GAYLORD ENTERTAINMENT CO /DE
Form 10-Q
August 08, 2007

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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 June 30, 2007

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 July 31, 2007
Common Stock, $.01 par value	41,103,040 shares

GAYLORD ENTERTAINMENT COMPANY
FORM 10-Q
For the Quarter Ended June 30, 2007
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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 June 30, 2007 and 2006
(Unaudited)
(In thousands, except per share data)

	2007	2006
Revenues	**$ 189,381**	$ 177,087
Operating expenses:		
Operating costs	**108,771**	105,426
Selling, general and administrative	**38,691**	37,869
Preopening costs	**3,230**	1,503
Depreciation	**18,336**	17,645
Amortization	**967**	903
Operating income	**19,386**	13,741
Interest expense, net of amounts capitalized	**(13,611)**	(18,191)
Interest income	**1,630**	489
Unrealized gain on Viacom stock and CBS stock	**9,147**	602
Unrealized (loss) gain on derivatives	**(6,448)**	3,939
Income from unconsolidated companies	**2,931**	3,047
Other gains and (losses), net	**140,212**	800
Income before provision for income taxes	**153,247**	4,427
Provision for income taxes	**59,631**	10,026
Income (loss) from continuing operations	**93,616**	(5,599)
Gain from discontinued operations, net of income taxes	**13,226**	438
Net income (loss)	**$ 106,842**	$ (5,161)
Basic income (loss) per share:		
Income (loss) from continuing operations	**$ 2.29**	$ (0.14)
Gain from discontinued operations, net of income taxes	**0.32**	0.01
Net income (loss)	**$ 2.61**	$ (0.13)

Fully diluted income (loss) per share:				
Income (loss) from continuing operations	**$**	**2.21**	$	(0.14)
Gain from discontinued operations, net of income taxes		**0.31**		0.01
Net income (loss)	**$**	**2.52**	$	(0.13)

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 OPERATIONS
For the Six Months Ended June 30, 2007 and 2006
(Unaudited)
(In thousands, except per share data)

	2007	2006
Revenues	**$ 371,739**	$ 359,394
Operating expenses:		
Operating costs	**217,324**	212,875
Selling, general and administrative	**79,491**	73,506
Preopening costs	**6,175**	2,565
Depreciation	**36,885**	35,305
Amortization	**1,878**	1,811
Operating income	**29,986**	33,332
Interest expense, net of amounts capitalized	**(32,388)**	(36,325)
Interest income	**2,147**	967
Unrealized gain (loss) on Viacom stock and CBS stock	**6,358**	(12,633)
Unrealized gain on derivatives	**3,121**	19,331
Income from unconsolidated companies	**1,013**	5,803
Other gains and (losses), net	**146,075**	1,460
Income before provision for income taxes	**156,312**	11,935
Provision for income taxes	**62,039**	13,016
Income (loss) from continuing operations	**94,273**	(1,081)
Gain from discontinued operations, net of income taxes	**16,033**	9,079
Net income	**$ 110,306**	$ 7,998
Basic income per share:		
Income (loss) from continuing operations	**$ 2.31**	$ (0.03)
Gain from discontinued operations, net of income taxes	**0.39**	0.23
Net income	**$ 2.70**	$ 0.20
Fully diluted income per share:		
Income (loss) from continuing operations	**$ 2.23**	$ (0.03)

Gain from discontinued operations, net of income taxes	**0.38**	0.23
Net income	**$ 2.61**	$ 0.20

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

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2007 and December 31, 2006
(Unaudited)
(In thousands)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	**$ 62,337**	$ 35,356
Cash and cash equivalents restricted	**1,212**	1,266
Short term investments		394,913
Trade receivables, less allowance of $551 and $881, respectively	**46,090**	33,734
Estimated fair value of derivative assets		207,428
Deferred financing costs		10,461
Deferred income taxes	**13,332**	
Other current assets	**30,601**	20,552
Current assets of discontinued operations	**993**	33,952
Total current assets	**154,565**	737,662
Property and equipment, net of accumulated depreciation	**1,900,657**	1,609,685
Intangible assets, net of accumulated amortization	**202**	228
Goodwill	**6,915**	6,915
Indefinite lived intangible assets	**1,480**	1,480
Investments	**4,518**	84,488
Long-term deferred financing costs	**16,478**	15,579
Other long-term assets	**20,501**	12,587
Long-term assets of discontinued operations		163,886
Total assets	**$ 2,105,316**	$ 2,632,510
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	**$ 1,936**	$ 1,991
Secured forward exchange contract		613,054
Accounts payable and accrued liabilities	**204,396**	165,108
Income taxes payable	**113,383**	315
Deferred income taxes		56,628
Current liabilities of discontinued operations	**2,896**	57,906
Total current liabilities	**322,611**	895,002
Long-term debt and capital lease obligations, net of current portion	**690,675**	753,562

Deferred income taxes	**69,086**	96,537
Estimated fair value of derivative liabilities	**4,736**	2,610
Other long-term liabilities	**92,419**	84,325
Long-term liabilities of discontinued operations	**2,584**	2,448
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value, 100,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value, 150,000 shares authorized, 41,083 and 40,804 shares issued and outstanding, respectively	**411**	408
Additional paid-in capital	**710,320**	694,941
Retained earnings	**229,153**	118,885
Accumulated other comprehensive loss	**(16,679)**	(16,208)
Total stockholders equity	**923,205**	798,026
Total liabilities and stockholders equity	**$ 2,105,316**	$ 2,632,510

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 Six Months Ended June 30, 2007 and 2006
(Unaudited)
(In thousands)

