

GAYLORD ENTERTAINMENT CO /DE

Form 10-Q

August 06, 2010

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

(Mark One)

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

For the quarterly period ended June 30, 2010

or

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

**Commission file number 1-13079
GAYLORD ENTERTAINMENT COMPANY
(Exact name of registrant as specified in its charter)**

Delaware

73-0664379

(State or other jurisdiction of incorporation or organization)

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

One Gaylord Drive
Nashville, Tennessee 37214
(Address of principal executive offices)

(Zip Code)
(615) 316-6000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding as of July 31, 2010

Common Stock, \$.01 par value

47,164,024 shares

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FORM 10-Q
For the Quarter Ended June 30, 2010
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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands, except per share data)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenues	\$ 183,879	\$ 217,350	\$ 398,360	\$ 427,740
Operating expenses:				
Operating costs	104,746	125,824	235,301	255,939
Selling, general and administrative	36,288	42,145	78,190	86,304
Casualty loss	31,347		31,347	
Preopening costs	6,240		6,240	
Depreciation and amortization	25,951	28,643	53,022	56,708
Operating (loss) income	(20,693)	20,738	(5,740)	28,789
Interest expense, net of amounts capitalized	(20,480)	(18,229)	(40,595)	(36,829)
Interest income	3,286	4,183	6,508	8,029
Income (loss) from unconsolidated companies	190	(12)	117	117
Net gain on extinguishment of debt	100	8,169	1,299	24,726
Other gains and (losses), net	(147)	3,654	(160)	3,504
(Loss) income before (benefit) provision for income taxes and discontinued operations	(37,744)	18,503	(38,571)	28,336
(Benefit) provision for income taxes	(11,697)	8,119	(10,722)	14,414
(Loss) income from continuing operations	(26,047)	10,384	(27,849)	13,922
Income (loss) from discontinued operations, net of income taxes	3,327	(333)	3,279	(444)
Net (loss) income	\$ (22,720)	\$ 10,051	\$ (24,570)	\$ 13,478
<u>Basic (loss) income per share:</u>				
(Loss) income from continuing operations	\$ (0.55)	\$ 0.25	\$ (0.59)	\$ 0.34
Income (loss) from discontinued operations, net of income taxes	0.07		0.07	(0.01)

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Net (loss) income	\$ (0.48)	\$ 0.25	\$ (0.52)	\$ 0.33
<u>Fully diluted (loss) income per share:</u>				
(Loss) income from continuing operations	\$ (0.55)	\$ 0.25	\$ (0.59)	\$ 0.34
Income (loss) from discontinued operations, net of income taxes	0.07	(0.01)	0.07	(0.01)
Net (loss) income	\$ (0.48)	\$ 0.24	\$ (0.52)	\$ 0.33

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

Table of Contents**GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands)**

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	\$ 183,302	\$ 180,029
Cash and cash equivalents restricted	1,150	1,150
Trade receivables, less allowance of \$905 and \$977, respectively	38,607	39,864
Insurance proceeds receivable	30,000	
Income tax receivable	51,659	28,796
Estimated fair value of derivative assets	14	
Deferred income taxes	1,806	2,525
Other current assets	51,267	50,768
Current assets of discontinued operations	63	2,444
Total current assets	357,868	305,576
Property and equipment, net of accumulated depreciation	2,086,024	2,149,782
Notes receivable, net of current portion	135,021	142,311
Long-term deferred financing costs	15,197	18,081
Other long-term assets	47,819	44,858
Long-term assets of discontinued operations	374	415
Total assets	\$ 2,642,303	\$ 2,661,023
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 1,239	\$ 1,814
Accounts payable and accrued liabilities	152,218	148,660
Estimated fair value of derivative liabilities	16	
Current liabilities of discontinued operations	645	3,872
Total current liabilities	154,118	154,346
Long-term debt and capital lease obligations, net of current portion	1,153,166	1,176,874
Deferred income taxes	122,969	100,590
Estimated fair value of derivative liabilities	20,074	25,661
Other long-term liabilities	128,949	124,377
Long-term liabilities of discontinued operations	451	491

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$.01 par value, 100,000 shares authorized, no shares issued or outstanding

Common stock, \$.01 par value, 150,000 shares authorized, 47,146 and 46,990 shares issued and outstanding, respectively

Additional paid-in capital

Treasury stock of 385 shares, at cost

Retained earnings

Accumulated other comprehensive loss

Total stockholders' equity

Total liabilities and stockholders' equity

471	470
886,451	881,512
(4,599)	(4,599)
210,158	234,728
(29,905)	(33,427)
1,062,576	1,078,684
\$ 2,642,303	\$ 2,661,023

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

Table of Contents**GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Months Ended June 30, 2010 and 2009****(Unaudited)****(In thousands)**

	2010	2009
Cash Flows from Operating Activities:		
Net (loss) income	\$ (24,570)	\$ 13,478
Amounts to reconcile net (loss) income to net cash flows provided by operating activities:		
(Income) loss from discontinued operations, net of taxes	(3,279)	444
Income from unconsolidated companies	(117)	(117)
Provision for deferred income taxes	24,560	17,856
Depreciation and amortization	53,022	56,708
Amortization of deferred financing costs	2,638	2,256
Amortization of discount on convertible notes	5,722	
Stock-based compensation expense	3,534	3,970
Excess tax benefit from stock-based compensation	(382)	
Net gain on extinguishment of debt	(1,299)	(24,726)
Loss on impaired assets damaged in flood	41,541	
Loss on sales of long-lived assets	281	223
Changes in:		
Trade receivables	1,257	(3,005)
Interest receivable	1,663	(7,865)
Insurance proceeds receivable	(30,000)	
Income tax receivable	(26,323)	(1,114)
Accounts payable and accrued liabilities	(7,546)	(7,426)
Other assets and liabilities	5,148	(2,614)
Net cash flows provided by operating activities continuing operations	45,850	48,068
Net cash flows provided by (used in) operating activities discontinued operations	729	(2,214)
Net cash flows provided by operating activities	46,579	45,854
Cash Flows from Investing Activities:		
Purchases of property and equipment	(16,372)	(34,929)
Collection of notes receivable	4,021	12,849
Other investing activities	(3,353)	(498)
Net cash flows used in investing activities continuing operations	(15,704)	(22,578)
Net cash flows used in investing activities discontinued operations	(1,422)	
Net cash flows used in investing activities	(17,126)	(22,578)

Cash Flows from Financing Activities:		
Net borrowings under credit facility		68,000
Repurchases of senior notes	(26,965)	(64,046)
Purchases of treasury stock		(4,599)
Proceeds from exercise of stock option and purchase plans	1,675	121
Excess tax benefit from stock-based compensation	382	
Termination of interest rate swap on senior notes		5,000
Decrease in restricted cash and cash equivalents		7
Other financing activities, net	(1,272)	(417)
Net cash flows (used in) provided by financing activities – continuing operations	(26,180)	4,066
Net cash flows provided by financing activities – discontinued operations		
Net cash flows (used in) provided by financing activities	(26,180)	4,066
Net change in cash and cash equivalents	3,273	27,342
Cash and cash equivalents – unrestricted, beginning of period	180,029	1,036
Cash and cash equivalents – unrestricted, end of period	\$ 183,302	\$ 28,378

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

1. BASIS OF PRESENTATION:

The condensed consolidated financial statements include the accounts of Gaylord Entertainment Company and its subsidiaries (the Company) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the financial information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K as of and for the year ended December 31, 2009 filed with the SEC. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim periods have been included. All adjustments are of a normal, recurring nature. In addition, as further described below in Note 3, the Gaylord Opryland Resort and Convention Center (Gaylord Opryland) is currently closed. The results of operations for such interim periods are not necessarily indicative of the results for the full year because of seasonal and short-term variations, as well as the impact of Gaylord Opryland, the Grand Ole Opry House and certain of the Company s Nashville-based attractions being closed for varying periods of time. The Company analyzes its variable interests, including loans, guarantees, and equity investments, to determine if an entity in which it has a variable interest is a variable interest entity (VIE). This analysis primarily includes a qualitative review, which is based on a review of the design of the entity, its organizational structure, including decision-making ability, and relevant financial agreements. This analysis is also used to determine if the Company must consolidate the VIE as the primary beneficiary.

Certain amounts in previously issued financial statements have been reclassified to conform to the 2010 presentation. Intangible assets (net of accumulated amortization), indefinite lived intangible assets and investments in the amounts of \$0.1 million, \$1.5 million and \$0.1 million, respectively, at December 31, 2009 have been included in other long-term assets in the accompanying condensed consolidated balance sheet.

2. NEWLY ISSUED ACCOUNTING STANDARDS:

In June 2009, the Financial Accounting Standards Board (FASB) modified FASB Accounting Standards Codification (ASC) 810, *Consolidation* (Topic 810), to amend the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE. This modification requires a qualitative analysis, rather than a quantitative analysis, that considers who has the power to direct the activities of the entity that most significantly impact the entity s economic performance, as well as an assessment of who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This modification also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. Before this modification, reconsideration of whether an enterprise is the primary beneficiary of a VIE was required only when specific events occurred. The Company adopted the provisions of this statement in the first quarter of 2010, and the adoption of Topic 810 did not have a material impact on its consolidated financial position or results of operations. See Note 1 and Note 15 for additional disclosures.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Topic 820, *Fair Value Measurements and Disclosures*, to require more detailed disclosures regarding transfers in and out of Level 1 and Level 2 fair value measurements, including the amounts and reasons for the transfers. Level 3 fair value measurements should present separate information about purchases, sales, issuances and settlements. In addition, this ASU requires that a reporting entity should provide fair value measurement disclosures for each

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class of assets and liabilities, defined as a subset of assets or liabilities within a line item in the statement of financial position, as well as disclosures about the valuation techniques and inputs used to measure fair value in either Level 2 or Level 3. The disclosure requirements related to the Level 3 fair value measurement activities will be effective for the Company beginning in the first quarter of 2011, and the Company does not expect this requirement to have a material impact on its consolidated financial statements. The Company adopted the remaining disclosure requirements of this ASU in the first quarter of 2010, and the adoption did not have a material impact on the Company's consolidated financial statements.

