GAYLORD ENTERTAINMENT CO /DE
Form 10-Q
May 09, 2006

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

(Mark One)

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

For the quarterly period ended March 31, 2006

or

o **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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (check one):

Large Accelerated Filer þ Accelerated Filer o Non-accelerated Filer o

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

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 April 30, 2006
Common Stock, $.01 par value	40,624,881 shares

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Part I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2006 and 2005
(Unaudited)
(In thousands, except per share data)

	2006	2005
Revenues	$ 242,155	$ 214,013
Operating expenses:		
Operating costs	152,227	136,106
Selling, general and administrative	45,866	45,140
Preopening costs	1,062	943
Depreciation	18,617	18,208
Amortization	2,685	2,729
Operating income	21,698	10,887
Interest expense, net of amounts capitalized	(17,830)	(18,091)
Interest income	707	579
Unrealized loss on Viacom stock and CBS stock	(13,235)	(17,163)
Unrealized gain on derivatives	15,392	5,637
Income from unconsolidated companies	2,756	1,472
Other gains and (losses), net	6,090	2,450
Income (loss) before provision (benefit) for income taxes	15,578	(14,229)
Provision (benefit) for income taxes	4,208	(5,183)
Income (loss) from continuing operations	11,370	(9,046)
Gain from discontinued operations, net of income taxes	1,789	189
Net income (loss)	$ 13,159	$ (8,857)
Basic income (loss) per share:		
Income (loss) from continuing operations	$ 0.28	$ (0.23)
Gain from discontinued operations, net of income taxes	0.05	0.01
Net income (loss)	$ 0.33	$ (0.22)

Fully diluted income (loss) per share:				
Income (loss) from continuing operations	$	0.27	$	(0.23)
Gain from discontinued operations, net of income taxes		0.05		0.01
Net income (loss)	$	0.32	$	(0.22)

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 2006 and December 31, 2005
(Unaudited)
(In thousands)

	March 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	$ 36,975	$ 59,797
Cash and cash equivalents restricted	30,414	23,651
Short term investments		
Trade receivables, less allowance of $1,272 and $2,471, respectively	61,115	37,168
Deferred financing costs	26,865	26,865
Deferred income taxes	8,562	8,861
Other current assets	35,070	29,298
Current assets of discontinued operations	1,239	2,649
Total current assets	200,240	188,289
Property and equipment, net of accumulated depreciation	1,438,827	1,404,419
Intangible assets, net of accumulated amortization	26,520	27,828
Goodwill	174,442	178,088
Indefinite lived intangible assets	40,315	40,315
Investments	419,117	429,295
Estimated fair value of derivative assets	236,464	220,430
Long-term deferred financing costs	21,751	29,144
Other long-term assets	16,586	14,136
Long-term assets of discontinued operations	436	646
Total assets	$ 2,574,698	$ 2,532,590
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 1,819	$ 1,825
Accounts payable and accrued liabilities	203,455	190,692
Current liabilities of discontinued operations	1,551	3,650
Total current liabilities	206,825	196,167
Secured forward exchange contract	613,054	613,054
Long-term debt and capital lease obligations, net of current portion	605,358	598,475
Deferred income taxes	179,749	177,652
Estimated fair value of derivative liabilities	4,500	1,994

Other long-term liabilities	91,975	96,564
Long-term liabilities of discontinued operations	108	117
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, 40,605 and 40,307 shares issued and outstanding, respectively	406	403
Additional paid-in capital	680,555	670,828
Retained earnings	211,479	198,320
Unearned compensation		(1,673)
Accumulated other comprehensive loss	(19,311)	(19,311)
Total stockholders equity	873,129	848,567
Total liabilities and stockholders equity	$ 2,574,698	$ 2,532,590

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2006 and 2005
(Unaudited)
(In thousands)

	2006	2005
Cash Flows from Operating Activities:		
Net income (loss)	$ 13,159	$ (8,857)
Amounts to reconcile net income (loss) to net cash flows provided by operating activities:		
Gain from discontinued operations, net of taxes	(1,789)	(189)
Income from unconsolidated companies	(2,756)	(1,472)
Unrealized (gain) loss on Viacom stock and CBS stock and related derivatives	(2,157)	11,526
Provision (benefit) for deferred income taxes	4,208	(5,152)
Depreciation and amortization	21,302	20,937
Amortization of deferred financing costs	7,393	7,163
Stock-based compensation expense	1,667	1,009
Excess tax benefit from stock-based compensation	(1,890)	
Loss (gain) on sales of assets	128	(1,607)
Dividends received from investment in RHAC Holdings, LLC	172	
Changes in (net of acquisitions and divestitures):		
Trade receivables	(23,947)	(20,474)
Accounts payable and accrued liabilities	11,732	18,270
Other assets and liabilities	(3,175)	669
Net cash flows provided by operating activities continuing operations	24,047	21,823
Net cash flows (used in) provided by operating activities discontinued operations	(1,534)	532
Net cash flows provided by operating activities	22,513	22,355
Cash Flows from Investing Activities:		
Purchases of property and equipment	(53,517)	(33,864)
Acquisition of businesses, net of cash acquired		(20,852)
Investment in RHAC Holdings, LLC	(473)	
Proceeds from sales of assets	310	2,938
Purchases of short-term investments		(10,000)
Proceeds from sale of short term investments		20,000
Other investing activities	(4,039)	(987)
Net cash flows used in investing activities continuing operations	(57,719)	(42,765)
Net cash flows used in investing activities discontinued operations	(816)	(105)
Net cash flows used in investing activities	(58,535)	(42,870)
Cash Flows from Financing Activities:		
Borrowings under credit facility	10,000	

Deferred financing costs paid		(8,282)
(Increase) decrease in restricted cash and cash equivalents	(6,763)	5,213
Proceeds from exercise of stock option and purchase plans	7,231	4,716
Excess tax benefit from stock-based compensation	1,890	
Other financing activities, net	(458)	(366)
Net cash flows provided by financing activities continuing operations	11,900	1,281
Net cash flows provided by (used in) financing activities discontinued operations	1,300	(431)
Net cash flows provided by financing activities	13,200	850
Net change in cash and cash equivalents	(22,822)	(19,665)
Cash and cash equivalents unrestricted, beginning of period	59,797	43,498
Cash and cash equivalents unrestricted, end of period	$ 36,975	$ 23,833

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 subsidiaries (the Company) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. 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 for the year ended December 31, 2005 filed with the Securities and Exchange Commission. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim period have been included. All adjustments are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year. Certain amounts in the prior period financial statements have been reclassified to conform to the 2006 financial statement presentation.