	2007	2006
Cash Flows from Operating Activities:		
Net income	**$ 110,306**	$ 7,998
Amounts to reconcile net income to net cash flows provided by operating activities:		
Gain from discontinued operations, net of taxes	**(16,033)**	(9,079)
Income from unconsolidated companies	**(1,013)**	(5,803)
Unrealized gain on Viacom stock and CBS stock and related derivatives	**(9,479)**	(6,698)
(Benefit) provision for deferred income taxes	**(51,324)**	13,016
Depreciation and amortization	**38,763**	37,116
Amortization of deferred financing costs	**12,253**	14,866
Write-off of deferred financing costs	**1,192**	
Stock-based compensation expense	**5,066**	3,429
Excess tax benefit from stock-based compensation	**(1,444)**	(2,414)
Gain on sale of investment in Bass Pro	**(140,313)**	
(Gain) loss on sales of assets	**(4,272)**	394
Dividends received from investments in unconsolidated companies		1,911
Changes in (net of acquisitions and divestitures):		
Trade receivables	**(12,356)**	(10,475)
Accounts payable and accrued liabilities	**(13,493)**	(4,442)
Income taxes payable	**112,080**	(181)
Other assets and liabilities	**(9,635)**	1,234
Net cash flows provided by operating activities continuing operations	**20,298**	40,872
Net cash flows provided by operating activities discontinued operations	**21,613**	38,117
Net cash flows provided by operating activities	**41,911**	78,989
Cash Flows from Investing Activities:		
Purchases of property and equipment	**(281,462)**	(98,861)
Investment in unconsolidated companies	**(231)**	(4,817)
Proceeds from sale of investment in Bass Pro	**221,527**	
Proceeds from sales of assets	**5,035**	61
Other investing activities	**(708)**	(1,894)
Net cash flows used in investing activities continuing operations	**(55,839)**	(105,511)
Net cash flows provided by (used in) investing activities discontinued operations	**115,284**	(9,722)
Net cash flows provided by (used in) investing activities	**59,445**	(115,233)
Cash Flows from Financing Activities:		
(Repayments) borrowings under credit facility	**(60,000)**	35,000

Deferred financing costs paid	**(3,883)**	
Decrease (increase) in restricted cash and cash equivalents	**54**	(21)
Proceeds from exercise of stock option and purchase plans	**7,967**	10,154
Excess tax benefit from stock-based compensation	**1,444**	2,414
Other financing activities, net	**(592)**	(615)
Net cash flows (used in) provided by financing activities continuing operations	**(55,010)**	46,932
Net cash flows used in financing activities discontinued operations	**(19,365)**	(18,198)
Net cash flows (used in) provided by financing activities	**(74,375)**	28,734
Net change in cash and cash equivalents	**26,981**	(7,510)
Cash and cash equivalents unrestricted, beginning of period	**35,356**	45,776
Cash and cash equivalents unrestricted, end of period	**$ 62,337**	$ 38,266

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, 2006 filed with the SEC. 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.

2. INCOME PER SHARE:

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands)	**2007**	**2006**	**2007**	**2006**
Weighted average shares outstanding	**40,961**	40,592	**40,882**	40,453
Effect of dilutive stock options	**1,383**		**1,403**	
Weighted average shares outstanding assuming dilution	**42,344**	40,592	**42,285**	40,453

For the three months and six months ended June 30, 2006, the effect of dilutive stock options was the equivalent of approximately 1,022,000 and 1,054,000 shares of common stock outstanding, respectively. Because the Company had a loss from continuing operations in the three months and six months ended June 30, 2006, these incremental shares were excluded from the computation of diluted earnings per share for those periods 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 and six months of the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2007	2006	2007	2006
Net income (loss)	$ 106,842	$ (5,161)	$ 110,306	$ 7,998
Minimum pension liability, net of deferred income taxes	(14)		(95)	
Foreign currency translation, net of deferred income taxes		20		20
Unrealized (loss) gain on natural gas hedges, net of deferred income taxes	(312)		175	
Comprehensive income (loss)	$ 106,516	$ (5,141)	$ 110,386	$ 8,018

4. INVESTMENTS:

Prior to May 31, 2007, the Company owned 13.0% of Bass Pro Group, LLC (Bass Pro), which is the owner of the Bass Pro Inc., Tracker Marine Boats and Big Cedar Lodge businesses. The Company accounted for this investment under the equity method of accounting in accordance with EITF Issue No. 03-16, *Accounting for Investments in Limited Liability Companies,* American Institute of Certified Public Accountants Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*, and EITF Abstracts Topic No. D-46, *Accounting for Limited Partnership Investment.*

On May 31, 2007, the Company completed the sale of all of its ownership interest in Bass Pro to Bass Pro for a purchase price of $222.0 million in cash. The Company recognized a pre-tax gain of $140.3 million from the sale of its interest in Bass Pro, which is recorded in other gains and losses in the accompanying condensed consolidated statements of operations. Net proceeds from the sale of $221.5 million were used to reduce the Company s outstanding indebtedness. The Company s Chief Executive Officer formerly served as a member of the board of managers of Bass Pro but resigned upon consummation of the sale.

Summary financial information for Bass Pro from which the Company s equity method income is derived is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	**$580,952**	$536,089	**$1,019,892**	$1,017,016
Gross profit	**201,923**	177,054	**395,442**	345,611
Net income	**23,607**	28,538	**22,664**	39,137

	June 30, 2007	December 31, 2006
Current assets	**$732,730**	$705,676
Noncurrent assets	**694,930**	608,201
Current liabilities	**530,742**	534,287
Noncurrent liabilities	**656,910**	548,500

5. 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

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 ($25,000) and $44,000 during the three months and six months ended June 30, 2006, respectively, related to employee severance benefits in the discontinued markets. The Company completed the sale of four of these markets in the fourth quarter of 2005, two of these markets in the first quarter of 2006, and the remaining two markets in the second quarter of 2006.

During the second quarter of 2006, the Company completed the sale of one additional market of its ResortQuest business that was not included in the plan of disposal described above, but was later determined to be inconsistent with the Company s long term growth strategy. The Company did not record any restructuring charges in connection with the sale of this market.

During the second quarter of 2007, the Company committed to a plan of disposal of the remainder of its ResortQuest business. On May 31, 2007, the Company completed the sale of its ResortQuest Hawaii operations through the transfer of all of its equity interests in its ResortQuest Hawaii subsidiaries (ResortQuest Hawaii) to Vacation Holdings Hawaii, Inc., an affiliated company of Interval International, for $109.1 million in cash, prior to giving effect to a purchase price adjustment based on the working capital of ResortQuest Hawaii as of the closing. The Company retained its 19.9% ownership interest in RHAC Holdings, LLC and its 18.1% ownership interest in Waipouli Holdings LLC, which ownership interests were excluded from this transaction. The Company recognized a pretax gain of $50.4 million in discontinued operations in the accompanying condensed consolidated statements of operations for the three months and six months ended June 30, 2007 related to the sale of ResortQuest Hawaii. In connection with the sale of ResortQuest Hawaii, the Company recorded pre-tax restructuring charges for employee severance benefits of $0.4 million for the three months and six months ended June 30, 2007, all of which was included in the pre-tax gain on the sale of ResortQuest Hawaii. Net proceeds from the sale of $108.1 million were used to reduce the Company s outstanding indebtedness.