3. NASHVILLE FLOOD:

On May 3, 2010, Gaylord Opryland, the Grand Ole Opry, certain of the Company's Nashville-based attractions, and certain of the Company's corporate offices experienced significant flood damage as a result of the historic flooding of the Cumberland River (collectively, the Nashville Flood). Gaylord Opryland, the Grand Ole Opry, and certain of the Company's corporate offices were protected by levees accredited by the Federal Emergency Management Agency (FEMA) (which, according to FEMA, was based on information provided by the Company), and built to sustain a 100-year flood; however, the river rose to levels that over-topped the levees. Gaylord Opryland is currently closed, and the Company anticipates it to reopen in November. While the Grand Ole Opry has continued its schedule at alternative venues, including the Company-owned Ryman Auditorium, the Company anticipates the Grand Ole Opry House to reopen in October. Certain of the Company's Nashville-based attractions were closed for a period of time, but reopened during June and July 2010. The Company has segregated all costs and insurance proceeds related to the Nashville Flood from normal operations and reported those amounts as casualty loss or reopening costs in the accompanying condensed consolidated statements of operations.

Casualty Loss

During the three months and six months ended June 30, 2010, the Company recorded \$81.3 million of expense and \$50.0 million of insurance proceeds related to the Nashville Flood as casualty loss in the accompanying condensed consolidated statement of operations as follows (in thousands):

	Hospitality	Opry and Attractions	Corporate and Other	Insurance Proceeds	Total
Site remediation	\$ 11,924	\$ 2,391	\$ 562	\$	\$ 14,877
Impairment of property and equipment	30,244	5,163	6,134		41,541
Other asset write-offs	1,846	1,106			2,952
Non-capitalized repairs of buildings and equipment	1,406	1,494	66		2,966
Continuing costs during shut-down period	15,957	2,194	629		18,780
Other	117	77	37		231
Insurance proceeds				(50,000)	(50,000)
Net casualty loss	\$61,494	\$12,425	\$7,428	\$(50,000)	\$ 31,347

All costs directly related to remediating the affected properties are included in casualty loss. Lost profits from the interruption of the various businesses are not reflected in the above table.

Site remediation began as soon as flood waters ceased to rise. Site remediation, as described herein, includes expenditures for outside contractors to perform water extraction, debris removal, humidity control, facility cleaning and sanitizing, and the establishment of temporary utilities.

Based on an ongoing assessment of the flood damage and necessary replacement of property and equipment, in connection with its preparation of financial information for the second quarter of 2010, the Company made a determination of the amount of the impairment charges in connection with the Nashville Flood. The gross carrying

amount of property and equipment written down as a result of damage sustained from the Nashville

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Flood, which included land improvements, buildings and furniture, fixtures and equipment, was \$129.2 million, and the related accumulated depreciation of this property and equipment was \$87.7 million, which resulted in total impairment charges of \$41.5 million. As the Company continues its rebuilding efforts, additional write-offs of property and equipment may be necessary.

Other asset write-offs primarily include inventory items that were no longer able to be used or sold due to flood damage. Non-capitalized repairs of buildings and equipment primarily include the cost of repairs of items that did not require complete replacement.

The Company has also incurred operating costs at the affected properties during the period that the properties are closed. The Company has included continuing operating costs other than depreciation and amortization incurred through June 10, 2010 (the date at which the Company determined that the remediation was substantially complete), as casualty loss in the accompanying condensed consolidated statement of operations. The majority of these costs classified as casualty loss include employment costs (\$12.2 million), equipment and facility rental (\$2.3 million), property and other taxes (\$1.3 million), consulting fees (\$0.6 million), and insurance costs (\$0.3 million).

Insurance Proceeds

At June 30, 2010, the Company had in effect a policy of insurance with a per occurrence flood limit of \$50.0 million at the affected properties. During the three months and six months ended June 30, 2010, the Company received \$20.0 million in insurance proceeds and received the remaining \$30.0 million of proceeds in July 2010. Therefore, the Company has recorded \$50.0 million in insurance proceeds as an offset to the net casualty loss in the accompanying condensed consolidated statement of operations. Effective July 1, 2010, the Company increased this per occurrence flood insurance to \$100.0 million.

Preopening Costs

The Company expenses the costs associated with start-up activities and organization costs associated with its development of hotels and significant attractions as incurred. As a result of the extensive damage to Gaylord Opryland and the Grand Ole Opry House and the extended period in which these properties will be closed, the Company has and will continue to incur costs associated with the redevelopment and reopening of these facilities through the date of reopening. The Company has included all costs directly related to redeveloping and reopening the affected properties, as well as all continuing operating costs other than depreciation and amortization incurred since June 10, 2010 (the date at which the Company determined that the remediation was substantially complete), as preopening costs in the accompanying condensed consolidated statement of operations. During the three months and six months ended June 30, 2010, the Company incurred \$6.2 million in preopening costs. The majority of the costs classified as preopening costs include employment costs (\$3.5 million), property and other taxes (\$0.6 million), and supplies (\$0.5 million).

4. DISCONTINUED OPERATIONS:

The Company has reflected the following businesses as discontinued operations. The results of operations, net of taxes, and the carrying value of the assets and liabilities of these businesses have been reflected in the accompanying condensed consolidated financial statements as discontinued operations for all periods presented.

Corporate Magic

During the second quarter of 2010, in a continued effort to focus on its core Gaylord Hotels and Opry and Attractions businesses, the Company committed to a plan of disposal of its Corporate Magic business. On June 1, 2010, the Company completed the sale of Corporate Magic through the transfer of all of its equity interests in Corporate Magic, Inc. to the president of Corporate Magic who, prior to the transaction, was employed by the

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Company. In exchange for its equity interests in Corporate Magic, the Company received, prior to giving effect to a purchase price adjustment based on the working capital of Corporate Magic as of the closing, a note receivable, which terms provide for a quarterly payment from the purchaser, beginning in the first quarter of 2011 through the fourth quarter of 2016. The Company recorded this note receivable at its fair value of \$0.4 million, based on the expected cash receipts under the note, discounted at a discount rate that reflects management's assessment of a market participant's view of risks associated with the projected cash flows of Corporate Magic. The Company recognized a pretax gain of \$0.7 million related to the sale of Corporate Magic during the three months and six months ended June 30, 2010.

The following table reflects the results of operations of businesses accounted for as discontinued operations for the respective periods (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Operating (loss) income:				
Corporate Magic	\$ (591)	\$ (389)	\$ (693)	\$ (420)
Other	94	(87)	124	(311)
Total operating loss	(497)	(476)	(569)	(731)
Interest expense				(1)
Interest income	5		5	
Other gains and (losses):				
Corporate Magic	656		656	
Other	45		45	45
Income (loss) before benefit for income taxes	209	(476)	137	(687)
Benefit for income taxes	3,118	143	3,142	243
Income (loss) from discontinued operations	\$ 3,327	\$ (333)	\$ 3,279	\$ (444)

The benefit for income taxes for the three months and six months ended June 30, 2010 primarily relates to a permanent tax benefit recognized on the sale of the stock of Corporate Magic. The full benefit on the sale was recorded at June 30, 2010, rather than allocated over the year, as the Company believes it more accurately reflects its operations.

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The assets and liabilities of the discontinued operations presented in the accompanying condensed consolidated balance sheets are comprised of (in thousands):

	June 30, 2010	December 31, 2009
Current assets:		
Cash and cash equivalents unrestricted	\$	\$ 4
Trade receivables		1,053
Other current assets	63	1,387
Total current assets	63	2,444
Property and equipment, net		32
Note receivable, net of discount	374	
Goodwill		329
Other long-term assets		54
Total assets	\$ 437	\$ 2,859
Current liabilities:		
Accounts payable and accrued liabilities	\$ 645	\$ 3,872
Total current liabilities	645	3,872
Other long-term liabilities	451	491
Total long-term liabilities	451	491
Total liabilities	\$ 1,096	\$ 4,363

5. INCOME PER SHARE:

The weighted average number of common shares outstanding is calculated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Weighted average shares outstanding	47,098	40,937	47,055	40,922
Effect of dilutive stock options		220		216
Weighted average shares outstanding assuming dilution	47,098	41,157	47,055	41,138

For the three months and six months ended June 30, 2010, the effect of dilutive stock options was the equivalent of approximately 569,000 and 484,000 shares, respectively, of common stock outstanding. Because the Company had a

loss from continuing operations in the three months and six months ended June 30, 2010, these incremental shares were excluded from the computation of dilutive earnings per share for that period as the effect of their inclusion would have been anti-dilutive.

The Company had stock-based compensation awards outstanding with respect to approximately 2,012,000 and 5,034,000 shares of common stock as of June 30, 2010 and 2009, respectively, that could potentially dilute earnings per share in the future but were excluded from the computation of diluted earnings per share for the three months ended June 30, 2010 and 2009, respectively, as the effect of their inclusion would have been anti-dilutive.