2. INCOME (LOSS) PER SHARE:

The weighted average number of common shares outstanding is calculated as follows:

(in thousands)	Three Months Ended March 31,	
	2006	**2005**
Weighted average shares outstanding	40,311	39,983
Effect of dilutive stock options	1,084	
Weighted average shares outstanding assuming dilution	41,395	39,983

For the three months ended March 31, 2005, the effect of dilutive stock options was the equivalent of approximately 1,050,000 shares of common stock outstanding, respectively. Because the Company had a loss from continuing operations in the three months ended March 31, 2005, these incremental shares were excluded from the computation of diluted earnings per share for that period as the effect of their inclusion would have been anti-dilutive.

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3. COMPREHENSIVE INCOME (LOSS):

Comprehensive income (loss) is as follows for the three months of the respective periods:

(in thousands)	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Net income (loss)	$ 13,159	$ (8,857)
Unrealized gain on interest rate hedges		37
Foreign currency translation		(29)
Comprehensive income (loss)	$ 13,159	$ (8,849)

4. DISCONTINUED OPERATIONS:

The Company has reflected the following businesses as discontinued operations, consistent with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and Accounting Principles Board (APB) Opinion No. 30, *Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, and Unusual and Infrequently Occurring Events and Transactions*. 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 in accordance with SFAS No. 144 for all periods presented.

ResortQuest Discontinued Markets

During the third quarter of 2005, the Company committed to a plan of disposal of certain markets of its ResortQuest business that were considered to be inconsistent with the Company s long term growth strategy. In connection with this plan of disposal, the Company recorded pre-tax restructuring charges of $0.1 million during the three months ended March 31, 2006 for employee severance benefits related to the discontinued markets.

The Company completed the sale of four of these markets in the fourth quarter of 2005 and two more of these markets in the first quarter of 2006. In exchange for the assets associated with the two markets sold in the first quarter of 2006, the buyers of these markets assumed $0.9 million in liabilities associated with the markets and the Company paid the buyers $0.7 million in cash. The Company recognized a pretax loss of $0.3 million during the first quarter of 2006 related to these two sales, which is recorded in income from discontinued operations in the condensed consolidated statement of operations. The Company completed the sale of the remaining two markets in the second quarter of 2006.

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The following table reflects the results of operations of businesses accounted for as discontinued operations for the three months ended March 31, 2006 and 2005:

(in thousands)	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenues:		
ResortQuest Discontinued Markets	$ 1,347	$ 5,297
Operating (loss) income:		
ResortQuest Discontinued Markets	$ (240)	$ 292
Restructuring charges	(69)	
Total operating (loss) income	(309)	292
Interest income	5	6
Other gains and (losses):		
ResortQuest Discontinued Markets	(222)	
International Cable Networks	(19)	
(Loss) income before (benefit) provision for income taxes	(545)	298
(Benefit) provision for income taxes	(2,334)	109
Gain from discontinued operations	$ 1,789	$ 189

Included in other gains and (losses) in the three months ended March 31, 2006 is a pre-tax loss of $0.3 million on the sale of certain ResortQuest Discontinued Markets. The remaining gains and (losses) in the three months ended March 31, 2006 are primarily comprised of gains and losses on the sale of fixed assets and other assets. The benefit for income taxes for the three months ended March 31, 2006 primarily results from the Company settling certain issues with the Internal Revenue Service related to periods prior to the acquisition of ResortQuest.

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

(in thousands)	March 31, 2006	December 31, 2005
Current assets:		
Cash and cash equivalents unrestricted	$ 612	$ 298
Cash and cash equivalents restricted	227	1,527
Trade receivables, net	351	630
Prepaid expenses	32	74
Other current assets	17	120
Total current assets	1,239	2,649
Property and equipment, net of accumulated depreciation	428	565
Intangible assets, net of accumulated amortization	7	79
Other long-term assets	1	2
Total long-term assets	436	646
Total assets	$ 1,675	$ 3,295
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,551	$ 3,650
Total current liabilities	1,551	3,650
Other long-term liabilities	108	117
Total long-term liabilities	108	117
Total liabilities	$ 1,659	$ 3,767

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5. ACQUISITIONS:

Whistler Lodging Company, Ltd.

On February 1, 2005, the Company acquired 100% of the outstanding common shares of Whistler Lodging Company, Ltd. (Whistler) from O Neill Hotels and Resorts Whistler, Ltd. for an aggregate purchase price of $0.1 million in cash plus the assumption of Whistler s liabilities as of February 1, 2005 of $4.9 million. Whistler manages approximately 600 vacation rental units located in Whistler, British Columbia. The results of operations of Whistler have been included in the Company s financial results beginning February 1, 2005. As of March 31, 2006 and December 31, 2005, goodwill related to the Whistler acquisition totaled $3.3 million.

East West Resorts

On January 1, 2005, the Company acquired 100% of the outstanding membership interests of East West Resorts at Summit County, LLC, Aspen Lodging Company, LLC, Great Beach Vacations, LLC, East West Realty Aspen, LLC, and Sand Dollar Management Investors, LLC (collectively, East West Resorts) from East West Resorts, LLC for an aggregate purchase price of $20.7 million in cash plus the assumption of East West Resort s liabilities as of January 1, 2005 of $7.8 million. East West Resorts manages approximately 2,000 vacation rental units located in Colorado ski destinations and South Carolina beach destinations. The results of operations of East West Resorts have been included in the Company s financial results beginning January 1, 2005. As of March 31, 2006 and December 31, 2005, goodwill related to the East West Resorts acquisition totaled $11.7 million.

ResortQuest International, Inc.

On November 20, 2003, pursuant to the Agreement and Plan of Merger dated as of August 4, 2003, the Company acquired 100% of the outstanding common shares of ResortQuest International, Inc. in a tax-free, stock-for-stock merger. Under the terms of the agreement, ResortQuest stockholders received 0.275 shares of the Company s common stock for each outstanding share of ResortQuest common stock, and the ResortQuest option holders received 0.275 options to purchase the Company s common stock for each outstanding option to purchase one share of ResortQuest common stock. Based on the number of shares of ResortQuest common stock outstanding as of November 20, 2003 (19,339,502) and the exchange ratio (0.275 of the Company common share for each ResortQuest common share), the Company issued 5,318,363 shares of the Company s common stock. In addition, based on the total number of ResortQuest options outstanding at November 20, 2003, the Company exchanged ResortQuest options for options to purchase 573,863 shares of the Company s common stock. Based on the average market price of the Company s common stock ($19.81, which was based on an average of the closing prices for two days before, the day of, and two days after the date of the definitive agreement, August 4, 2003), together with the direct merger costs, this resulted in an aggregate purchase price of approximately $114.7 million plus the assumption of ResortQuest s outstanding indebtedness as of November 20, 2003, which totaled $85.1 million.