On June 1, 2007, the Company completed the sale of the remainder of the operations of its ResortQuest subsidiary through the transfer of all of its capital stock in its ResortQuest Mainland subsidiary (ResortQuest Mainland) to BEI-RZT Corporation, a subsidiary of Leucadia National Corporation for $35.0 million, prior to giving effect to certain purchase price adjustments, including a purchase price adjustment based on the working capital of ResortQuest Mainland as of the closing. The purchase price was paid by the delivery of a four-year promissory note in the principal amount of $8.0 million bearing interest at the annual rate of 10%, and the balance of the purchase price was paid in cash at closing. The Company recognized a pretax loss of $57.2 million in discontinued operations in the accompanying condensed consolidated statements of operations for the three months and six months ended June 30, 2007 related to the sale of ResortQuest Mainland. In connection with the sale of ResortQuest Mainland, the Company recorded pre-tax restructuring charges for employee severance benefits of $0.4 million for the three months and six months ended June 30, 2007, of which

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$0.3 million was included in the pretax loss on the sale of ResortQuest Mainland. Net cash proceeds from the sale of $9.0 million were used to reduce the Company s outstanding indebtedness.

The following table reflects the results of operations of businesses accounted for as discontinued operations for the three months and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2007**	**2006**	**2007**	**2006**
Revenues:				
ResortQuest	**$ 33,745**	$ 58,458	**$ 91,228**	$ 119,653
Operating loss:				
ResortQuest	**$ (3,756)**	$ (1,919)	**$ (2,022)**	$ (52)
Other		6		6
Restructuring charges	**(72)**	25	**(72)**	(44)
Total operating loss	**(3,828)**	(1,888)	**(2,094)**	(90)
Interest expense	**(7)**	169	**(8)**	473
Interest income	**163**	252	**309**	486
Other gains and (losses):				
ResortQuest	**(6,586)**	66	**(6,769)**	5,274
Other		25		6
(Loss) income before benefit for income taxes	**(10,258)**	(1,376)	**(8,562)**	6,149
Benefit for income taxes	**(23,484)**	(1,814)	**(24,595)**	(2,930)
Gain from discontinued operations	**$ 13,226**	$ 438	**$ 16,033**	$ 9,079

Included in other gains and (losses) in the three months and six months ended June 30, 2007 is a pre-tax gain of $50.4 million on the sale of ResortQuest Hawaii and a pre-tax loss of $57.2 million on the sale of ResortQuest Mainland. Included in other gains and (losses) in the three months ended June 30, 2006 is a pre-tax gain of $0.3 million on the sale of certain ResortQuest markets. Included in other gains and (losses) in the six months ended June 30, 2006 is a pre-tax loss of $17,000 on the sale of certain ResortQuest markets, as well as a $5.4 million gain on the collection of a note receivable by ResortQuest that was previously considered uncollectible. The remaining gains and (losses) in the three months and six months ended June 30, 2007 and 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 and six months ended June 30, 2007 primarily relates to a permanent tax benefit recognized on the sales of ResortQuest Hawaii and ResortQuest Mainland. The benefit for income taxes for the three months and six months ended June 30, 2006 primarily resulted from the Company settling certain ResortQuest issues with the Internal Revenue Service related to periods prior to the acquisition of ResortQuest, as well as the writeoff of taxable goodwill associated with the ResortQuest markets sold in these periods.

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

(in thousands)	June 30, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents unrestricted	$ (12)	$ 5,224
Cash and cash equivalents restricted		14,459
Trade receivables, net	(9)	5,715
Prepaid expenses		1,745
Other current assets	1,014	6,809
Total current assets	993	33,952
Property and equipment, net of accumulated depreciation		28,758
Intangible assets, net of accumulated amortization		22,460
Goodwill		80,416
Indefinite lived intangible assets		26,774
Other long-term assets		5,478
Total long-term assets		163,886
Total assets	$ 993	$ 197,838
Current liabilities:		
Current portion of long-term debt	$	$ 43
Accounts payable and accrued liabilities	2,896	57,863
Total current liabilities	2,896	57,906
Long-term debt		10
Other long-term liabilities	2,584	2,438
Total long-term liabilities	2,584	2,448
Total liabilities	$ 5,480	$ 60,354

6. OTHER OPERATING ITEMS:

In order to redevelop certain food and beverage operations at Gaylord Opryland Resort & Convention Center, the Company terminated the lease held by the third-party operator of the hotel s food court during the first quarter of 2007. The Company paid the operator $2.9 million to terminate the lease, which was recorded as selling, general and administrative expense in the accompanying condensed consolidated statement of operations for the six months ended June 30, 2007.

Also during the first quarter of 2007, the Company sold the previously utilized corporate aircraft for net proceeds of $5.0 million in cash, which resulted in the Company recording a gain of $4.4 million in other gains and losses in the accompanying condensed consolidated statement of operations for the six months ended June 30, 2007.

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7. 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 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. The 8% Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all of 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 acquisition of ResortQuest by the Company. On 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 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.

$600.0 Million Credit Facility

On March 10, 2005, the Company entered into a $600.0 million credit facility with Bank of America, N.A. acting as the administrative agent. This credit facility, which replaced a $100.0 million revolving credit facility, consisted of the following components: (a) a $300.0 million senior secured revolving credit facility, which included a $50.0 million letter of credit sublimit, and (b) a $300.0 million senior secured delayed draw term loan facility, which could be drawn on in one or more advances during its term. The credit facility also included an accordion feature that allowed 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 had 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 was payable quarterly, in arrears, for base rate loans and at the end of each interest rate period for LIBOR rate-based loans. Principal was payable in full at maturity. The Company was required to pay a commitment fee ranging from 0.25% to 0.50% per year of the average unused portion of the credit facility.

As a result of the refinancing of the $600.0 million credit facility, which is discussed below, the Company wrote off $1.2 million in deferred financing costs during the first quarter of 2007, which is included in interest expense in the accompanying condensed consolidated statement of operations.

$1.0 Billion Credit Facility

On March 23, 2007, the Company refinanced its $600.0 million credit facility by entering into an Amended and Restated Credit Agreement 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 amended and restated credit facility (the $1.0 Billion Credit Facility) represents an increase of the Company s previous $600.0 million credit facility, which is discussed above.

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 delayed draw term loan facility, which may be drawn on in one or more advances during its term. 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 $100.0 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 will bear interest at an annual rate of LIBOR plus an applicable margin ranging from 1.25% to 1.75% or the lending banks base rate plus an applicable margin ranging from 0.00% to 0.50%, subject to adjustments based on the Company s borrowing base leverage. 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 0.125% to 0.35% per year of the average unused portion of the $1.0 Billion Credit Facility.

