity. We believe our liquidity will allow us to consider strategic investments and other forms of returning value to our stockholders including the continued payment of a quarterly cash dividend.

Real Estate Reported EBITDA is highly dependent on, among other things, the timing of closings on condominium units available for sale and occasional land sales, 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 April 30, 2015, we had 11 units (of which one unit sold subsequent to April 30, 2015) at The Ritz-Carlton Residences, Vail and 9 units (of which two units sold subsequent to April 30, 2015) at One Ski Hill Place in Breckenridge available for sale with a remaining book value of $37.4 million for both projects as of April 30, 2015. We cannot predict the ultimate number of units we will sell, the ultimate price we will receive, or when the units will sell, although we anticipate the selling process may take up to two years to complete. 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 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, it may result in an impairment charge, particularly for the One Ski Hill Place in Breckenridge project.

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 changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the recoverability of our goodwill by estimating the future discounted cash flows of our reporting units and terminal values of the businesses using projected future levels of income as well as business trends, prospects and market and economic conditions. We evaluate the recoverability of indefinite-lived intangible assets using the income approach based upon estimated future revenue streams, and we evaluate long-lived assets based upon estimated undiscounted future cash flows. Our fiscal 2014 annual impairment test did not result in a goodwill or indefinite-lived intangible asset impairment. 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 Colorado Lodging operations), negatively affecting our results of

operations and stockholders’ equity.

RESULTS OF OPERATIONS

Summary

Below is a summary of operating results for the three and nine months ended April 30, 2015, compared to the three and nine months ended April 30, 2014 (in thousands):

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	Three Months Ended April 30,		Nine Months Ended April 30,	
	2015	2014	2015	2014
Mountain Reported EBITDA	$254,747	$227,951	$394,171	$309,269
Lodging Reported EBITDA	12,597	13,111	18,773	16,348
Resort Reported EBITDA	267,344	241,062	412,944	325,617
Real Estate Reported EBITDA	(1,408)	(2,278)	(5,668)	(5,792)
Income before provision for income taxes	214,007	187,546	258,432	164,582
Net income attributable to Vail Resorts, Inc.	$133,410	$117,946	$184,896	$103,833

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

Mountain Segment

Three months ended April 30, 2015 compared to the three months ended April 30, 2014

Mountain segment operating results for the three months ended April 30, 2015 and 2014 are presented by category as follows (in thousands, except effective ticket price (“ETP”)):

	Three Months Ended April 30,		Percentage Increase (Decrease)	
	2015	2014		
Net Mountain revenue:				
Lift	$285,249	$251,914	13.2	%
Ski school	66,216	62,512	5.9	%
Dining	44,003	42,303	4.0	%
Retail/rental	71,078	73,785	(3.7	)%
Other	33,005	30,073	9.7	%
Total Mountain net revenue	$499,551	$460,587		