During 1998, ResortQuest recorded a note receivable of $4.0 million as a result of cash advances made to a primary stockholder (Debtor) of the predecessor company who is no longer an affiliate of ResortQuest. The note was collateralized by a third mortgage on residential real estate owned by the Debtor. Due to the failure to make interest payments, the note receivable was in default. The Company accelerated the note and demanded payment in full. The Company also contracted an independent external third party to appraise the property by which the note was secured, confirm the outstanding senior claims on the property and assess the associated credit risk. Based on this assessment, the

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Company assigned no value to the note receivable in the purchase price allocation associated with the ResortQuest acquisition. On January 23, 2006, the bankruptcy court approved a plan to restructure the note receivable, and the Company received $5.7 million in cash and a secured administrative claim of $0.5 million in full settlement of the note receivable, accrued interest, and other related amounts due to the Company. Because the Company assigned no value to this note receivable as part of the ResortQuest purchase price allocation, the collection of this note receivable resulted in the Company recording a gain of $5.4 million in other gains and losses in the accompanying condensed consolidated statement of operations for the three months ended March 31, 2006.

As of March 31, 2006 and December 31, 2005, goodwill related to the ResortQuest acquisition in continuing operations totaled $152.5 million and $156.1 million, respectively. During the three months ended March 31, 2006, the Company made adjustments to deferred taxes associated with the ResortQuest acquisition as a result of the Company settling certain issues with the Internal Revenue Service related to periods prior to the acquisition of ResortQuest. These adjustments resulted in a net decrease in goodwill of $3.6 million.

As of November 20, 2003, the Company recorded approximately $4.0 million of reserves and adjustments related to the Company s plans to consolidate certain support functions, to adjust for employee benefits and to account for outstanding legal claims filed against ResortQuest as an adjustment to the purchase price allocation. The following table summarizes the activity related to these reserves for the three months ended March 31, 2006 (amounts in thousands):

Balance at December 31, 2005	Charges and Adjustments	Payments	Balance at March 31, 2006
$242	$	$242	$

The Company has accounted for these acquisitions under the purchase method of accounting. Under the purchase method of accounting, the total purchase prices of each acquisition was allocated to the net tangible and identifiable intangible assets based upon their estimated fair value as of the date of completion of each of the acquisitions. The Company determined these fair values with the assistance of a third party valuation expert. The excesses of the purchases prices over the fair values of the net tangible and identifiable intangible assets were recorded as goodwill. Goodwill will not be amortized and will be tested for impairment on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. The final allocations of the purchase prices are subject to adjustments for a period not to exceed one year from the consummation date (the allocation period of each acquisition) in accordance with SFAS No. 141 Business Combinations and EITF Issue 95-3 Recognition of Liabilities in Connection with a Purchase Business Combination. The allocation period is intended to differentiate between amounts that are determined as a result of the identification and valuation process required by SFAS No. 141 for all assets acquired and liabilities assumed and amounts that are determined because information that was not previously obtainable becomes obtainable.

6. DEBT:

8% Senior Notes

On November 12, 2003, the Company completed its offering of $350 million in aggregate principal amount of senior notes due 2013 (the 8% Senior Notes) in an institutional private placement. The Company filed an exchange offer registration statement on Form S-4 with the Securities and Exchange

Commission (the SEC) with respect to the 8% Senior Notes and subsequently exchanged the existing senior notes for publicly registered senior notes with the same terms after the registration statement was declared effective in April 2004. The interest rate on these notes is 8%, although the Company has entered into fixed to variable interest rate swaps with respect to $125 million principal amount of the 8% Senior Notes, which swaps result in an effective interest rate of LIBOR plus 2.95% with respect to that portion of the 8% Senior Notes. The 8% Senior Notes, which mature on November 15, 2013, bear interest semi-annually in arrears on May 15 and November 15 of each year, starting on May 15, 2004. The 8% Senior Notes are redeemable, in whole or in part by the Company, at any time on or after November 15, 2008 at a designated redemption amount, plus accrued and unpaid interest. In addition, the Company may redeem up to 35% of the 8% Senior Notes before November 15, 2006 with the net cash proceeds from certain equity offerings. The 8% Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all the Company s secured debt to the extent of the assets securing such debt. The 8% Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by generally all of the Company s active domestic subsidiaries. In connection with the offering and subsequent registration of the 8% Senior Notes, the Company paid approximately $10.1 million in deferred financing costs. The net proceeds from the offering of the 8% Senior Notes, together with $22.5 million of the Company s cash on hand, were used as follows:

- $275.5 million was used to repay the $150 million senior term loan portion and the $50 million subordinated term loan portion of a senior secured credit facility secured by the Company s Florida and Texas hotel properties, as well as the remaining $66 million of a mezzanine loan secured by the equity interest in a wholly-owned subsidiary that owned Gaylord Opryland and to pay certain fees and expenses related to the ResortQuest acquisition; and

- $79.2 million was placed in escrow pending consummation of the ResortQuest acquisition. As of November 20, 2003, the $79.2 million together with $8.2 million of the available cash, was used to repay (i) ResortQuest s senior notes and its credit facility, the principal amount of which aggregated $85.1 million at closing, and (ii) a related prepayment penalty.

The 8% Senior Notes indenture contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, capital expenditures, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The 8% Senior Notes are cross-defaulted to the Company s other indebtedness.