The Company had stock-based compensation awards outstanding with respect to approximately 2,293,000 and 5,034,000 shares of common stock as of June 30, 2010 and 2009, respectively, that could potentially dilute earnings per share in the future but were excluded from the computation of diluted earnings per share for the six

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months ended June 30, 2010 and 2009, respectively, as the effect of their inclusion would have been anti-dilutive. As discussed in Note 9, during September 2009, the Company issued 3.75% Convertible Senior Notes (the Convertible Notes) due 2014. It is the Company's intention to settle the face value of the Convertible Notes in cash upon conversion/maturity. Any conversion spread associated with the conversion/maturity of the Convertible Notes may be settled in cash or shares of the Company's common stock. The effect of potentially issuable shares under this conversion spread for the three months ended June 30, 2010 was the equivalent of approximately 257,000 shares of common stock outstanding. Because the Company had a loss from continuing operations in the three months ended June 30, 2010, these incremental shares were excluded from the computation of dilutive earnings per share for that period as the effect of their inclusion would have been anti-dilutive.

In connection with the issuance of these notes, the Company entered into warrant transactions with the note underwriters to sell common stock warrants. The initial strike price of these warrants is \$32.70 per share of the Company's common stock and the warrants cover an aggregate of approximately 13.2 million shares of the Company's common stock. If the average closing price of the Company's stock during the reporting period exceeds this strike price, these warrants will be dilutive. The warrants may only be settled in shares of the Company's common stock.

6. COMPREHENSIVE (LOSS) INCOME:

Comprehensive (loss) income is as follows for the respective periods (in thousands):

	Three Months Ended June 30,	
	2010	2009
Net (loss) income	\$ (22,720)	\$ 10,051
Unrealized gain on natural gas swaps, net of deferred income tax provision of \$105 and \$378	162	601
Unrealized gain on interest rate swaps, net of deferred income tax provision of \$1,577 and \$1,024	2,758	1,841
Other	(32)	
Comprehensive (loss) income	\$ (19,832)	\$ 12,493
	Six Months Ended June 30,	
	2010	2009
Net (loss) income	\$ (24,570)	\$ 13,478
Unrealized (loss) gain on natural gas swaps, net of deferred income tax (benefit) provision of \$0 and \$236	(4)	377
Unrealized gain on interest rate swaps, net of deferred income tax provision of \$2,029 and \$934	3,570	1,539
Other	(44)	(66)
Comprehensive (loss) income	\$ (21,048)	\$ 15,328

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A rollforward of the amounts included in accumulated other comprehensive loss related to the fair value of financial derivative instruments that qualify for hedge accounting, net of taxes, for the six months ended June 30, 2010 is as follows (in thousands):

	Interest Rate Derivatives	Natural Gas Derivatives	Total Derivatives
Balance at December 31, 2009	\$(16,481)	\$	\$(16,481)
2010 changes in fair value, net of deferred taxes	3,570	(93)	3,477
Reclassification to earnings		89	89
Balance at June 30, 2010	\$(12,911)	\$ (4)	\$(12,915)

7. PROPERTY AND EQUIPMENT:

Property and equipment of continuing operations at June 30, 2010 and December 31, 2009 is recorded at cost and summarized as follows (in thousands):

	June 30, 2010	December 31, 2009
Land and land improvements	\$ 209,477	\$ 212,953
Buildings	2,150,506	2,195,367
Furniture, fixtures and equipment	448,577	507,339
Construction in progress	52,467	34,664
	2,861,027	2,950,323
Accumulated depreciation	(775,003)	(800,541)
Property and equipment, net	\$ 2,086,024	\$ 2,149,782

The decrease in property and equipment at June 30, 2010, as compared to December 31, 2009, is primarily due to the write-off of property and equipment damaged in the Nashville Flood. As the Company continues its rebuilding efforts, additional write-offs of property and equipment may be necessary. Depreciation expense of continuing operations, including amortization of assets under capital lease obligations, was \$24.0 million and \$26.9 million for the three months ended June 30, 2010 and 2009, respectively, and was \$49.1 million and \$53.3 million for the six months ended June 30, 2010 and 2009, respectively.

8. NOTES RECEIVABLE:

In connection with the development of the Gaylord National Resort and Convention Center (Gaylord National), the Company is currently holding two issuances of bonds and receives the debt service thereon, which is payable from tax increments, hotel taxes and special hotel rental taxes generated from the development of the Gaylord National. The Company is recording the amortization of discount on these notes receivable as interest income over the life of the notes.

During the three months ended June 30, 2010 and 2009, the Company recorded interest income of \$3.2 million and \$4.1 million, respectively, on these bonds, which each included \$3.1 million of interest that accrued on the bonds and \$0.1 million and \$1.0 million, respectively, related to amortization of the discount on the bonds.

During the six months ended June 30, 2010 and 2009, the Company recorded interest income of \$6.4 million and \$7.9 million, respectively, on these bonds, which each included \$6.2 million of interest that accrued on the bonds and \$0.1 million and \$1.6 million, respectively, related to amortization of the discount on the bonds. The

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Company received payments of \$11.8 million and \$12.6 million during the six months ended June 30, 2010 and 2009, respectively, relating to these notes receivable.

9. DEBT:

The Company's debt and capital lease obligations related to continuing operations at June 30, 2010 and December 31, 2009 consisted of (in thousands):

	June 30, 2010	December 31, 2009
\$1.0 Billion Credit Facility, interest and maturity as described below	\$ 700,000	\$ 700,000
Convertible Senior Notes, interest and maturity as described below, net of debt discount of \$59,414 and \$65,136	300,586	294,864
Senior Notes, interest at 6.75%, maturing November 15, 2014	152,180	180,700
Nashville Predators Promissory Note, interest at 6.00%, maturing October 5, 2010	1,000	1,000
Capital lease obligations	639	2,124
Total debt	1,154,405	1,178,688
Less amounts due within one year	(1,239)	(1,814)
Total long-term debt	\$ 1,153,166	\$ 1,176,874

Giving effect to the waiver under the Company's \$1.0 billion credit facility further described below, as of June 30, 2010, the Company was in compliance with all of its covenants related to its debt.

\$1.0 Billion Credit Facility

On July 25, 2008, the Company refinanced its previous \$1.0 billion credit facility by entering into a Second Amended and Restated Credit Agreement (the "\$1.0 Billion Credit Facility") by and among the Company, certain subsidiaries of the Company party thereto, as guarantors, the lenders party thereto and Bank of America, N.A., as administrative agent. The \$1.0 Billion Credit Facility consists of the following components: (a) a \$300.0 million senior secured revolving credit facility, which includes a \$50.0 million letter of credit sublimit and a \$30.0 million sublimit for swingline loans, and (b) a \$700.0 million senior secured term loan facility. The term loan facility was fully funded at closing. The \$1.0 Billion Credit Facility also includes an accordion feature that will allow the Company to increase the \$1.0 Billion Credit Facility by a total of up to \$400.0 million in no more than three occasions, subject to securing additional commitments from existing lenders or new lending institutions. The revolving loan, letters of credit, and term loan mature on July 25, 2012. At the Company's election, the revolving loans and the term loans will bear interest at an annual rate of LIBOR plus 2.50% or a base rate (the higher of the lead bank's prime rate and the federal funds rate) plus 0.50%. As further discussed in Note 10, the Company entered into interest rate swaps with respect to \$500.0 million aggregate principal amount of borrowings under the term loan portion to convert the variable rate on those borrowings to a fixed weighted average interest rate of 3.94% plus the applicable margin on these borrowings during the term of the swap agreements. Interest on the Company's borrowings is payable quarterly, in arrears, for base rate loans and at the end of each interest rate period for LIBOR rate-based loans. Principal is payable in full at maturity. The Company will be required to pay a commitment fee of 0.25% per year of the average unused portion of the \$1.0 Billion Credit Facility.

The \$1.0 Billion Credit Facility is (i) secured by a first mortgage and lien on the real property and related personal and intellectual property of the Company's Gaylord Opryland hotel, Gaylord Texan hotel, Gaylord Palms hotel and Gaylord National hotel, and pledges of equity interests in the entities that own such properties and (ii) guaranteed by each of the four wholly owned subsidiaries that own the four hotels. Advances are

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subject to a 55% borrowing base, based on the appraisal value of the hotel properties (reduced to 50% in the event a hotel property is sold).

Effective May 19, 2010, the Company, certain subsidiaries of the Company party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent, entered into a Conditional Waiver (the Waiver) which waived, subject to the terms and conditions of the Waiver, any default of the Company under Section 9.01(l) of the \$1.0 Billion Credit Facility as a result of the cessation of operations with respect to Gaylord Opryland due to recent flood damage. The Waiver will expire on December 31, 2010 unless (a) the Company has substantially completed the restoration and/or rebuilding of the Gaylord Opryland and reopened the Gaylord Opryland for business and (b) all proceeds used to restore or rebuild the Gaylord Opryland come from insurance proceeds, cash on hand and/or availability under the Company s revolving line of credit provided for in the \$1.0 Billion Credit Facility.

As of June 30, 2010, \$700.0 million of borrowings were outstanding under the \$1.0 Billion Credit Facility, and the lending banks had issued \$8.6 million of letters of credit under the facility for the Company, which left \$291.4 million of availability under the credit facility (subject to the satisfaction of debt incurrence tests under the indentures governing the Company s senior notes).

Convertible Senior Notes

During September 2009, the Company issued \$360 million, including the exercise of an overallotment option, of 3.75% Convertible Senior Notes (the Convertible Notes). The Convertible Notes have a maturity date of October 1, 2014, and interest is payable semiannually in cash in arrears on April 1 and October 1, beginning April 1, 2010. The Convertible Notes are convertible, under certain circumstances as described below, at the holder s option, into shares of the Company s common stock, at an initial conversion rate of 36.6972 shares of common stock per \$1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately \$27.25 per share. The Company may elect, at its option, to deliver shares of its common stock, cash or a combination of cash and shares of its common stock in satisfaction of its obligations upon conversion of the Convertible Notes.