The purpose of the $1.0 Billion Credit Facility is for working capital and capital expenditures and the financing of the costs and expenses related to the continued construction of the Gaylord National hotel. Construction of the Gaylord National hotel is required to be substantially completed by October 31, 2008 (subject to customary force majeure provisions).

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 (which is in the process of being constructed, as described below) 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 subject to a 60% borrowing base, based on the appraisal value of the hotel properties (reduced to 50% in the event a hotel property is sold).

In addition, the $1.0 Billion 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 $1.0 Billion Credit Facility are as follows:

- The Company must maintain a consolidated funded indebtedness to total asset value ratio as of the end of each calendar quarter (i) following the closing date of the $1.0 Billion Credit Facility through the calendar quarter ending immediately prior to the first full quarter during which the Gaylord National hotel is substantially completed, of not more than 70% and (ii) for all calendar quarters thereafter, of not more than 65%.

- 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 the Company s subsidiaries in connection with any equity issuance.

- The Company must maintain a minimum consolidated fixed charge coverage ratio of not less than 2.00 to 1.00 for all 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.

As of June 30, 2007, the Company was in compliance with all covenants. As of June 30, 2007, $115.0 million of borrowings were outstanding under the $1.0 Billion Credit Facility, and the lending banks had issued $13.3 million of letters of credit under the facility for the Company. The $1.0 Billion Credit Facility is cross-defaulted to our other indebtedness.

8. 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, Inc. 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, Inc. 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.

Prior to its maturity in May 2007, the seven-year SFEC had a notional amount of $613.1 million and required contract payments based upon a stated 5% rate. The Company s obligation under the SFEC was collateralized by a security interest in the Company s Viacom Stock and CBS Stock. The SFEC protected 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 provided for participation in the increases in the combined fair market value of the Viacom Stock and CBS Stock in that the Company received 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, 2007. 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 was 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 Company recognized 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 $3.8 million and $6.7 million for the three months ended June 30, 2007 and 2006, respectively, and $10.5 million and $13.3 million for the six months ended June 30, 2007 and 2006, respectively.

During May 2007, the SFEC matured and the Company delivered all of the Viacom Stock and CBS Stock to Credit Suisse First Boston in full satisfaction of the $613.1 million debt obligation under the SFEC. As a result, the debt obligation, Viacom Stock, CBS Stock, put option, call option, and deferred financing costs related to the SFEC were removed from the consolidated balance sheet as of June 30, 2007.

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 9.

9. 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 portions of its fixed rate debt, as well as changes in the prices at which the Company purchases natural gas. Prior to May 2007, the Company also used derivative financial instruments to manage risk exposure to changes in the value of its Viacom Stock and CBS Stock.

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 on a mid-market basis by reference to proprietary models and do not reflect any bid/offer spread. As further discussed in Note 8, the SFEC matured in May 2007. For the three months and six months ended June 30, 2007, the Company recorded net pretax (losses) gains in the Company s condensed consolidated statements of operations of ($6.4) million and $3.1 million, respectively, related to the (decrease) increase in the fair value of the derivatives associated with the SFEC. For the three months and six months ended June 30, 2006, the Company recorded net pretax gains in the Company s condensed consolidated statements of operations of $3.9 million

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and $19.3 million, respectively, related to the increase in the fair value of the derivatives associated with the SFEC.

Fixed Rate Debt

Upon issuance of the 8% Senior Notes, the Company entered into two interest rate swap agreements with a combined 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 15th 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 June 30, 2007, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($4.7) million. The Company has recorded a derivative liability and an offsetting reduction in the balance of the 8% Senior Notes accordingly. As of December 31, 2006, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($2.3) million. The Company recorded a derivative liability and an offsetting reduction in the balance of the 8% Senior Notes accordingly.

Natural Gas Risk Management

The Company uses variable to fixed natural gas price swap contracts to manage unanticipated changes in natural gas and electricity prices. The contracts are based on forecasted usage of natural gas measured in dekatherms.

The Company has designated the variable to fixed natural gas price swap contracts as cash flow hedges. The Company values the outstanding contracts based on pricing provided by a financial institution and reviewed by the Company, with the offset applied to other comprehensive income, net of applicable income taxes, and earnings for any hedge ineffectiveness. Any gain or loss is reclassified from other comprehensive income and recognized in operating costs in the same period or periods during which the hedged transaction affects earnings.

At June 30, 2007, the Company had variable to fixed natural gas price swap contracts that mature from July 2007 to September 2007 with an aggregate notional amount of approximately 231,000 dekatherms. The fair value of these contracts was ($17,000) as of June 30, 2007. The Company recorded a derivative liability and an offsetting decrease in accumulated other comprehensive loss, net of applicable income taxes, accordingly. At December 31, 2006, the Company had variable to fixed natural gas price swap contracts that matured from January 2007 to May 2007 with an aggregate notional amount of approximately 197,000 dekatherms. The fair value of these contracts was ($0.3) million. The Company recorded a derivative liability and an offsetting decrease in accumulated other comprehensive loss, net of applicable income taxes, accordingly.

The ineffective portion of the derivative is recognized in other gains and losses within the accompanying condensed consolidated statements of operations and was not significant for the periods reported. The amount that the Company anticipates that will be reclassified out of accumulated other comprehensive income and into earnings in the next twelve months is a loss of approximately $17,000.

10. SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash paid for interest related to continuing operations for the three months and six months ended June 30, 2007 and 2006 was comprised of:

(in thousands)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Debt interest paid	**$ 28,497**	$ 23,040	**$ 35,373**	$ 24,308
Deferred financing costs paid	**202**		**3,883**	
Capitalized interest	**(8,566)**	(2,030)	**(14,294)**	(3,452)
Cash interest paid, net of capitalized interest	**$ 20,133**	$ 21,010	**$ 24,962**	$ 20,856

Income taxes paid were $0.7 million and $1.3 million for the six months ended June 30, 2007 and 2006, respectively.