6.75% Senior Notes

On November 30, 2004, the Company completed its offering of $225 million in aggregate principal amount of senior notes due 2014 (the 6.75% Senior Notes) in an institutional private placement. In April 2005, the Company filed an exchange offer registration statement on Form S-4 with the SEC with respect to the 6.75% Senior Notes and subsequently exchanged the existing senior notes for publicly registered senior notes with the same terms after the registration statement was declared effective in May 2005. The interest rate of these notes is 6.75%. The 6.75% Senior Notes, which mature on November 15, 2014, bear interest semi-annually in cash in arrears on May 15 and November 15 of each year, starting on May 15, 2005. The 6.75% Senior Notes are redeemable, in whole or in part by the Company, at any time on or after November 15, 2009 at a designated redemption amount, plus accrued and unpaid interest. In addition, the Company may redeem up to 35% of the 6.75% Senior Notes before November 15, 2007 with the net cash proceeds from certain equity offerings. The 6.75% Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all

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of the Company s secured debt to the extent of the assets securing such debt. The 6.75% Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by generally all of the Company s active domestic subsidiaries. In connection with the offering of the 6.75% Senior Notes, the Company paid approximately $4.2 million in deferred financing costs. The net proceeds from the offering of the 6.75% Senior Notes, together with cash on hand, were used to repay a senior loan that was secured by a first mortgage lien on the assets of Gaylord Opryland and to provide capital for growth of the Company s other businesses and other general corporate purposes. In addition, the 6.75% Senior Notes indenture contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, capital expenditures, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The 6.75% Senior Notes are cross-defaulted to the Company s other indebtedness.

New $600.0 Million Credit Facility

On March 10, 2005, the Company entered into a new $600.0 million credit facility with Bank of America, N.A. acting as the administrative agent. The Company s new credit facility, which replaced a $100.0 million revolving 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 (b) a $300.0 million senior secured delayed draw term loan facility, which may be drawn on in one or more advances during its term. The credit facility also includes an accordion feature that will allow the Company, on a one-time basis, to increase the credit facilities by a total of up to $300.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The revolving loan, letters of credit and term loan mature on March 9, 2010. At the Company s election, the revolving loans and the term loans may have an interest rate of LIBOR plus 2% or the lending banks base rate plus 1%, subject to adjustments based on the Company s financial performance. 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 is required to pay a commitment fee ranging from 0.25% to 0.50% per year of the average unused portion of the credit facility.

The purpose of the new credit facility is for working capital and capital expenditures and the financing of the costs and expenses related to the construction of the Gaylord National hotel. Construction of the Gaylord National hotel is required to be substantially completed by June 30, 2008 (subject to customary force majeure provisions).

The new 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 (to be constructed) 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 as well as ResortQuest International, Inc. Advances are subject to a 60% borrowing base, based on the appraisal values of the hotel properties (reducing to 50% in the event a hotel property is sold). The Company s 2003 revolving credit facility has been paid in full and the related mortgages and liens have been released.

In addition, the $600.0 million credit facility contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The material financial covenants, ratios or tests contained in the new credit facility are as follows:

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the Company must maintain a consolidated leverage ratio of not greater than (i) 7.00 to 1.00 for calendar quarters ending during calendar year 2007, and (ii) 6.25 to 1.00 for all other calendar quarters ending during the term of the credit facility, which levels are subject to increase to 7.25 to 1.00 and 7.00 to 1.00, respectively, for three (3) consecutive quarters at the Company s option if the Company makes a leverage ratio election.

the Company must maintain a consolidated tangible net worth of not less than the sum of $550.0 million, increased on a cumulative basis as of the end of each calendar quarter, commencing with the calendar quarter ending March 31, 2005, by an amount equal to (i) 75% of consolidated net income (to the extent positive) for the calendar quarter then ended, plus (ii) 75% of the proceeds received by the Company or any of its subsidiaries in connection with any equity issuance.

the Company must maintain a minimum consolidated fixed charge coverage ratio of not less than (i) 1.50 to 1.00 for any reporting calendar quarter during which the leverage ratio election is effective; and (ii) 2.00 to 1.00 for all other calendar quarters during the term hereof.

the Company must maintain an implied debt service coverage ratio (the ratio of adjusted net operating income to monthly principal and interest that would be required if the outstanding balance were amortized over 25 years at an interest rate equal to the then current seven year Treasury Note plus 0.25%) of not less than 1.60 to 1.00.

the Company s investments in entities which are not wholly-owned subsidiaries (other than any such investment in any subsidiary of the Company in existence as of March 10, 2005) may not exceed an amount equal to ten percent (10.0%) of the Company s consolidated total assets.

As of March 31, 2006, the Company was in compliance with all covenants. As of March 31, 2006, $30.0 million in borrowings were outstanding under the $600.0 million credit facility, and the lending banks had issued $15.6 million of letters of credit under the credit facility for the Company. The credit facility is cross-defaulted to the Company s other indebtedness.

7. SECURED FORWARD EXCHANGE CONTRACT:

During May 2000, the Company entered into a seven-year secured forward exchange contract (SFEC) with an affiliate of Credit Suisse First Boston with respect to 10,937,900 shares of Viacom, Inc. Class B common stock. Effective January 3, 2006, Viacom Inc. completed a transaction to separate Viacom Inc. into two publicly traded companies named Viacom Inc. and CBS Corporation by converting (i) each outstanding share of Viacom Class A common stock into 0.5 shares of Viacom Inc. Class A common stock and 0.5 shares of CBS Corporation Class A common stock and (ii) each outstanding share of Viacom Class B common stock into 0.5 shares of Viacom Inc. Class B common stock and 0.5 shares of CBS Corporation Class B common stock. As a result of this transaction, the Company exchanged its 10,937,900 shares of Viacom Class B common stock for 5,468,950 shares of Viacom, Inc. Class B common stock (Viacom Stock) and 5,468,950 shares of CBS Corporation Class B common stock (CBS Stock) effective January 3, 2006.

The seven-year SFEC has a notional amount of $613.1 million and required contract payments based upon a stated 5% rate. The SFEC protects the Company against decreases in the combined fair market value of the Viacom Stock and CBS Stock while providing for participation in increases in the combined fair market value, as discussed below. The Company realized cash proceeds from the SFEC of $506.5 million, net of discounted prepaid contract payments and prepaid interest related to the first 3.25 years of the contract and transaction costs totaling $106.6 million. In October 2000, the Company prepaid the remaining 3.75 years of contract interest payments required by the SFEC of $83.2 million. As a result of the prepayment, the Company is not required to make any further contract interest payments during the seven-year term of the SFEC. Additionally, as a result of the prepayment, the Company was released from certain covenants of the SFEC, which related to sales of assets, additional indebtedness and liens. The unamortized balances of the prepaid contract interest are classified as current assets of $26.9 million as of March 31, 2006 and December 31, 2005 and long-term assets of $3.9 million and $10.5 million as of March 31, 2006 and December 31, 2005, respectively, in the accompanying condensed consolidated balance sheets. The Company is recognizing the prepaid contract payments and deferred financing charges associated with the SFEC as interest expense over the seven-year contract period using the effective interest method, which resulted in non-cash interest expense of $6.6 million for the three months ended March 31, 2006 and 2005. The Company utilized $394.1 million of the net proceeds from the SFEC to repay all outstanding indebtedness under a 1997 revolving credit facility, and the 1997 revolving credit facility was terminated.