The Company accounts for the liability (debt) and the equity (conversion option) components of the Convertible Notes in a manner that reflects the Company s nonconvertible debt borrowing rate. Accordingly, the Company recorded a debt discount and corresponding increase to additional paid-in capital of \$68.0 million as of the date of issuance. The Company is amortizing the debt discount utilizing the effective interest method over the life of the Convertible Notes, which increases the effective interest rate of the Convertible Notes from its coupon rate of 3.75% to 8.46%. During the three months and six months ended June 30, 2010, the Company incurred cash interest expense of \$3.4 million and \$6.8 million, respectively, relating to the interest coupon on the Convertible Notes and non-cash interest expense of \$2.9 million and \$5.7 million, respectively, related to the amortization of the debt discount on the Convertible Notes. In addition, transaction costs of approximately \$10.0 million were proportionally allocated between the liability and equity components.

The Convertible Notes are convertible under any of the following circumstances: (1) during any calendar quarter ending after September 30, 2009 (and only during such calendar quarter), if the closing price of the Company s common stock for at least 20 trading days during the 30 consecutive trading day period ending on the last trading day of the immediately preceding calendar quarter exceeds 120% of the applicable conversion price per share of common stock on the last trading day of such preceding calendar quarter; (2) during the ten business day period after any five consecutive trading day period in which the Trading Price (as defined in the Indenture) per \$1,000 principal amount of the Convertible Notes, as determined following a request by a Convertible Note holder, for each day in such five consecutive trading day period was less than 98% of the product of the last reported sale price of the Company s common stock and the applicable conversion rate, subject to certain procedures; (3) if specified corporate transactions or events occur; or (4) at any time on or

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after July 1, 2014, until the second scheduled trading day immediately preceding October 1, 2014. As of June 30, 2010, none of the conditions permitting conversion had been satisfied.

The Convertible Notes are guaranteed, jointly and severally, on an unsecured unsubordinated basis by generally all of the Company's active domestic subsidiaries. Each guarantee will rank equally in right of payment with such subsidiary guarantor's existing and future senior unsecured indebtedness and senior in right of payment to all future subordinated indebtedness, if any, of such subsidiary guarantor. The Convertible Notes will be effectively subordinated to any secured indebtedness and effectively subordinated to all indebtedness and other obligations of the Company's subsidiaries that do not guarantee the Convertible Notes.

Concurrently with the offering of the Convertible Notes, the Company entered into convertible note hedge transactions with respect to its common stock (the Purchased Options) with counterparties affiliated with the initial purchasers of the Convertible Notes, for purposes of reducing the potential dilutive effect upon conversion of the Convertible Notes. The initial strike price of the Purchased Options is \$27.25 per share of the Company's common stock (the same as the initial conversion price of the Convertible Notes) and is subject to certain customary adjustments. The Purchased Options cover, subject to anti-dilution adjustments substantially similar to the Convertible Notes, approximately 13.2 million shares of common stock. The Company may settle the Purchased Options in shares, cash or a combination of cash and shares, at the Company's option. The cost of the Purchased Options was approximately \$76.7 million, which was recorded as a reduction to additional paid-in capital. The Purchased Options will expire on October 1, 2014.

Separately and concurrently with entering into the Purchased Options, the Company also entered into warrant transactions whereby it sold warrants to each of the hedge counterparties to acquire, subject to anti-dilution adjustments, up to approximately 13.2 million shares of common stock at an initial exercise price of \$32.70 per share. The warrants may only be settled in shares of the Company's common stock. The aggregate proceeds from the warrant transactions were approximately \$43.7 million, which was recorded as an increase to additional paid-in capital.

Repurchase of Senior Notes

During the three months and six months ended June 30, 2010, the Company repurchased \$2.0 million and \$28.5 million, respectively, in aggregate principal amount of its outstanding 6.75% senior notes for \$1.9 million and \$27.0 million, respectively. After adjusting for the write-off of \$0.0 and \$0.3 million, respectively, in deferred financing costs and other costs, the Company recorded a pretax gain of \$0.1 million and \$1.3 million, respectively, as a result of the repurchases, which is recorded as a net gain on extinguishment of debt in the accompanying condensed consolidated statement of operations for the three months and six months ended June 30, 2010.

During the three months and six months ended June 30, 2009, the Company repurchased \$28.3 million and \$88.1 million, respectively, in aggregate principal amount of its outstanding senior notes (\$21.3 million and \$61.1 million, respectively, of 8% senior notes and \$7.0 million and \$27.0 million, respectively, of 6.75% senior notes) for \$19.7 million and \$62.1 million, respectively. After adjusting for the write-off of \$0.4 million and \$1.1 million, respectively, in deferred financing costs and other costs, the Company recorded a pretax gain of \$8.2 million and \$24.7 million, respectively, as a result of the repurchases, which is recorded as a net gain on extinguishment of debt in the accompanying condensed consolidated statement of operations for the three months and six months ended June 30, 2009.

Table of Contents**10. DERIVATIVE FINANCIAL INSTRUMENTS:**

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and commodity price risk. Interest rate swaps are entered into to manage interest rate risk associated with portions of the Company's fixed and variable rate borrowings. Natural gas price swaps are entered into to manage the price risk associated with forecasted purchases of natural gas and electricity used by the Company's hotels. The Company designates its interest rate swaps as cash flow hedges of variable rate borrowings and its natural gas price swaps as cash flow hedges of forecasted purchases of natural gas and electricity. The Company had designated certain interest rate swaps of its fixed rate borrowings as fair value hedges prior to the termination of these interest rate swaps in the second quarter of 2009. Prior to July 2009, a portion of the Company's natural gas price swap contracts were considered economic hedges and did not qualify for hedge accounting. All of the Company's derivatives are held for hedging purposes. The Company does not engage in speculative transactions, nor does it hold or issue financial instruments for trading purposes. All of the counterparties to the Company's derivative agreements are financial institutions with at least investment grade credit ratings.

Cash Flow Hedging Strategy

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive (loss) income (OCI) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings (e.g., in interest expense when the hedged transactions are interest cash flows associated with variable rate debt). The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, or ineffectiveness, if any, is recognized in the statement of operations during the current period.

The interest rate swap agreement currently utilized by the Company effectively modifies the Company's exposure to interest rate risk by converting \$500.0 million, or 71%, of the Company's variable rate debt outstanding under the term loan portion of the Company's \$1.0 Billion Credit Facility to a weighted average fixed rate of 3.94% plus the applicable margin on these borrowings, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of variable rate amounts in exchange for fixed rate interest payments through July 25, 2011, without an exchange of the underlying principal amount. The critical terms of the swap agreements match the critical terms of the borrowings under the term loan portion of the \$1.0 Billion Credit Facility. Therefore, the Company has designated these interest rate swap agreements as cash flow hedges. As the terms of these derivatives match the terms of the underlying hedged items, there should be no gain (loss) from ineffectiveness recognized in income on derivatives unless there is a termination of the derivative or the forecasted transaction is determined to be unlikely to occur.

The Company has entered into natural gas price swap contracts to manage the price risk associated with a portion of the Company's forecasted purchases of natural gas and electricity used by the Company's hotels. The objective of the hedge is to reduce the variability of cash flows associated with the forecasted purchases of these commodities. At June 30, 2010, the Company had eighteen variable to fixed natural gas price swap contracts that mature from July 2010 to December 2011 with an aggregate notional amount of approximately 461,750 dekatherms. The Company has designated these natural gas price swap contracts as cash flow hedges. The Company assesses the correlation of the terms of these derivatives with the terms of the underlying hedged items on a quarterly basis.

The Company previously entered into six natural gas price swap contracts that were scheduled to mature from July 2010 to December 2010 to manage the price risk associated with a portion of the forecasted purchases of natural gas to be used at Gaylord Opryland. As a result of the Nashville Flood discussed above, the majority of these purchases were not going to be made. During June 2010, the Company terminated these contracts and

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recorded in other gains and losses in the accompanying condensed consolidated statement of operations for the three months and six months ended June 30, 2010.

Fair Value Hedging Strategy

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, is recognized in the same line item associated with the hedged item in current earnings (e.g., in interest expense when the hedged item is fixed-rate debt).

The Company previously entered into two interest rate swap agreements to manage interest rate risk exposure on its fixed rate debt. The interest rate swap agreements utilized by the Company effectively modified the Company's exposure to interest rate risk by converting \$125.0 million of the Company's fixed rate debt outstanding under its previously outstanding 8% senior notes to a variable rate equal to six-month LIBOR plus 2.95%, thus reducing the impact of interest rate changes on the fair value of the underlying fixed rate debt. These agreements involved the receipt of fixed rate amounts in exchange for variable rate interest payments through November 15, 2013, without an exchange of the underlying principal amount. The critical terms of the swap agreements mirrored the terms of the 8% senior notes. Therefore, the Company designated these interest rate swap agreements as fair value hedges. The counterparties, as permitted by the agreements, each opted to terminate its portion of the \$125.0 million swap agreement effective May 15, 2009. As stated in the agreement, the two counterparties each paid a \$2.5 million termination fee, plus accrued interest, to the Company on May 15, 2009. Prior to the redemption of the 8% senior notes in 2009, the Company amortized the resulting \$5.0 million gain on the swap agreements over the remaining term of the 8% senior notes using the effective interest method. As a result of the redemption of the 8% senior notes in 2009, the Company recognized the remaining unamortized gain on the swap agreement during the fourth quarter of 2009. During the six months ended June 30, 2009, the Company recognized a loss on derivative of \$1.2 million and a gain on the related hedged fixed rate debt of \$1.2 million, both of which are recorded in interest expense, net of amounts capitalized, in the accompanying condensed consolidated statement of operations for the six months ended June 30, 2009.