11. GOODWILL AND INTANGIBLES:

The changes in the carrying amounts of goodwill by business segment for the six months ended June 30, 2007 are as follows (amounts in thousands):

	Balance as of December 31, 2006	Impairment Losses	Acquisitions	Purchase Accounting Adjustments	Balance as of June 30, 2007
Hospitality	$	$	$	$	$
Opry and Attractions	6,915				6,915
Corporate and Other					
Total	$6,915	$	$	$	$ 6,915

The carrying amount of indefinite-lived intangible assets not subject to amortization in continuing operations was $1.5 million at June 30, 2007 and December 31, 2006. The gross carrying amount of amortized intangible assets in continuing operations was $1.1 million at June 30, 2007 and December 31, 2006. The related accumulated amortization of amortized intangible assets in continuing operations was $0.9 million and $0.8 million at June 30, 2007 and December 31, 2006, respectively. The amortization expense related to intangible assets from continuing operations during the three months ended June 30, 2007 and 2006 was $13,000. The amortization expense related to intangible assets from continuing operations during the six months ended June 30, 2007 and 2006 was $26,000. The estimated amounts of amortization expense for the next five years are as follows (in thousands):

Year 1	$ 60
Year 2	60
Year 3	50
Year 4	29
Year 5	3
Total	$ 202

12. STOCK PLANS:

The Company has adopted, and the Company s shareholders have approved, the 2006 Omnibus Incentive Plan (the Plan) to replace the Company s 1997 Omnibus Stock Option and 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, which includes approximately 2,000,000 newly authorized shares and 690,000 shares that were authorized and available for grant under the Company s 1997 plan. The Plan also

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provides that no more than 1,350,000 of those shares may be granted for awards other than options or stock appreciation rights. The Company believes that such awards better align the interests of its directors and 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. At June 30, 2007 and December 31, 2006, there were 3,833,962 and 3,750,556 shares, respectively, of the Company s common stock reserved for future issuance pursuant to the exercise of outstanding stock options under the Plan.

The Plan also provides for the award of restricted stock and restricted stock units (Restricted Stock Awards). Restricted Stock Awards granted to non-employee directors generally vest one year from the date of grant, with certain restrictions on transfer. Restricted Stock Awards granted to employees generally vest 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. At June 30, 2007 and December 31, 2006, Restricted Stock Awards of 112,680 and 84,900 shares, respectively, were outstanding.

Under its Performance Accelerated Restricted Stock Unit Program (PARSUP) pursuant to the Plan, the Company may also grant selected executives and other key employees restricted stock units, the vesting of which 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. At June 30, 2007 and December 31, 2006, PARSUP awards of 521,000 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 $2.6 million and $2.1 million for the three months ended June 30, 2007 and 2006, respectively, and $5.0 million and $3.4 million for the six months ended June 30, 2007 and 2006, 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 2,331 and 3,453 shares of common stock at an average price per share of $50.96 and $41.46 pursuant to this plan during the three months ended June 30, 2007 and 2006, respectively.

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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 three months and six months ended June 30 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Service cost	$ 60	$ 47	$ 120	$ 94
Interest cost	1,220	1,215	2,440	2,430
Expected return on plan assets	(1,094)	(1,058)	(2,188)	(2,116)
Amortization of net actuarial loss	564	748	1,128	1,496
Amortization of prior service cost	1	1	2	2
Total net periodic pension expense	$ 751	$ 953	$ 1,502	$ 1,906

Net postretirement benefit expense reflected in the accompanying condensed consolidated statements of operations included the following components for the three months and six months ended June 30 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Service cost	$ 27	$ 47	$ 54	$ 95
Interest cost	284	258	568	516
Amortization of net actuarial loss	10		20	
Amortization of net prior service cost	(24)	(245)	(48)	(490)
Amortization of curtailment gain	(61)	(61)	(122)	(122)
Total net postretirement benefit expense	$236	$ (1)	$ 472	$ (1)

14. INCOME TAXES:

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48), as of January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. As a result of adopting FIN 48, the Company recognized a net increase of $0.04 million in the liability for unrecognized tax benefits, which was accounted for as a decrease to the January 1, 2007 balance of retained earnings. As of January 1, 2007, the Company had $7.2 million of unrecognized tax benefits, of which none would affect the Company s effective tax rate if recognized. As of June 30, 2007, the Company had $6.6 million of unrecognized tax benefits, which are recorded in other long-term liabilities in the accompanying condensed consolidated balance sheet. 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.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The Company recognized no interest or penalties related to uncertain tax positions in the accompanying consolidated statements of operations for the three months and six months ended June 30, 2007 and 2006. As of June 30, 2007, the Company has accrued no interest or penalties related to uncertain tax positions.

The tax years 2003-2006 remain open to examination by the major taxing jurisdictions to which the Company is subject.

As further discussed in Note 8, the SFEC matured in May 2007, which resulted in the Company recognizing a taxable gain of $390.6 million on the Viacom Stock and CBS Stock it received as a result of the sale of television station KTVT to CBS in 1999. The Company will be required to pay federal and state income taxes related to this gain during the year ended December 31, 2007. This tax liability, which is classified as a current liability in the accompanying condensed consolidated balance sheet as of June 30, 2007, is estimated to be $141.7 million (before federal and state net operating loss carryforwards and federal credit carryforwards).

As further discussed in Note 4, the Company completed the sale of all of its ownership interest in Bass Pro to Bass Pro for a purchase price of $222.0 million in cash on May 31, 2007, which resulted in the Company recognizing a taxable gain of $154.2 million. The Company will be required to pay federal and state income taxes related to this gain during the year ended December 31, 2007. This tax liability, which is classified as a current liability in the accompanying condensed consolidated balance sheet as of June 30, 2007, is estimated to be $59.0 million (before federal and state net operating loss carryforwards and federal credit carryforwards).

As further discussed in Note 5, the Company completed the sale of its ownership interest in the entities that comprised ResortQuest Hawaii for a purchase price of $109.1 million in cash on May 31, 2007 (prior to giving effect to a purchase price adjustment based on the working capital of ResortQuest Hawaii as of the closing), which resulted in the Company recognizing a taxable gain of $102.7 million. The Company will be required to pay federal and state income taxes related to this gain during the year ended December 31, 2007. This tax liability, which is classified as a current liability in the accompanying condensed consolidated balance sheet as of June 30, 2007, is estimated to be $36.5 million (before federal and state net operating loss carryforwards and federal credit carryforwards).

As further discussed in Note 5, the Company completed the sale of its ownership interest in the entities that comprised ResortQuest Mainland for a purchase price of $35.0 million in cash and note receivable on May 31, 2007 (prior to giving effect to certain purchase price adjustments, including a purchase price adjustment based on the working capital of ResortQuest Mainland as of the closing), which resulted in the Company recognizing a taxable loss of $171.1 million.