The Company s obligation under the SFEC is collateralized by a security interest in the Company s Viacom Stock and CBS Stock. At the end of the seven-year contract term, the Company may, at its option, elect to pay in cash rather than by delivery of all or a portion of the Viacom Stock and CBS Stock. The SFEC protects the Company against decreases in the combined fair market value of the Viacom Stock and CBS Stock below $56.05 per share by way of a put option; the SFEC also provides for participation in the increases in the combined fair market value of the Viacom Stock and CBS Stock in that the Company receives 100% of the appreciation between $56.05 and $64.45 per share and, by way of a call option, 25.93% of the appreciation above $64.45 per share, as of March 31, 2006.

In accordance with the provisions of SFAS No. 133, as amended, certain components of the secured forward exchange contract are considered derivatives, as discussed in Note 8.

8. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company utilizes derivative financial instruments to reduce certain of its interest rate risks and to manage risk exposure to changes in the value of its Viacom Stock and CBS Stock.

Upon adoption of SFAS No. 133, the Company valued the SFEC based on pricing provided by a financial institution and reviewed by the Company. The financial institution s market prices are prepared for each quarter close period on a mid-market basis by reference to proprietary models and do not reflect any bid/offer spread. For the three months ended March 31, 2006 and 2005, the Company recorded net pretax gains in the Company s condensed consolidated statements of operations of $15.4 million and $5.6 million, respectively, related to the increase in the fair value of the derivatives associated with the SFEC.

Upon issuance of the 8% Senior Notes, the Company entered into two interest rate swap agreements with a notional amount of $125.0 million to convert the fixed rate on $125.0 million of the 8% Senior Notes to a variable rate in order to access the lower borrowing costs that were available on floating-rate debt. Under these swap agreements, which mature on November 15, 2013, the Company receives a fixed rate of 8% and pays a variable rate, in arrears, equal to six-month LIBOR plus 2.95%. The terms of the swap agreement mirror the terms of the 8% Senior Notes, including semi-annual settlements on the 15^{th} of May and November each year. Under the provisions of SFAS No. 133, as amended, changes in the fair value of this interest rate swap agreement must be offset against the corresponding change in fair value of the 8% Senior Notes through earnings. The Company has determined that there will not be an ineffective portion of this fair value hedge and therefore, no impact on earnings. As of March 31, 2006, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($4.5)

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million. The Company has recorded a derivative liability and an offsetting decrease in the balance of the 8% Senior Notes accordingly. As of December 31, 2005, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($1.8) million. The Company recorded a derivative liability and an offsetting reduction in the balance of the 8% Senior Notes accordingly.

9. SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash paid for interest related to continuing operations for the three months ended March 31, 2006 and 2005 was comprised of:

(in thousands)	Three Months Ended March 31,	
	2006	**2005**
Debt interest paid	$ 1,268	$ 250
Deferred financing costs paid		8,282
Capitalized interest to the extent debt interest paid	(1,268)	(355)
Cash interest paid, net of capitalized interest	$	$ 8,177

Total capitalized interest for the three months ended March 31, 2006 was $1.6 million. Income taxes (paid) received were ($1.2) million and $0.4 million for the three months ended March 31, 2006 and 2005, respectively.

Certain transactions have been reflected as non-cash activities in the accompanying condensed consolidated statement of cash flows for the three months ended March 31, 2005, as further discussed below.

In March 2005, the Company donated 65,100 shares of Viacom stock with a market value of $2.3 million to a charitable foundation established by the Company, which was recorded as selling, general and administrative expense in the accompanying condensed consolidated statement of operations. This donation is reflected as an increase in net loss and a corresponding decrease in other assets and liabilities in the accompanying condensed consolidated statement of cash flows.

In connection with the settlement of litigation with the Nashville Hockey Club Limited Partnership (NHC) on February 22, 2005, as further discussed in Note 14, the Company issued to NHC a 5-year, $5 million promissory note. Because the Company continued to accrue expense under the naming rights agreement throughout the course of this litigation, the issuance of this promissory note resulted in an increase in long term debt and capital lease obligations and a decrease in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheet and statement of cash flows.

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10. GOODWILL AND INTANGIBLES:

The changes in the carrying amounts of goodwill by business segment for the three months ended March 31, 2006 are as follows (amounts in thousands):

	Balance as of December 31, 2005	Impairment Losses	Acquisitions	Purchase Accounting Adjustments	Balance as of March 31, 2006
Hospitality	$	$	$	$	$
Opry and Attractions	6,915				6,915
ResortQuest	171,173			(3,646)	167,527
Corporate and Other					
Total	$ 178,088	$	$	$ (3,646)	$ 174,442

During the three months ended March 31, 2006, the Company made adjustments to deferred taxes associated with the ResortQuest acquisition as a result of the Company settling certain issues with the Internal Revenue Service related to periods prior to the acquisition of ResortQuest. These adjustments resulted in a net decrease in goodwill of $3.6 million.

The carrying amount of indefinite-lived intangible assets not subject to amortization was $40.3 million at March 31, 2006 and December 31, 2005. The gross carrying amount of amortized intangible assets in continuing operations was $37.9 million at March 31, 2006 and December 31, 2005. The related accumulated amortization of amortized intangible assets in continuing operations was $11.4 million and $10.1 million at March 31, 2006 and December 31, 2005, respectively. The amortization expense related to intangible assets from continuing operations during the three months ended March 31, 2006 and 2005 was $1.3 million and $1.4 million, respectively. The estimated amounts of amortization expense for the next five years are as follows (in thousands):

Year 1	$ 4,877
Year 2	4,822
Year 3	4,822
Year 4	4,774
Year 5	3,787
Total	$ 23,082

11. STOCK PLANS:

At March 31, 2006, the Company has one stock-based employee compensation plan, which is described more fully below. Prior to January 1, 2006, the Company accounted for stock options granted under this plan under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. No stock-based employee compensation cost was recognized in the accompanying condensed consolidated statement of operations related to stock options granted under this plan for the three months-ended March 31, 2005, as all options granted under this plan had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Under that transition method, compensation cost recognized in the three months-ended March 31, 2006 includes: (a) compensation cost

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for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Results for prior periods have not been restated.