The fair value of the Company's derivative instruments based upon quotes, with appropriate adjustments for non-performance risk of the parties to the derivative contracts, at June 30, 2010 and December 31, 2009 is as follows (in thousands):

	Asset Derivatives		Liability Derivatives	
	December		December	
	31,		31,	
	June		June	
	30,		30,	
	2010	2009	2010	2009
Derivatives designated as hedging instruments:				
Interest rate swaps – cash flow hedges	\$	\$	\$ 20,063	\$ 25,661
Natural gas swaps	14		27	
Total derivatives designated as hedging instruments	\$ 14	\$	\$ 20,090	\$ 25,661
Total derivatives not designated as hedging instruments	\$	\$	\$	\$

Total derivatives	\$ 14	\$	\$ 20,090	\$	25,661
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The effect of derivative instruments on the statement of operations for the respective periods is as follows (in thousands):

Derivatives in	Amount of Gain Recognized in		Location of Amount Reclassified from Accumulated OCI into Income	Amount Reclassified from Accumulated OCI into Income	
	OCI on Derivative (Effective Portion)			Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009			
Cash Flow					
Hedging Relationships					
Interest rate swaps	\$ 4,334	\$ 2,865	Interest expense, net of amounts capitalized	\$	\$
Natural gas swaps	177	979	Other gains (losses), net	(89)	
Total	\$ 4,511	\$ 3,844	Total	\$ (89)	\$

Derivatives in	Amount of Gain (Loss)		Location of Amount Reclassified from Accumulated OCI into Income	Amount Reclassified from Accumulated OCI into Income	
	Recognized in OCI on Derivative Portion)			Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009			
Cash Flow					
Hedging Relationships					
Interest rate swaps	\$ 5,598	\$ 2,473	Interest expense, net of amounts capitalized	\$	\$
Natural gas swaps	(93)	613	Other gains (losses), net	(89)	
Total	\$ 5,505	\$ 3,086	Total	\$ (89)	\$

Derivatives Not Designated as Hedging	Amount of Loss Recognized in Income on Derivative			
	Three Months Ended June	Three Months Ended June	Six Months Ended June 30,	Six Months Ended June 30,
Location of Loss Recognized in Income on				

Instruments	Derivatives	30, 2010	30, 2009	2010	2009
Natural gas swaps	Other gains and (losses), net	\$202	\$ (8)	\$ 202	\$ (106)

11. SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash paid for interest related to continuing operations for the respective periods was comprised of (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Debt interest paid	\$ 22,387	\$ 27,725	\$ 32,666	\$ 38,382
Capitalized interest	(156)	(408)	(365)	(827)
Cash interest paid, net of capitalized interest	\$ 22,231	\$ 27,317	\$ 32,301	\$ 37,555

Net cash refunds of income tax payments for the six months ended June 30, 2010 and 2009 were \$8.2 million and \$2.2 million, respectively (net of cash payments of income taxes of \$1.3 and \$1.6 million, respectively).

12. STOCK PLANS:

The Company's 2006 Omnibus Incentive Plan (the Plan) permits the grant of stock options, restricted stock, and restricted stock units to its directors and employees for up to 2,690,000 shares of common stock. The Plan also provides that no more than 1,350,000 of those shares may be granted for awards other than options or stock

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appreciation rights. The Company records compensation expense equal to the fair value of each stock option award granted on a straight line basis over the option's vesting period unless the option award contains a market provision, in which case the Company records compensation expense equal to the fair value of each award on a straight line basis over the requisite service period for each separately vesting portion of the award. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing formula. During the three months and six months ended June 30, 2010, the Company granted 5,200 and 503,196 stock options, respectively, with a weighted-average grant-date fair value of \$17.69 and \$11.53, respectively. Including shares permitted under previous plans, at June 30, 2010 and December 31, 2009, there were 3,658,518 and 3,364,183 shares, respectively, of the Company's common stock reserved for future issuance pursuant to the exercise of outstanding stock options. The Plan also provides for the award of restricted stock and restricted stock units (Restricted Stock Awards). The fair value of Restricted Stock Awards is determined based on the market price of the Company's stock at the date of grant. The Company records compensation expense equal to the fair value of each Restricted Stock Award granted over the vesting period. During the three months and six months ended June 30, 2010, the Company granted 35,050 and 245,530 Restricted Stock Awards, respectively, with a weighted-average grant-date fair value of \$27.73 and \$21.17, respectively. At June 30, 2010 and December 31, 2009, Restricted Stock Awards of 462,535 and 318,768 shares, respectively, were outstanding.

Under its long term incentive plan for key executives (LTIP) pursuant to the Plan, in February 2008, the Company granted selected executives and other key employees 449,500 restricted stock units (LTIP Restricted Stock Units), which cliff vest at the end of their four-year term. The number of LTIP Restricted Stock Units that vest will be determined at the end of their term based on the achievement of various company-wide performance goals. Based on current projections, the Company expects that portions of the performance goals will be achieved and only one-half of the LTIP Restricted Stock Units granted will vest at the end of their term. The Company is currently recording compensation expense equal to the fair value of one-half of the LTIP Restricted Stock Units granted on a straight-line basis over the vesting period. If there are changes in the expected achievement of the performance goals, the Company will adjust compensation expense accordingly. The fair value of the LTIP Restricted Stock Units was determined based on the market price of the Company's stock at the date of grant. At both June 30, 2010 and December 31, 2009, LTIP Restricted Stock Units of 365,750 shares were outstanding.

Under the LTIP, in February 2008, the Company also granted selected executives and other key employees 650,000 stock options (LTIP Stock Options), which vested two to four years from the date of grant and had a term of ten years. The LTIP Stock Options were granted with an exercise price of \$38.00, while the market price of the Company's common stock on the grant date was \$31.02. As a result of this market condition, prior to August 6, 2009, the Company recorded compensation expense equal to the fair value of each LTIP Stock Option granted on a straight-line basis over the requisite service period for each separately vesting portion of the award.

On August 6, 2009, the Company entered into Stock Option Cancellation Agreements with certain members of its management team, pursuant to which such individuals surrendered and cancelled 510,000 LTIP Stock Options with an exercise price of \$38.00 per share, as well as 472,200 stock options with exercise prices ranging from \$40.22 to \$56.14 per share, to purchase shares of the Company's common stock (the Cancelled Stock Options), in order to make additional shares available under the Company's 2006 Omnibus Incentive Plan for future equity grants to Company personnel. Pursuant to the terms of the Stock Option Cancellation Agreements, these individuals and the Company acknowledged and agreed that the surrender and cancellation of the Cancelled Stock Options was without any expectation to receive, and was without any obligation on the Company to pay or grant, any cash payment, equity awards or other consideration presently or in the future in regard to the cancellation of the Cancelled Stock Options. The Company determined that because the Cancelled Stock Options were cancelled without a concurrent grant of a replacement award, the cancellation should be accounted for as a settlement for no consideration. Therefore, the Company recorded the previously

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unrecognized compensation cost related to the Cancelled Stock Options of \$3.0 million during the third quarter of 2009. At both June 30, 2010 and December 31, 2009, LTIP Stock Options of 76,666 shares were outstanding. The compensation cost that has been charged against pre-tax income for all of the Company's stock-based compensation plans was \$1.9 million and \$2.2 million for the three months ended June 30, 2010 and 2009, respectively, and \$3.5 million and \$4.0 million for the six months ended June 30, 2010 and 2009, respectively.

13. RETIREMENT AND POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS:

Net periodic pension expense reflected in the accompanying condensed consolidated statements of operations included the following components for the respective periods (in thousands):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Interest cost	\$ 1,188	\$ 1,254	\$ 2,376	\$ 2,509
Expected return on plan assets	(1,197)	(961)	(2,394)	(1,922)
Amortization of net actuarial loss	519	906	1,038	1,811
Amortization of prior service cost		1		2
Total net periodic pension expense	\$ 510	\$ 1,200	\$ 1,020	\$ 2,400

Net postretirement benefit expense reflected in the accompanying condensed consolidated statements of operations included the following components for the respective periods (in thousands):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Service cost	\$ 17	\$ 10	\$ 34	\$ 31
Interest cost	243	171	487	483
Amortization of net gain	(3)		(6)	
Amortization of curtailment gain	(61)	(152)	(122)	(214)
Total net postretirement benefit expense	\$ 196	\$ 29	\$ 393	\$ 300

14. INCOME TAXES:

The Company's effective tax rate as applied to pre-tax (loss) income was 31% and 44% for the three months ended June 30, 2010 and 2009, respectively. The Company's decreased effective tax rate during the 2010 period was due primarily to changes in federal and state valuation allowances in each period.

The Company's effective tax rate as applied to pre-tax (loss) income was 28% and 51% for the six months ended June 30, 2010 and 2009, respectively. Under the Patient Protection and Affordable Care Act, which became law on March 23, 2010, as amended by the Health Care and Education Reconciliation Act of 2010, which became law on March 30, 2010, the Company and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a Federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree health care liabilities and related subsidies were already reflected in the Company's financial statements, this change required the Company to reduce the value of the related tax benefits recognized in its financial statements during the period the law was enacted. As a result, the Company recorded a one-time, non-cash tax charge of \$0.8 million during the six months ended June 30, 2010

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to reflect the impact of this change. This charge, as well as changes in the Company's valuation allowances in each period, resulted in the change to the effective tax rate noted above.

As of June 30, 2010, the Company had a current income tax receivable of \$51.7 million, which included amounts receivable pursuant to the initial filing of the Company's 2009 federal income tax return of \$20.6 million, as well as the Company's estimate of the federal tax refund related to the casualty loss sustained for income tax purposes of approximately \$31.1 million.