Due to the net impact of these transactions and the taxable income generated by its normal operations during 2007, the Company expects to incur a tax liability of approximately $113.7 million after the application of federal and state net operating loss carryforwards and federal credit carryforwards. The Company expects to pay $85.3 million of this liability on September 15, 2007 and the balance on December 15, 2007.

The Company s effective tax rate as applied to pre-tax income was 39% and 226% for the three months ended June 30, 2007 and 2006, respectively, and was 40% and 109% for the six month ended June 30, 2007 and 2006, respectively. The Company s lower effective tax rate during the three months and six months ended June 30, 2007, as compared to the same periods in 2006, was due primarily to the impact of permanent differences relative to pre-tax income for each of the respective periods.

15. NEWLY ISSUED ACCOUNTING STANDARDS:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements , to define fair value, establish a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expand disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The

Company will adopt the provisions of this statement beginning in the first quarter of 2008. The Company is assessing the impact the adoption of SFAS No. 157 will have on its financial position and results of operations.

In September 2006, the FASB issued FASB Statement No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No 87, 88, 106, and 132(R) (Statement 158). Statement 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, postretirement benefit plans) to recognize the funded status of their postretirement benefit plans in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. On December 31, 2006, the Company adopted the recognition and disclosure provisions of Statement 158. The effect of adopting Statement 158 on the Company s financial condition at December 31, 2006 has been included in the accompanying condensed consolidated financial statements. Statement 158 s provisions regarding the change in the measurement date of postretirement benefit plans is effective for fiscal years ending after December 15, 2008. The Company will adopt the measurement date provision in the fiscal year ending December 31, 2008. The Company is assessing the impact the adoption of the measurement date provision will have on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company will adopt the provisions of this statement beginning in the first quarter of 2008. The Company is assessing the impact the adoption of SFAS No. 159 will have on its financial position and results of operations, if any.

16. COMMITMENTS AND CONTINGENCIES:

On February 23, 2005, the Company acquired approximately 42 acres of land and related land improvements in Prince George s County, Maryland for approximately $29 million on which the Company is developing the Gaylord National Resort & Convention Center. 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 project was originally planned to include a 1,500 room hotel, but the Company has expanded the planned hotel to a total of 2,000 rooms. The Company currently expects to open the hotel in 2008. Prince George s County, Maryland has approved three bond issues related to the development of this hotel project. 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 completion of the convention center and 1,500 rooms within the hotel, at which time the bonds will be released to the Company. In addition, on July 18, 2006, Prince George s County, Maryland approved an additional $50 million of bonds, which will be issued to the Company upon completion of the entire project. The Company will initially hold the $95 million and $50 million bond issuances 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 June 30, 2007, the Company had committed to pay $809.3 million under those agreements for construction services and supplies and other construction-related costs ($299.2 million of which was outstanding as of such date). Construction costs to date have exceeded the Company s initial estimates from 2004. These increased costs are attributable to: (a) construction materials price escalation that has occurred over the past three years; (b) increased cost of construction labor in the Washington, D.C. marketplace due to historically low unemployment and a high degree of construction activity; (c) the Company s 500-room expansion and related additional meeting space, and the acceleration of its construction so that the expansion will open concurrently with the original project; and (d) enhancements to the project design. The Company currently estimates that the total cost of the project will be approximately $870 million, which includes the estimated construction costs for the expanded 2,000 room facility and excludes capitalized interest, pre-opening costs and the governmental economic incentives in connection with the Gaylord National hotel project. As of June 30, 2007, the Company has spent approximately $488.1 million (excluding capitalized interest and preopening costs) on this project.

On July 25, 2006, the Unified Port of San Diego Board of Commissioners and the City of Chula Vista approved a non-binding letter of intent with the Company, outlining the general terms of our development of a 1,500 to 2,000 room convention hotel in Chula Vista, California. During the second quarter of 2007 we notified the City of Chula Vista of our determination not to proceed with the development due to our inability to agree upon terms with local construction unions regarding the potential development. However, we are currently reviewing a counter proposal from the local construction unions and are in discussions with the City of Chula Vista and the Port Authority of San Diego with respect to the potential 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.

On June 20, 2006, the Company entered into a joint venture arrangement with RREEF Global Opportunities Fund II, LLC, a private real estate fund managed by DB Real Estate Opportunities Group (RREEF), and acquired a 19.9% ownership interest in the joint venture, Waipouli Holdings, LLC, in exchange for the Company s capital contribution of $3.8 million to Waipouli Holdings, LLC. On June 20, 2006, through a wholly-owned subsidiary named Waipouli Owner, LLC, Waipouli Holdings, LLC acquired the 311-room ResortQuest Kauai Beach at Makaiwa Hotel and related assets located in Kapaa, Hawaii (the Kauai Hotel) for an aggregate purchase price of $70.8 million. Waipouli Owner, LLC financed the purchase of the Kauai Hotel 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 October 2006, Waipouli Owner, LLC requested RREEF and the Company to make an additional capital contribution of $1.7 million to Waipouli Holdings, LLC to fund the purchase of the land on which the Kauai Hotel is built. The Company elected not to make the requested capital contribution, which diluted its ownership interest in Waipouli Holdings, LLC from 19.9% to 18.1% as of June 30, 2007. 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, on the one hand, or (ii) in the event of bankruptcy or reorganization proceedings of Waipouli Owner, LLC, on the other hand. 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 Company estimates that the maximum potential amount that the Company could be liable under this contribution agreement is $12.4 million, which represents 18.1% of the $68.4 million of total debt that Waipouli Owner, LLC owes to the Kauai Hotel Lender as of June 30, 2007. As of June 30, 2007, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee. The Company retained its ownership interest in Waipouli Holdings, LLC after the sale of ResortQuest Hawaii.

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 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, 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 $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, 2007. As of June 30, 2007, the Company had not recorded any liability in the consolidated balance sheet associated with this guarantee. The Company retained its ownership interest in RHAC Holdings, LLC after the sale of ResortQuest Hawaii.

On February 22, 2005, the Company concluded the settlement of litigation with Nashville Hockey Club Limited Partnership (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, and the first payment was made on October 5, 2006. 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 after the first payment but prior to the second payment under the note (October 5, 2007), 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.