As a result of adopting Statement 123(R) on January 1, 2006, the Company s income before provision for income taxes and net income for the three months ended March 31, 2006, are $1.6 million and $1.2 million lower, respectively, than if it had continued to account for share-based compensation under APB Opinion 25. Basic and diluted earnings per share for the three months ended March 31, 2006 would have been $0.36 and $0.35, respectively, if the Company had not adopted Statement 123(R), compared to reported basic and diluted earnings per share of $0.33 and $0.32, respectively.

Prior to the adoption of Statement 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the condensed consolidated statement of cash flows. Statement 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The $1.9 million excess tax benefit classified as a financing cash inflow in the accompanying condensed consolidated statement of cash flows for the three months ended March 31, 2006 would have been classified as an operating cash inflow if the company had not adopted Statement 123(R).

The following table illustrates the effect on net income (loss) and income (loss) per share if the Company had applied the fair value recognition provisions of Statement 123 to options granted under the Company s stock-based employee compensation plan in all periods presented. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes-Merton option-pricing formula and amortized to expense over the options vesting periods.

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(in thousands, except per share data)	Three Months Ended March 31, 2006	2005
Net Income (Loss):		
As reported	$ 13,159	$ (8,857)
Add: Stock option employee compensation expense included in reported net income (loss), net of related tax effects	1,169	
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,169)	(1,183)
Pro forma	$ 13,159	$ (10,040)
Net income (loss) per share:		
As reported	$ 0.33	$ (0.22)
Pro forma	$ 0.33	$ (0.25)
Net income (loss) per share assuming dilution:		
As reported	$ 0.32	$ (0.22)
Pro forma	$ 0.32	$ (0.25)

The compensation cost that has been charged against pre-tax income for all of the Company s stock-based compensation plans was $1.7 million and $1.0 million for the three months ended March 31, 2006 and 2005, respectively. The total income tax benefit recognized in the accompanying condensed consolidated statement of operations for all of the Company s stock-based employee compensation plans was $0.5 million and $0.4 million for the three months ended March 31, 2006 and 2005, respectively.

Stock Option and Restricted Stock Plan

The Company s 1997 Omnibus Stock Option and Incentive Plan (the 1997 Plan), which is shareholder-approved, permits the grant of stock options, restricted stock, and restricted stock units to its employees for up to 7,450,000 shares of common stock. The 1997 Plan also provides that no more than 1,000,000 of those shares may be granted for restricted stock and restricted stock units. The Company believes that such awards better align the interests of its employees with those of its shareholders. Stock option awards are generally granted with an exercise price equal to the market price of the Company s stock at the date of grant and generally expire ten years after the date of grant. Generally, stock options granted to non-employee directors are exercisable after one year from the date of grant, while options granted to employees are exercisable one to four years from the date of grant.

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. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing formula that uses the assumptions noted in the following table. Because the Black-Scholes-Merton option pricing formula incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on the historical volatility of the Company s stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is

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derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Three Months Ended March 31,	
	2006	2005
Expected volatility	25.5% - 25.7%	34.7% - 34.9%
Weighted-average expected volatility	25.5%	34.8%
Expected dividends		
Expected term (in years)	4.1	5.0
Risk-free rate	4.3% - 4.5%	4.0% - 4.2%

A summary of stock option activity under the 1997 Plan as of March 31, 2006, and changes during the three months then ended is presented below:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2006	3,757,855	$ 28.17		
Granted	521,790	44.31		
Exercised	(293,076)	24.61		
Forfeited	(29,378)	33.56		
Cancelled	(2,014)	23.62		
Outstanding at March 31, 2006	3,955,177	30.53	6.4	$ 118,008,552
Exercisable at March 31, 2006	2,522,237	26.83	5.2	$ 64,649,882

The weighted-average grant-date fair value of options granted during the three months-ended March 31, 2006 and 2005 was $12.34 and $15.07, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2006 and 2005 was $5.9 million and $3.0 million, respectively.

The 1997 Plan also provides for the award of restricted stock and restricted stock units (Restricted Stock Awards). Restricted Stock Awards granted to employees are exercisable one to four years from the date of grant. 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. The weighted-average grant-date fair value of Restricted Stock Awards granted during the three months ended March 31, 2006 was $44.30. No Restricted Stock Awards were granted during the three months ended March 31, 2005. A summary of the status of the Company s Restricted Stock Awards as of March 31, 2006 and changes during the three months ended March 31, 2006, is presented below:

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Restricted Stock Awards	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at January 1, 2006	74,035	$ 33.78
Granted	34,000	44.30
Vested	(3,000)	21.45
Forfeited	(2,835)	31.13
Nonvested shares at March 31, 2006	102,200	37.72

The grant date fair value of all Restricted Stock Awards that vested during the three months ended March 31, 2006 was $0.1 million.

As of March 31, 2006, there was $17.8 million of total unrecognized compensation cost related to stock options, restricted stock and restricted stock units granted under the 1997 Plan. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Under its Performance Accelerated Restricted Stock Unit Program (PARSUP) pursuant to the 1997 Plan, the Company may also grant selected executives and other key employees restricted stock units whose vesting occurs upon the earlier of February 2008 or the achievement of various company-wide performance goals.

The fair value of PARSUP awards are 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 PARSUP award granted on a straight line basis over a period beginning on the grant date and ending February 2008. The weighted-average grant-date fair value of PARSUP awards granted during the three months ended March 31, 2006 was $44.30. No PARSUP awards were granted during the three months ended March 31, 2005. A summary of the status of the Company s PARSUP awards as of March 31, 2006 and changes during the three months ended March 31, 2006, is presented below:

PARSUP Awards	Shares	Weighted Average Grant-Date Fair Value
Nonvested awards at January 1, 2006	583,500	$ 22.22
Granted	17,500	44.30
Vested		
Forfeited	(70,000)	23.00
Nonvested awards at March 31, 2006	531,000	22.74

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As of March 31, 2006, there was $5.3 million of total unrecognized compensation cost related to PARSUP awards granted under the 1997 Plan. That cost is expected to be recognized over a weighted-average period of 1.8 years. Cash received from option exercise under all stock-based employee compensation arrangements for the three months ended March 31, 2006 and 2005 was $7.2 million and $4.7 million, respectively. The actual tax benefit realized for the tax deductions from option exercise of the stock-based employee compensation arrangements totaled $2.2 million and $1.0 million for the three months ended March 31, 2006 and 2005, respectively.