As of June 30, 2010 and December 31, 2009, the Company had \$16.0 million and \$16.1 million of unrecognized tax benefits, respectively, of which \$9.1 million and \$8.0 million, respectively, would affect the Company's effective tax rate if recognized. These liabilities are recorded in other long-term liabilities in the accompanying condensed consolidated balance sheets. It is expected that the unrecognized tax benefits will change in the next twelve months; however, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company. As of June 30, 2010 and December 31, 2009, the Company had accrued \$1.5 million and \$1.1 million, respectively, of interest and \$0.1 million of penalties related to uncertain tax positions.

15. COMMITMENTS AND CONTINGENCIES:

As further discussed in Note 3, on May 3, 2010, Gaylord Opryland, the Grand Ole Opry, certain of the Company's Nashville-based attractions, and certain of the Company's corporate offices experienced significant damage as a result of the Nashville Flood. The Company plans to repair the damage to these facilities in order to reopen them at various dates during 2010. The Company has entered into several agreements with general contractors and other suppliers for the provision of certain remediation and construction services at the facilities damaged by the Nashville Flood. As of June 30, 2010, the Company had open commitments to pay \$125.7 million under those agreements. The Company currently estimates that the total cost of the project to remediate and rebuild the facilities damaged by the Nashville Flood will be approximately \$215-225 million, which includes the estimated costs for remediating and rebuilding the damaged facilities and capitalized interest, but excludes pre-opening costs. As of June 30, 2010, the Company has spent approximately \$14.9 million (including capitalized interest, but excluding preopening costs) on this project. The Company also has commitments for maintenance capital expenditures and other projects planned prior to the Nashville Flood.

On September 3, 2008, the Company announced it had entered into a land purchase agreement with DMB Mesa Proving Grounds LLC, an affiliate of DMB Associates, Inc. ("DMB"), to create a resort and convention hotel at the Mesa Proving Grounds in Mesa, Arizona, which is located approximately 30 miles from downtown Phoenix. The DMB development is planned to host an urban environment that features a Gaylord resort property, a retail development, a golf course, office space, residential offerings and significant other mixed-use components. The Company's purchase agreement includes the purchase of 100 acres of real estate within the 3,200-acre Mesa Proving Grounds. The project is contingent on the finalization of entitlements and incentives, and final approval by the Company's board of directors. The Company made an initial deposit of a portion of the land purchase price upon execution of the agreement with DMB, and additional deposit amounts are due upon the occurrence of various development milestones, including required governmental approvals of the entitlements and incentives. These deposits are refundable to the Company upon a termination of the agreement with DMB during a specified due diligence period, except in the event of a breach of the agreement by the Company. The timing of this development is uncertain, and the Company has not made any financing plans or, except as described above, made any commitments in connection with the proposed development.

The Company is considering other potential hotel sites throughout the country. The timing and extent of any of these development projects is uncertain, and the Company has not made any commitments, received any government approvals or made any financing plans in connection with these development projects.

Through a joint venture arrangement with RREEF Global Opportunities Fund II, LLC, a private real estate fund managed by DB Real Estate Opportunities Group ("RREEF"), the Company holds an 18.1% ownership interest

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in Waipouli Holdings, LLC, which it acquired in exchange for its initial capital contribution of \$3.8 million to Waipouli Holdings, LLC in 2006. Through a wholly-owned subsidiary, Waipouli Owner, LLC, Waipouli Holdings, LLC owns the 311-room ResortQuest Kauai Beach at Makaiwa Hotel and related assets located in Kapaa, Hawaii (the Kauai Hotel). Waipouli Owner, LLC financed the purchase of the Kauai Hotel in 2006 by entering into a series of loan transactions with Morgan Stanley Mortgage Capital, Inc. (the Kauai Hotel Lender) consisting of a \$52.0 million senior loan secured by the Kauai Hotel, an \$8.2 million senior mezzanine loan secured by the ownership interest of Waipouli Owner, LLC, and an \$8.2 million junior mezzanine loan secured by the ownership interest of Waipouli Owner, LLC (collectively, the Kauai Hotel Loans). In connection with Waipouli Owner, LLC 's execution of the Kauai Hotel Loans, RREEF entered into three separate Guaranties of Recourse Obligations with the Kauai Hotel Lender whereby it guaranteed Waipouli Owner, LLC 's obligations under the Kauai Hotel Loans for as long as those loans remain outstanding (i) in the event of certain types of fraud, breaches of environmental representations or warranties, or breaches of certain special purpose entity covenants by Waipouli Owner, LLC, or (ii) in the event of bankruptcy or reorganization proceedings of Waipouli Owner, LLC. As a part of the joint venture arrangement and simultaneously with the closing of the purchase of the Kauai Hotel, the Company entered into a Contribution Agreement with RREEF, whereby the Company agreed that, in the event that RREEF is required to make any payments pursuant to the terms of these guarantees, it will contribute to RREEF an amount equal to its pro rata share of any such guaranty payments. The guarantee of the \$52.0 million senior loan was terminated in July 2009. The Company estimates that the maximum potential amount that the Company could be liable for under this contribution agreement is \$3.0 million, which represents 18.1% of the \$16.4 million of total debt that is subject to the guarantees. As of June 30, 2010, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee. Waipouli Owner, LLC is cooperating with the proposed sale of the property, directed by the mortgage lender, which will not result in any proceeds to Waipouli Owner, LLC. The Company has determined that Waipouli Holdings, LLC is a VIE, as the voting rights of the Company are not proportional to its right to receive the expected residual returns of the entity. The Company has determined that it is not the primary beneficiary of this VIE, as it does not have the power to direct the activities that most significantly impact the VIE 's economic performance.

Through a joint venture arrangement with G.O. IB-SIV US, a private real estate fund managed by DB Real Estate Opportunities Group (IB-SIV), the Company holds a 19.9% ownership interest in RHAC Holdings, LLC, which it acquired in exchange for its initial capital contribution of \$4.7 million to RHAC Holdings, LLC in 2005. Through a wholly-owned subsidiary, RHAC, LLC, RHAC Holdings LLC owns the 716-room Aston Waikiki Beach Hotel and related assets located in Honolulu, Hawaii (the Waikiki Hotel). RHAC, LLC financed the purchase of the Waikiki Hotel by entering into a series of loan transactions with Greenwich Capital Financial Products, Inc. (the Waikiki Hotel Lender) consisting of a \$70.0 million senior loan secured by the Waikiki Hotel and a \$16.3 million mezzanine loan secured by the ownership interest of RHAC, LLC (collectively, the Waikiki Hotel Loans). On September 29, 2006, RHAC, LLC refinanced the Waikiki Hotel Loans with the Waikiki Hotel Lender, which resulted in the mezzanine loan increasing from \$16.3 million to \$34.9 million. In connection with RHAC, LLC 's execution of the Waikiki Hotel Loans, IB-SIV, entered into two separate Guaranties of Recourse Obligations with the Waikiki Hotel Lender whereby it guaranteed RHAC, LLC 's obligations under the Waikiki Hotel Loans for as long as those loans remain outstanding (i) in the event of certain types of fraud, breaches of environmental representations or warranties, or breaches of certain special purpose entity covenants by RHAC, LLC, or (ii) in the event of bankruptcy or reorganization proceedings of RHAC, LLC. As a part of the joint venture arrangement and simultaneously with the closing of the purchase of the Waikiki Hotel, the Company entered into a Contribution Agreement with IB-SIV, whereby the Company agreed that, in the event that IB-SIV is required to make any payments pursuant to the terms of these guarantees, it will contribute to IB-SIV an amount equal to 19.9% of any such guaranty payments. The Company estimates that the maximum potential amount for which the Company could be liable under this contribution agreement is \$20.9 million, which represents 19.9% of the \$104.9 million of total debt that RHAC, LLC owes to the Waikiki Hotel Lender as of June 30, 2010. As of June 30, 2010, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

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On February 22, 2005, the Company concluded the settlement of litigation with Nashville Hockey Club Limited Partnership (NHC), which owned the Nashville Predators NHL hockey team, over (i) NHC s obligation to redeem the Company s ownership interest, and (ii) the Company s obligations under the Nashville Arena Naming Rights Agreement dated November 24, 1999. Under the Naming Rights Agreement, which had a 20-year term through 2018, the Company was required to make annual payments to NHC, beginning at \$2,050,000 in 1999 and with a 5% escalation each year thereafter, and to purchase a minimum number of tickets to Predators games each year. At the closing of the settlement, NHC redeemed all of the Company s outstanding limited partnership units in the Predators pursuant to a Purchase Agreement dated February 22, 2005, effectively terminating the Company s ownership interest in the Predators. In addition, the Naming Rights Agreement was cancelled pursuant to the Acknowledgment of Termination of Naming Rights Agreement. As a part of the settlement, the Company made a one-time cash payment to NHC of \$4 million and issued to NHC a 5-year, \$5 million promissory note bearing interest at 6% per annum. The note is payable at \$1 million per year for 5 years and has an outstanding balance of \$1.0 million as of June 30, 2010. The Company s obligation to pay the outstanding amount under the note shall terminate immediately if, at any time before the note is paid in full, the Predators cease to be an NHL team playing their home games in Nashville, Tennessee. In addition, pursuant to a Consent Agreement among the Company, the National Hockey League and owners of NHC, the Company s guaranty described below has been limited as described below.

In connection with the Company s execution of an Agreement of Limited Partnership with NHC on June 25, 1997, the Company, its subsidiary CCK, Inc., Craig Leipold, Helen Johnson-Leipold (Mr. Leipold s wife) and Samuel C. Johnson (Mr. Leipold s father-in-law) entered into a guaranty agreement executed in favor of the National Hockey League (NHL). This agreement provides for a continuing guarantee of the following obligations for as long as either of these obligations remains outstanding: (i) all obligations under the expansion agreement between NHC and the NHL; and (ii) all operating expenses of NHC. The maximum potential amount which the Company and CCK, collectively, could be liable under the guaranty agreement is \$15.0 million, although the Company and CCK would have recourse against the other guarantors if required to make payments under the guarantee. In connection with the legal settlement with the Nashville Predators consummated on February 22, 2005, this guaranty has been limited so that the Company is not responsible for any debt, obligation or liability of NHC that arises from any act, omission or circumstance occurring after the date of the legal settlement. As of June 30, 2010, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of claims relating to workers compensation, employee medical benefits and general liability for which it is self-insured. The Company has entered into employment agreements with certain officers, which provides for severance payments upon certain events, including certain terminations in connection with a change of control.