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 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

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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, 2007, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.
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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17. 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. As further discussed in Note 5, the Company disposed of its ResortQuest segment during the second quarter of 2007. The results of operations of the ResortQuest segment have been reflected as discontinued operations for all periods presented.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands)	**2007**	**2006**	**2007**	**2006**
Revenues:				
Hospitality	**$ 168,408**	$ 157,189	**$ 334,869**	$ 322,653
Opry and Attractions	**20,922**	19,819	**36,764**	36,584
Corporate and Other	**51**	79	**106**	157
Total	**$ 189,381**	$ 177,087	**$ 371,739**	$ 359,394
Depreciation and amortization:				
Hospitality	**$ 16,262**	$ 16,026	**$ 32,687**	$ 32,166
Opry and Attractions	**1,424**	1,437	**2,980**	2,851
Corporate and Other	**1,617**	1,085	**3,096**	2,099
Total	**$ 19,303**	$ 18,548	**$ 38,763**	$ 37,116
Operating income (loss):				
Hospitality	**$ 33,323**	$ 26,172	**$ 60,885**	$ 60,623
Opry and Attractions	**3,144**	1,556	**2,138**	185
Corporate and Other	**(13,851)**	(12,484)	**(26,862)**	(24,911)
Preopening costs	**(3,230)**	(1,503)	**(6,175)**	(2,565)
Total operating income	**19,386**	13,741	**29,986**	33,332
Interest expense, net of amounts capitalized	**(13,611)**	(18,191)	**(32,388)**	(36,325)
Interest income	**1,630**	489	**2,147**	967
Unrealized gain (loss) on Viacom stock and CBS stock	**9,147**	602	**6,358**	(12,633)
Unrealized (loss) gain on derivatives	**(6,448)**	3,939	**3,121**	19,331
Income from unconsolidated companies	**2,931**	3,047	**1,013**	5,803
Other gains and (losses), net	**140,212**	800	**146,075**	1,460
Income before provision for income taxes	**$ 153,247**	$ 4,427	**$ 156,312**	$ 11,935

	June 30, 2007	December 31, 2006
Identifiable assets:		
Hospitality	**$ 1,845,035**	$ 1,546,426
Opry and Attractions	**83,370**	79,814

Corporate and Other	**175,918**	808,432
Discontinued operations	**993**	197,838
Total identifiable assets	**$ 2,105,316**	$ 2,632,510

18. 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 discontinued operations (the Non-Guarantors) do not guarantee the 8% Senior Notes and 6.75% Senior Notes.

Prior to January 1, 2007, Grand Ole Opry, Ryman Auditorium, and WSM-AM were divisions of Gaylord Entertainment Company, Inc. (the Issuer), and were included in the balance sheet, results of operations and cash flows of the Issuer as of December 31, 2006 and for the three months and six months ended June 30, 2006 in the consolidating financial information presented below. Effective January 1, 2007, the Company realigned certain of its operations, and Grand Ole Opry, Ryman Auditorium, and WSM-AM are now owned by a guarantor subsidiary. Therefore, the Company has classified the balance sheet, results of operations and cash flows of these operations as of June 30, 2007 and for the three months and six months ended June 30, 2007 with the Guarantors in the consolidating financial information presented below.

Prior to May 31, 2007, ResortQuest and its subsidiaries were guarantor subsidiaries and were included in the balance sheet, results of operations and cash flows of the Guarantors as of December 31, 2006 and for the three months and six months ended June 30, 2006 in the consolidating financial information presented below. As further discussed in Note 5, on May 31, 2007 and June 1, 2007, the Company sold ResortQuest and its subsidiaries and they were released from their guaranties of the 8% Senior Notes and 6.75% Senior Notes. Therefore, the Company has classified the balance sheet, results of operations and cash flows of ResortQuest and its subsidiaries as of June 30, 2007 and for the three months and six months ended June 30, 2007 with the Non-Guarantors in the consolidating financial information presented below.

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 June 30, 2007

	Issuer	Guarantors	Non-Guarantors (In thousands)	Eliminations	Consolidated
Revenues	$ 5	$189,376	$	$	$189,381
Operating expenses:					
Operating costs		108,771			108,771
Selling, general and administrative	5,341	33,350			38,691
Preopening costs		3,230			3,230
Depreciation	1,018	17,318			18,336
Amortization	501	466			967
Operating (loss) income	(6,855)	26,241			19,386
Interest expense, net of amounts capitalized	(22,153)	(23,846)	(7,538)	39,926	(13,611)
Interest income	11,036	26,114	4,406	(39,926)	1,630
Unrealized gain on Viacom stock and CBS stock	9,147				9,147
Unrealized loss on derivatives	(6,448)				(6,448)
(Loss) income from unconsolidated companies		(138)	3,069		2,931
Other gains and (losses), net	(120)	19	140,313		140,212
(Loss) income before (benefit) provision for income taxes	(15,393)	28,390	140,250		153,247
(Benefit) provision for income taxes	(4,701)	8,389	55,943		59,631
Equity in subsidiaries (earnings) losses, net	(117,534)			117,534	
Income from continuing operations	106,842	20,001	84,307	(117,534)	93,616
Income from discontinued operations, net of taxes			13,226		13,226
Net income	$ 106,842	$ 20,001	$ 97,533	$(117,534)	$106,842

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2006

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 17,732	$168,280	$	$ (8,925)	$177,087
Operating expenses:					
Operating costs	6,331	99,095			105,426
Selling, general and administrative	11,572	26,297			37,869
Management fees		8,925		(8,925)	
Preopening costs		1,503			1,503
Depreciation	1,407	16,238			17,645
Amortization	399	504			903
Operating (loss) income	(1,977)	15,718			13,741
Interest expense, net of amounts capitalized	(20,675)	(16,053)	(1,455)	19,992	(18,191)
Interest income	17,250	1,253	1,978	(19,992)	489
Unrealized gain on Viacom stock and CBS stock	602				602
Unrealized loss on derivatives	3,939				3,939
(Loss) income from unconsolidated companies		(156)	3,203		3,047
Other gains and (losses), net	933	(133)			800
Income before (benefit) provision for income taxes	72	629	3,726		4,427
(Benefit) provision for income taxes	(1,988)	8,225	3,789		10,026
Equity in subsidiaries (earnings) losses, net	7,221			(7,221)	
Income from continuing operations	(5,161)	(7,596)	(63)	7,221	(5,599)
Income from discontinued operations, net of taxes		429	9		438
Net income	$ (5,161)	$ (7,167)	$ (54)	$ 7,221	$ (5,161)