The Company also has an employee stock purchase plan whereby substantially all employees are eligible to participate in the purchase of designated shares of the Company s common stock. Participants in the plan purchase these shares at a price equal to 95% of the closing price at the end of each quarterly stock purchase period. The Company issued 3,084 and 2,605 shares of common stock at an average price per share of $43.11 and $38.38 pursuant to this plan during the three months ended March 31, 2006 and 2005, respectively.

On May 4, 2006, the Company s stockholders approved a new Omnibus Equity Incentive Plan with 2,690,000 shares available for grant (only 1,350,000 of these shares may be granted in the form of restricted stock or units). No new grants will be made under the 1997 Plan.

12. 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 three months ended March 31 (in thousands):

	Three months ended March 31,	
	2006	**2005**
Service cost	$ 47	$ 109
Interest cost	1,215	1,201
Expected return on plan assets	(1,058)	(960)
Amortization of net actuarial loss	748	648
Amortization of prior service cost	1	1
Total net periodic pension expense	$ 953	$ 999

Net postretirement benefit expense reflected in the accompanying condensed consolidated statements of operations included the following components for the three months ended March 31 (in thousands):

	Three months ended March 31,	
	2006	**2005**
Service cost	$ 48	$ 52
Interest cost	258	198
Amortization of net actuarial gain		(125)
Amortization of net prior service cost	(245)	(250)
Amortization of curtailment gain	(61)	(61)
Total net postretirement benefit expense	$	$ (186)

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13. NEWLY ISSUED ACCOUNTING STANDARDS:

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections.* SFAS No. 154 is a replacement of APB Opinion No. 20, *Accounting Changes,* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. This statement applies to all voluntary changes in accounting principle and changes the accounting for and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impracticable to do so. APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 carries forward many provisions of APB Opinion 20 without change, including the provisions related to the reporting of a change in accounting estimate, a change in the reporting entity and the correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Earlier application is permitted for accounting changes and corrections of errors made occurring in fiscal years beginning after June 1, 2005. SFAS No. 154 does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of the statement. The adoption of SFAS No. 154 did not have a material impact on the Company s financial position or results of operations.

14. COMMITMENTS AND CONTINGENCIES:

On February 22, 2005, the Company concluded the settlement of litigation with NHC, which owns 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, with the first payment due on the first anniversary of the resumption of NHL Hockey in Nashville, Tennessee, which occurred on October 5, 2005. 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, if the Predators cease to be an NHL team playing its home games in Nashville prior to the first payment under the note (October 5, 2006), then in addition to the note being cancelled, the Predators will pay the Company $4 million. If the Predators cease to be an NHL team playing its home games in Nashville after the first payment but prior to the second payment under the note, then in addition to the note being cancelled, the Predators will pay the Company $2 million. 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. The Company continued to recognize the expense under the Naming Rights Agreement throughout the course of this litigation. As a result, the net effect of the settlement resulted in the Company reversing $2.4 million of expense previously accrued under the Naming Rights Agreement during the first quarter of 2005.

In connection with the Company s execution of the Agreement of Limited Partnership of 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 any of these obligations remain 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, as described above, 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 March 31, 2006, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

On May 31, 2005, the Company, through a wholly-owned subsidiary named RHAC, LLC, entered into an agreement to purchase the 716-room Aston Waikiki Beach Hotel and related assets located in Honolulu, Hawaii (the Waikiki Hotel) for an aggregate purchase price of $107.0 million. Simultaneously with this purchase, G.O. IB-SIV US, a private real estate fund managed by DB Real Estate Opportunities Group (IB-SIV), acquired an 80.1% ownership interest in the parent company of RHAC, LLC, RHAC Holdings, LLC, in exchange for its capital contribution of $19.1 million to RHAC Holdings, LLC. As a part of this transaction, the Company entered into a joint venture arrangement with IB-SIV and retained a 19.9% ownership interest in RHAC Holdings, LLC in exchange for its $4.7 million capital contribution to RHAC Holdings, LLC. 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 loan secured by the Waikiki Hotel and a $16.25 million mezzanine loan secured by the ownership interest of RHAC, LLC (collectively, the Waikiki Hotel Loans). 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, on the one hand, or (ii) in the event of bankruptcy or reorganization proceedings of RHAC, LLC, on the other hand. 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 $17.2 million, which represents 19.9% of the $86.3 million of total debt that RHAC, LLC owes to the Waikiki Hotel Lender as of March 31, 2006. As of March 31, 2006, the Company had not recorded any liability in the consolidated balance sheet associated with this guarantee.

Also in connection with RHAC, LLC s execution of the Waikiki Hotel Loans, IB-SIV and the Company were required to execute an irrevocable letter of credit in favor of the Waikiki Hotel Lender with a total notional amount of $7.9 million in order to secure RHAC, LLC s obligation to perform certain capital upgrades on the Waikiki Hotel and to provide additional security for payment of the Waikiki Hotel Loans. This letter of credit is required to remain outstanding until all required capital upgrades have been completed. However, the notional amount of this letter of credit will be reduced by the amount of funds actually expended by RHAC, LLC on the capital upgrades. Under the terms of the Waikiki Hotel Loans, the Waikiki Hotel Lender may draw up to the notional amount of this letter of credit and apply the proceeds to the Waikiki Hotel Loans upon the occurrence of an event of default. Pursuant to the Contribution Agreement described above, the Company agreed to initially execute a letter of credit for the full $7.9 million notional amount required by the Lender, and IB-SIV agreed that, in the event that any amounts are drawn by Lender under the letter of credit, it will contribute an amount equal to 80.1% of any such letter of credit draw to the Company. IB-SIV further agreed to execute a separate letter of credit subsequent to closing with a notional amount of $6.3 million to allow the Company to reduce the notional amount of its letter of credit to $1.6 million. During the third quarter of 2005, IB-SIV executed this replacement letter of credit with a notional amount of $6.3 million, and the Company reduced the notional amount of its letter of credit to $1.6 million. As of March 31, 2006, the notional amount of the Company s letter of credit had decreased to $1.5 million as a result of expenditures made by RHAC, LLC on the capital upgrades. The Company estimates that the maximum potential amount for which the Company could be liable under this obligation is $1.5 million as of March 31, 2006. As of March 31, 2006, the Company had not recorded any liability in the consolidated balance sheet associated with this obligation.