As of June 30, 2010, approximately 20% of the Company s employees were represented by labor unions and are working pursuant to the terms of the collective bargaining agreements which have been negotiated with the four unions representing these employees.

The Company, in the ordinary course of business, is involved in certain legal actions and claims on a variety of other matters. It is the opinion of management that such legal actions will not have a material effect on the results of operations, financial condition or liquidity of the Company.

16. FAIR VALUE MEASUREMENTS:

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable;

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and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2010, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These included the Company's derivative instruments related to interest rates and natural gas prices and investments held in conjunction with the Company's non-qualified contributory deferred compensation plan. The Company's interest rate and natural gas derivative instruments consist of over-the-counter swap contracts, which are not traded on a public exchange. See Note 10 for further information on the Company's derivative instruments and hedging activities. The Company determines the fair values of these swap contracts based on quotes, with appropriate adjustments for any significant impact of non-performance risk of the parties to the swap contracts. Therefore, the Company has categorized these swap contracts as Level 2. The Company has consistently applied these valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of derivative contracts it holds.

The investments held by the Company in connection with its deferred compensation plan consist of mutual funds traded in an active market. The Company determined the fair value of these mutual funds based on the net asset value per unit of the funds or the portfolio, which is based upon quoted market prices in an active market. Therefore, the Company has categorized these investments as Level 1. The Company has consistently applied these valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of investments it holds.

The Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2010, were as follows (in thousands):

	June 30, 2010	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Deferred compensation plan investments	\$ 11,895	\$ 11,895	\$	\$
Variable to fixed natural gas swaps	14		14	
Total assets measured at fair value	\$ 11,909	\$ 11,895	\$ 14	\$
Variable to fixed natural gas swaps	\$ 27	\$	\$ 27	\$
Variable to fixed interest rate swaps	20,063		20,063	
Total liabilities measured at fair value	\$ 20,090	\$	\$ 20,090	\$

The remainder of the assets and liabilities held by the Company at June 30, 2010 are not required to be measured at fair value. The carrying value of certain of these assets and liabilities do not approximate fair value, as described below.

As further discussed in Note 8, in connection with the development of Gaylord National, the Company received two notes receivable from Prince George's County, Maryland which had an aggregate carrying value of

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\$132.7 million as of June 30, 2010. The aggregate fair value of these notes receivable, based upon current market interest rates of notes receivable with comparable market ratings and current expectations about the timing of debt service payments under the notes, was approximately \$159 million as of June 30, 2010.

As more fully discussed in Note 9, the Company has \$700.0 million in borrowings outstanding under the \$1.0 Billion Credit Facility that accrue interest at a rate of LIBOR plus 2.50%. Because the margin of 2.50% is fixed, the carrying value of borrowings outstanding do not approximate fair value. The fair value of the \$700.0 million in borrowings outstanding under the \$1.0 Billion Credit Facility, based upon the present value of cash flows discounted at current market interest rates, was approximately \$667 million as of June 30, 2010.

As more fully discussed in Note 9, the Company has outstanding \$360.0 million in aggregate principal amount of Convertible Notes due 2014 that accrue interest at a fixed rate of 3.75%. The carrying value of these notes on June 30, 2010 was \$300.6 million, net of discount. The fair value of the Convertible Notes, based upon the present value of cash flows discounted at current market interest rates, was approximately \$311 million as of June 30, 2010.

As shown in Note 9, the Company has outstanding \$152.2 million in aggregate principal amount of senior notes due 2014 that accrue interest at a fixed rate of 6.75%. The fair value of these notes, based upon quoted market prices, was \$145.3 million as of June 30, 2010.

The carrying amount of short-term financial instruments (cash, short-term investments, trade receivables, accounts payable and accrued liabilities) approximates fair value due to the short maturity of those instruments. The concentration of credit risk on trade receivables is minimized by the large and diverse nature of the Company's customer base.

17. STOCKHOLDERS' EQUITY:***Shareholder Rights Plan***

On August 12, 2008, the Company's Board of Directors adopted a shareholder rights plan, as set forth in the Rights Agreement dated as of August 12, 2008 (the "Original Rights Agreement"), by and between the Company and Computershare Trust Company, N.A., as rights agent ("Computershare"). Pursuant to the terms of the Original Rights Agreement, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$.01 per share. The dividend was payable on August 25, 2008 to the shareholders of record as of the close of business on August 25, 2008. The Original Rights Agreement was amended on March 9, 2009.

The Rights initially trade with, and are inseparable from, the Company's common stock. The Rights are evidenced only by the balances indicated in the book-entry account system of the transfer agent for the Company's common stock or, in the case of certificated shares, the certificates that represent such shares of common stock. New Rights will accompany any new shares of common stock the Company issues after August 25, 2008 until the earlier of the Distribution Date, the redemption date or the final expiration date of the Original Rights Agreement, each as described below.

Each Right will allow its holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock ("Preferred Share") for \$95.00, once the Rights become exercisable. This portion of a Preferred Share will give the shareholder approximately the same dividend, voting, and liquidation rights as would one share of common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

Based on the terms of the Original Rights Agreement, as amended, the Rights will not be exercisable until the earlier of the following (the "Distribution Date"):

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10 days after the public announcement that a person or group has become an Acquiring Person by obtaining beneficial ownership of 22% or more of the Company's outstanding common stock; or

10 business days (or a later date determined by the Board before any person or group becomes an Acquiring Person) after a person or group begins a tender or exchange offer (other than a Qualified Offer as defined) which, if completed, would result in that person or group becoming an Acquiring Person.

After the Distribution Date, each Right will generally entitle the holder, except the Acquiring Person or any associate or affiliate thereof, to acquire, for the exercise price of \$95.00 per Right (subject to adjustment as provided in the Rights Agreement), shares of the Company's common stock (or, in certain circumstances, Preferred Shares) having a market value equal to twice the Right's then-current exercise price. In addition, if, the Company is later acquired in a merger or similar transaction after the Distribution Date, each Right will generally entitle the holder, except the Acquiring Person or any associate or affiliate thereof, to acquire, for the exercise price of \$95.00 per Right (subject to adjustment as provided in the Rights Agreement), shares of the acquiring corporation having a market value equal to twice the Right's then-current exercise price.

Each one one-hundredth of a Preferred Share, if issued:

will not be redeemable;

will entitle holders to quarterly dividend payments of \$.01 per one one-hundredth of a share, or an amount equal to the dividend paid on one share of common stock, whichever is greater;

will entitle holders upon liquidation either to receive \$1 per one one-hundredth of a share or an amount equal to the payment made on one share of common stock, whichever is greater;

will have the same voting power as one share of common stock; and

if shares of the Company's common stock are exchanged via merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of common stock.

The value of one one-hundredth of a Preferred Share will generally approximate the value of one share of common stock.

The Rights will expire on August 12, 2011, unless previously redeemed, or such later date as determined by the Board (so long as such determination is made prior to the earlier of the Distribution Date or August 12, 2011). The Board may redeem the Rights for \$.001 per Right at any time prior to the Distribution Date. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of \$.001 per Right. The redemption price will be adjusted if the Company has a stock split or stock dividends of the Company's common stock.

After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of the Company's outstanding common stock, the Board may extinguish the Rights by exchanging one share of common stock or an equivalent security for each Right, other than Rights held by the Acquiring Person and its associates and affiliates.

Agreements with Stockholders

During the six months ended June 30, 2009, the Company incurred various costs in connection with preparing for a proxy contest, reaching agreements with two of its larger stockholders, and reimbursing certain expenses

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pursuant to one of the agreements totaling \$1.0 million. In addition, the Company incurred costs of \$0.9 million in connection with the settlement of the Company's shareholder rights plan litigation. These costs are included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

Treasury Stock

On December 18, 2008, following approval by the Human Resources Committee and the Board of Directors, the Company and the Company's Chairman of the Board of Directors and Chief Executive Officer (Executive) entered into an amendment to Executive's employment agreement. The amendment provided Executive with the option of making an irrevocable election to invest his existing Supplemental Employee Retirement Plan (SERP) benefit in Company common stock, which election Executive subsequently made. The investment was made by a rabbi trust in which, during January 2009, the independent trustee of the rabbi trust purchased shares of Company common stock in the open market in compliance with applicable law. Executive is only entitled to a distribution of the Company common stock held by the rabbi trust in satisfaction of his SERP benefit. As such, the Company believes that the ownership of shares of common stock by the rabbi trust and the distribution of those shares to Executive in satisfaction of his SERP benefit meets the requirements necessary so that the Company will not recognize any increase or decrease in expense as a result of subsequent changes in the value of the Company common stock and the purchased shares are treated as treasury stock and the SERP benefit is included in additional paid-in capital in the Company's accompanying condensed consolidated financial statements.

18. EMPLOYEE SEVERANCE COSTS:

In the three months and six months ended June 30, 2010, as a result of the Nashville Flood, the Company temporarily eliminated approximately 1,700 employee positions at Gaylord Opryland. As a result, the Company recognized approximately \$2.3 million in severance costs in the three months and six months ended June 30, 2010. These costs are included in casualty loss in the accompanying condensed consolidated statement of operations. The Company anticipates rehiring the majority of these positions as Gaylord Opryland reopens.

In the six months ended June 30, 2009, as part of the Company's cost containment initiative, the Company eliminated approximately 460 employee positions, which included positions in all segments of the organization. As a result, the Company recognized approximately \$2.8 million and \$7.3 million in severance costs in the three months and six months ended June 30, 2009, respectively. These costs are comprised of operating costs and selling, general and administrative costs of \$0.3 million and \$2.5 million, respectively, for the three months ended June 30, 2009, and operating costs and selling, general and administrative costs of \$3.1 million and \$4.2 million, respectively, for the six months ended June 30, 2009, in the accompanying condensed consolidated statements of operations.

19. FINANCIAL REPORTING BY BUSINESS SEGMENTS:

The Company's continuing operations are organized into three principal business segments:

Hospitality, which includes the Gaylord Opryland Resort and Convention Center, the Gaylord Palms Resort and Convention Center, the Gaylord Texan Resort and Convention Center, the Gaylord National

Resort and Convention Center and the Radisson Hotel at Opryland, as well as the Company's ownership interests in two joint ventures;

Opry and Attractions, which includes the Grand Ole Opry, WSM-AM, and the Company's Nashville-based attractions; and

Corporate and Other, which includes the Company's corporate expenses.

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The following information from continuing operations is derived directly from the segments' internal financial reports used for corporate management purposes (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Hospitality	\$ 172,920	\$ 200,505	\$ 376,615	\$ 401,152
Opry and Attractions	10,930	16,823	21,691	26,538
Corporate and Other	29	22	54	50
Total	\$ 183,879	\$ 217,350	\$ 398,360	\$ 427,740
Depreciation and amortization:				
Hospitality	\$ 22,443	\$ 24,949	\$ 45,662	\$ 49,538
Opry and Attractions	1,058	1,265	2,420	2,373
Corporate and Other	2,450	2,429	4,940	4,797
Total	\$ 25,951	\$ 28,643	\$ 53,022	\$ 56,708
Operating income (loss):				
Hospitality	\$ 30,009	\$ 32,877	\$ 60,255	\$ 59,028
Opry and Attractions	1,018	2,699	254	220
Corporate and Other	(14,133)	(14,838)	(28,662)	(30,459)
Casualty loss	(31,347)		(31,347)	
Preopening costs	(6,240)		(6,240)	
Total operating (loss) income	(20,693)	20,738	(5,740)	28,789
Interest expense, net of amounts capitalized	(20,480)	(18,229)	(40,595)	(36,829)
Interest income	3,286	4,183	6,508	8,029
Income (loss) from unconsolidated companies	190	(12)	117	117
Net gain on extinguishment of debt	100	8,169	1,299	24,726
Other gains and (losses), net	(147)	3,654	(160)	3,504
(Loss) income before (benefit) provision for income taxes	\$ (37,744)	\$ 18,503	\$ (38,571)	\$ 28,336

20. INFORMATION CONCERNING GUARANTOR AND NON-GUARANTOR SUBSIDIARIES:

Not all of the Company's subsidiaries have guaranteed the Company's Convertible Notes and 6.75% senior notes. The Company's Convertible Notes and 6.75% senior notes are guaranteed on a senior unsecured basis by generally all of the Company's active domestic subsidiaries (the Guarantors). The Company's investment in joint ventures and certain discontinued operations and inactive subsidiaries (the Non-Guarantors) do not guarantee the Company's Convertible Notes and 6.75% senior notes.

The following condensed consolidating financial information includes certain allocations of revenues and expenses based on management's best estimates, which are not necessarily indicative of financial position, results of operations and cash flows that these entities would have achieved on a stand alone basis.

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2010

(in thousands)	Issuer	Guarantors	Non- Guarantors	Eliminations	Consolidated
Revenues	\$ 1,682	\$183,872	\$	\$ (1,675)	\$183,879
Operating expenses:					
Operating costs		104,746			104,746
Selling, general and administrative	4,366	31,922			36,288
Casualty loss	3,800	27,547			31,347
Preopening costs		6,240			6,240
Management fees		1,675		(1,675)	
Depreciation and amortization	1,171	24,780			25,951
Operating loss	(7,655)	(13,038)			(20,693)
Interest expense, net of amounts capitalized	(20,789)	(29,131)	(155)	29,595	(20,480)
Interest income	24,143	5,015	3,723	(29,595)	3,286
Income from unconsolidated companies		190			190
Net gain on extinguishment of debt	100				100
Other gains and (losses), net	1	(148)			(147)
(Loss) income before (benefit) provision for income taxes	(4,200)	(37,112)	3,568		(37,744)
Benefit (provision) for income taxes	1,436	11,013	(752)		11,697
Equity in subsidiaries losses, net	(19,956)			19,956	
(Loss) income from continuing operations	(22,720)	(26,099)	2,816	19,956	(26,047)
Income from discontinued operations, net of taxes		34	3,293		3,327
Net (loss) income	\$(22,720)	\$ (26,065)	\$6,109	\$ 19,956	\$ (22,720)

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2009

(in thousands)	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	\$ 2,113	\$ 217,345	\$	\$ (2,108)	\$ 217,350
Operating expenses:					
Operating costs		125,824			125,824
Selling, general and administrative	6,175	35,970			42,145
Management fees		2,108		(2,108)	
Depreciation and amortization	1,346	27,297			28,643
Operating (loss) income	(5,408)	26,146			20,738
Interest expense, net of amounts capitalized	(18,768)	(29,409)	(85)	30,033	(18,229)
Interest income	6,146	24,531	3,539	(30,033)	4,183
Loss from unconsolidated companies		(12)			(12)
Net gain on extinguishment of debt	8,169				8,169
Other gains and (losses), net	51	3,603			3,654
(Loss) income before (benefit) provision for income taxes	(9,810)	24,859	3,454		18,503
Benefit (provision) for income taxes	4,194	(10,797)	(1,516)		(8,119)
Equity in subsidiaries earnings, net		15,667		(15,667)	
Income (loss) from continuing operations	10,051	14,062	1,938	(15,667)	10,384
Income (loss) from discontinued operations, net of taxes		(250)	(83)		(333)
Net income	\$ 10,051	\$ 13,812	\$ 1,855	\$(15,667)	\$ 10,051

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2010

(in thousands)	Issuer	Guarantors	Non- Guarantors	Eliminations	Consolidated
Revenues	\$ 3,274	\$398,395	\$	\$ (3,309)	\$398,360
Operating expenses:					
Operating costs		235,311		(10)	235,301
Selling, general and administrative	9,700	68,527		(37)	78,190
Casualty loss	3,800	27,547			31,347
Preopening costs		6,240			6,240
Management fees		3,262		(3,262)	
Depreciation and amortization	2,455	50,567			53,022
Operating (loss) income	(12,681)	6,941			(5,740)
Interest expense, net of amounts capitalized	(41,254)	(58,070)	(155)	58,884	(40,595)
Interest income	48,211	9,823	7,358	(58,884)	6,508
Income from unconsolidated companies		117			117
Net gain on extinguishment of debt	1,299				1,299
Other gains and (losses), net	4	(164)			(160)
(Loss) income before (benefit) provision for income taxes	(4,421)	(41,353)	7,203		(38,571)
Benefit (provision) for income taxes	780	12,485	(2,543)		10,722
Equity in subsidiaries losses, net	(20,929)			20,929	
(Loss) income from continuing operations	(24,570)	(28,868)	4,660	20,929	(27,849)
Income from discontinued operations, net of taxes		34	3,245		3,279
Net (loss) income	\$(24,570)	\$ (28,834)	\$ 7,905	\$ 20,929	\$ (24,570)

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2009

(in thousands)	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	\$ 4,169	\$ 427,727	\$	\$ (4,156)	\$ 427,740
Operating expenses:					
Operating costs		255,939			255,939
Selling, general and administrative	11,611	74,693			86,304
Management fees		4,156		(4,156)	
Depreciation and amortization	2,725	53,983			56,708
Operating (loss) income	(10,167)	38,956			28,789
Interest expense, net of amounts capitalized	(37,916)	(58,300)	(167)	59,554	(36,829)
Interest income	12,369	48,220	6,994	(59,554)	8,029
Income from unconsolidated companies		117			117
Net gain on extinguishment of debt	24,726				24,726
Other gains and (losses), net	50	3,454			3,504
(Loss) income before (benefit) provision for income taxes	(10,938)	32,447	6,827		28,336
Benefit (provision) for income taxes	4,718	(16,167)	(2,965)		(14,414)
Equity in subsidiaries earnings, net		19,698		(19,698)	
Income from continuing operations	13,478	16,280	3,862	(19,698)	13,922
Income (loss) from discontinued operations, net of taxes		(247)	(197)		(444)
Net income	\$ 13,478	\$ 16,033	\$ 3,665	\$(19,698)	\$ 13,478

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
June 30, 2010

(in thousands)	Issuer	Guarantors	Non- Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents unrestricted	\$ 175,392	\$ 7,910	\$	\$	\$ 183,302
Cash and cash equivalents restricted	1,150				1,150
Trade receivables, net		38,607			38,607
Insurance proceeds receivable		30,000			30,000
Income taxes receivable	51,659				51,659
Estimated fair value of derivative assets	14				14
Deferred income taxes	332	711	763		1,806
Other current assets	1,952	49,441		(126)	51,267
Intercompany receivables, net	1,598,909		279,807	(1,878,716)	
Current assets of discontinued operations			63		63
Total current assets	1,829,408	126,669	280,633	(1,878,842)	357,868
Property and equipment, net of accumulated depreciation	40,702	2,045,322			2,086,024
Notes receivable, net of current portion		135,021			135,021
Long-term deferred financing costs	15,197				15,197
Other long-term assets	725,761	352,928		(1,030,870)	47,819
Long-term assets of discontinued operations					