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2007

	Issuer	Guarantors	Non-Guarantors (In thousands)	Eliminations	Consolidated
Revenues	$ 11	$371,803	$	$ (75)	$371,739
Operating expenses:					
Operating costs		217,356		(32)	217,324
Selling, general and administrative	10,167	69,367		(43)	79,491
Preopening costs		6,175			6,175
Depreciation	2,000	34,885			36,885
Amortization	988	890			1,878
Operating (loss) income	(13,144)	43,130			29,986
Interest expense, net of amounts capitalized	(46,625)	(59,722)	(13,966)	87,925	(32,388)
Interest income	17,766	63,650	8,656	(87,925)	2,147
Unrealized gain on Viacom stock and CBS stock	6,358				6,358
Unrealized gain on derivatives	3,121				3,121
(Loss) income from unconsolidated companies		(681)	1,694		1,013
Other gains and (losses), net	5,630	132	140,313		146,075
(Loss) income before (benefit) provision for income taxes	(26,894)	46,509	136,697		156,312
(Benefit) provision for income taxes	(8,218)	14,270	55,987		62,039
Equity in subsidiaries (earnings) losses, net	(128,982)			128,982	
Income from continuing operations	110,306	32,239	80,710	(128,982)	94,273
Income from discontinued operations, net			16,033		16,033
Net income	$ 110,306	$ 32,239	$ 96,743	$(128,982)	$110,306

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2006

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 33,430	$343,945	$	$(17,981)	$359,394
Operating expenses:					
Operating costs	12,247	200,660		(32)	212,875
Selling, general and administrative	23,127	50,478		(99)	73,506
Management fees		17,850		(17,850)	
Preopening costs		2,565			2,565
Depreciation	2,772	32,533			35,305
Amortization	752	1,059			1,811
Operating (loss) income	(5,468)	38,800			33,332
Interest expense, net of amounts capitalized	(40,690)	(30,291)	(2,766)	37,422	(36,325)
Interest income	32,248	2,387	3,754	(37,422)	967
Unrealized loss on Viacom stock and CBS stock	(12,633)				(12,633)
Unrealized gain on derivatives	19,331				19,331
(Loss) income from unconsolidated companies		(2)	5,805		5,803
Other gains and (losses), net	1,601	(141)			1,460
(Loss) income before (benefit) provision for income taxes	(5,611)	10,753	6,793		11,935
(Benefit) provision for income taxes	(3,584)	11,949	4,651		13,016
Equity in subsidiaries (earnings) losses, net	(10,025)			10,025	
Income (loss) from continuing operations	7,998	(1,196)	2,142	(10,025)	(1,081)
Income (loss) from discontinued operations, net		9,083	(4)		9,079
Net income	$ 7,998	$ 7,887	$ 2,138	$(10,025)	$ 7,998

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
June 30, 2007

	Issuer	Guarantors	Non-Guarantors (in thousands)	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents unrestricted	$ 58,052	$ 4,285	$	$	$ 62,337
Cash and cash equivalents restricted	1,212				1,212
Short term investments					
Trade receivables, net	3	46,087			46,090
Estimated fair value of derivative assets					
Deferred financing costs					
Deferred income taxes	7,851	4,839	642		13,332
Other current assets	3,224	27,503		(126)	30,601
Intercompany receivables, net		40,545	236,561	(277,106)	
Current assets of discontinued operations			993		993
Total current assets	70,342	123,259	238,196	(277,232)	154,565
Property and equipment, net of accumulated depreciation	70,905	1,829,752			1,900,657
Intangible assets, net of accumulated amortization		202			202
Goodwill		6,915			6,915
Indefinite lived intangible assets		1,480			1,480
Investments	1,852,261	335,148		(2,182,891)	4,518
Long-term deferred financing costs	16,478				16,478
Other long-term assets	13,709	6,791	1		20,501
Long-term assets of discontinued operations					
Total assets	$2,023,695	$2,303,547	$238,197	$(2,460,123)	$2,105,316
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Current portion of long-term debt and capital lease obligations	$ 1,357	$ 579	$	$	$ 1,936

Secured forward exchange contract					
Accounts payable and accrued liabilities	27,211	176,635	841	(291)	204,396
Income taxes payable	113,383				113,383
Deferred income taxes					
Intercompany payables, net	217,685		59,421	(277,106)	
Current liabilities of discontinued operations			2,896		2,896
Total current liabilities	359,636	177,214	63,158	(277,397)	322,611
Long-term debt and capital lease obligations, net of current portion	688,586	2,089			690,675
Deferred income taxes	(24,766)	85,889	7,963		69,086
Estimated fair value of derivative liabilities	4,736				4,736
Other long-term liabilities	56,039	36,301	(86)	165	92,419
Long-term liabilities of discontinued operations		(1)	2,585		2,584
Stockholders equity:					
Preferred stock					
Common stock	411	2,387	2	(2,389)	411
Additional paid-in capital	710,320	2,257,385	6,980	(2,264,365)	710,320
Retained earnings	245,412	(257,717)	157,595	83,863	229,153
Other stockholders equity	(16,679)				(16,679)
Total stockholders equity	939,464	2,002,055	164,577	(2,182,891)	923,205
Total liabilities and stockholders equity	$2,023,695	$2,303,547	$238,197	$(2,460,123)	$2,105,316

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
December 31, 2006

	Issuer	Guarantors	Non-Guarantors (in thousands)	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents unrestricted	$ 28,875	$ 6,481	$	$	$ 35,356
Cash and cash equivalents restricted	1,223	43			1,266
Short term investments	394,913				394,913
Trade receivables, net	559	33,175			33,734
Estimated fair value of derivative assets	207,428				207,428
Deferred financing costs	10,461				10,461
Other current assets	6,155	14,523		(126)	20,552
Intercompany receivables, net	1,224,698		161,399	(1,386,097)	
Current assets of discontinued operations		33,952			33,952
Total current assets	1,874,312	88,174	161,399	(1,386,223)	737,662
Property and equipment, net of accumulated depreciation	96,247	1,513,438			1,609,685
Intangible assets, net of accumulated amortization		228			228
Goodwill		6,915			6,915
Indefinite lived intangible assets	1,480				1,480
Investments	338,465	21,714	79,521	(355,212)	84,488
Long-term deferred financing costs	15,579				15,579
Other long-term assets	6,667	5,920			12,587
Long-term assets of discontinued operations		163,886			163,886
Total assets	$2,332,750	$1,800,275	$240,920	$(1,741,435)	$2,632,510
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Current portion of long-term debt and capital lease obligations	$ 1,351	$ 640	$	$	$ 1,991
Secured forward exchange contract	613,054				613,054
Accounts payable and accrued liabilities	40,862	124,537		(291)	165,108

Income taxes payable	315				315
Deferred income taxes	94,297	(37,130)	(539)		56,628