Certain of the ResortQuest subsidiary s property management agreements in Hawaii contain provisions for guaranteed levels of returns to the owners. These agreements, which have remaining terms of up to approximately 6 years, also contain force majeure clauses to protect the Company from forces or occurrences beyond the control of management. Assuming that the properties under these management agreements break even, the Company estimates that the maximum potential amount of future payments which the Company could be required to make under these guarantees is approximately $29 million as of March 31, 2006. As of March 31, 2006, the Company had not recorded any liability in the consolidated balance sheet associated with these guarantees.

On February 23, 2005, the Company acquired approximately 42 acres of land and related land improvements in Prince George s County, Maryland (Washington D.C. area) for approximately $29 million on which the Company is developing the Gaylord National Resort & Convention Center (the Gaylord National). Approximately $17 million of this was paid in the first quarter of 2005, with the remainder payable upon completion of various phases of the project. The Company currently expects to open the hotel in 2008. In connection with this project, Prince George s County, Maryland approved, in July 2004, two bond issues related to the development. The first bond issuance, in the amount of $65 million, was issued by Prince George s County, Maryland in April 2005 to support the cost of infrastructure being constructed by the project developer, such as roads, water and sewer lines. The second bond issuance, in the amount of $95 million, was issued by Prince George s County, Maryland in April 2005 and placed into escrow until the project is completed. Upon completion of the project, these bonds will be delivered to the Company. The Company will initially hold the bonds and receive the debt service thereon which is payable from tax increment, hotel tax and special hotel rental taxes generated from the development. The Company has entered into several agreements with a general contractor and other suppliers for the provision of certain construction services at the site. As of March 31, 2006, the Company had committed to pay $293.4 million under those agreements for construction services and supplies ($197.0 million of which is outstanding). Construction costs to date for this project have exceeded the Company s initial estimates. In addition, the Company plans to expand the Gaylord National project by 500 rooms, contingent upon approval by Prince George s County, Maryland of additional economic incentives for the project. The Company estimates the total cost of the project, including the cost increases and the costs of the expansion, to be between $785 million and $835 million (excluding capitalized interest, preopening costs and any government incentives in connection with the Gaylord National hotel project), of which the Company has spent $96.3 million (including capitalized interest but excluding preopening costs) as of March 31, 2006. The Company is also considering other potential hotel sites throughout the country, including Chula Vista, California (located in the San Diego area). The timing and extent of any of these development projects is uncertain.

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.

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15. FINANCIAL REPORTING BY BUSINESS SEGMENTS:

The Company s continuing operations are organized and managed based upon its products and services. The following information from continuing operations is derived directly from the segments internal financial reports used for corporate management purposes.

(in thousands)	Three Months Ended March 31, 2006	2005
Revenues:		
Hospitality	$ 165,464	$ 142,501
Opry and Attractions	16,765	12,857
ResortQuest	59,848	58,508
Corporate and Other	78	147
Total	$ 242,155	$ 214,013
Depreciation and amortization:		
Hospitality	$ 16,140	$ 15,844
Opry and Attractions	1,414	1,398
ResortQuest	2,734	2,693
Corporate and Other	1,014	1,002
Total	$ 21,302	$ 20,937
Operating income (loss):		
Hospitality	$ 34,451	$ 21,952
Opry and Attractions	(1,371)	(2,156)
ResortQuest	2,107	1,800
Corporate and Other	(12,427)	(9,766)
Preopening costs	(1,062)	(943)
Total operating income	21,698	10,887
Interest expense, net of amounts capitalized	(17,830)	(18,091)
Interest income	707	579
Unrealized loss on Viacom stock and CBS stock	(13,235)	(17,163)
Unrealized gain on derivatives	15,392	5,637
Income from unconsolidated companies	2,756	1,472
Other gains and (losses), net	6,090	2,450
Income (loss) before provision (benefit) for income taxes	$ 15,578	$ (14,229)

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16. INFORMATION CONCERNING GUARANTOR AND NON-GUARANTOR SUBSIDIARIES:

Not all of the Company s subsidiaries have guaranteed the 8% Senior Notes and 6.75% Senior Notes.

The 8% Senior 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 Bass Pro and certain other discontinued operations (the Non-Guarantors) do not guarantee the 8% Senior Notes and 6.75% Senior Notes.

Prior to January 1, 2006, Gaylord Entertainment Company charged Gaylord Opryland, Gaylord Palms, and Gaylord Texan a management fee equal to 3% of revenues. This management fee, which totaled $4.1 million during the three months ended March 31, 2005, was recorded as revenues by the Issuer and operating costs by the Guarantors in the condensed consolidating financial information presented below. Effective January 1, 2006, this management fee is no longer charged.

The 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 March 31, 2006

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 15,698	$ 235,513	$	$ (9,056)	$ 242,155
Operating expenses:					
Operating costs	5,916	146,343		(32)	152,227
Selling, general and administrative	11,555	34,410		(99)	45,866
Management fees		8,925		(8,925)	
Preopening costs		1,062			1,062
Depreciation	1,365	17,252			18,617
Amortization	353	2,332			2,685
Operating income (loss)	(3,491)	25,189			21,698
Interest expense, net of amounts capitalized	(20,015)	(13,934)	(1,311)	17,430	(17,830)
Interest income	14,998	1,363	1,776	(17,430)	707
Unrealized loss on Viacom stock and CBS stock	(13,235)				(13,235)
Unrealized gain on derivatives	15,392				15,392
Income from unconsolidated companies		154	2,602		2,756
Other gains and (losses), net	668	5,422			6,090
Income (loss) before provision (benefit) for income taxes	(5,683)	18,194	3,067		15,578
(Benefit) provision for income taxes	(1,596)	4,942	862		4,208
Equity in subsidiaries (earnings) losses, net	(17,246)			17,246	
(Loss) income from continuing operations	13,159	13,252	2,205	(17,246)	11,370
(Loss) gain from discontinued operations, net of taxes		1,802	(13)		1,789
Net (loss) income	$ 13,159	$ 15,054	$ 2,192	$ (17,246)	$ 13,159

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Three Months Ended March 31, 2005

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated