GAYLORD ENTERTAINMENT CO /DE
Form 10-Q
May 08, 2009

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, 2009

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

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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, 2009**

Common Stock, $.01 par value	40,953,730 shares

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FORM 10-Q
For the Quarter Ended March 31, 2009
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Part I FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS.

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2009	**2008**
Revenues	**$ 212,319**	$ 195,235
Operating expenses:		
Operating costs	**131,365**	113,489
Selling, general and administrative	**44,861**	39,541
Preopening costs		15,575
Impairment and other charges		12,031
Depreciation and amortization	**28,071**	21,211
Operating income (loss)	**8,022**	(6,612)
Interest expense, net of amounts capitalized	**(18,600)**	(3,579)
Interest income	**3,846**	324
Income from unconsolidated companies	**129**	236
Gain on extinguishment of debt	**16,557**	
Other gains and (losses), net	**(150)**	59
Income (loss) before provision (benefit) for income taxes	**9,804**	(9,572)
Provision (benefit) for income taxes	**6,286**	(2,724)
Income (loss) from continuing operations	**3,518**	(6,848)
Loss from discontinued operations, net of income taxes	**(91)**	(458)
Net income (loss)	**$ 3,427**	$ (7,306)
Basic income (loss) per share:		
Income (loss) from continuing operations	**$ 0.09**	$ (0.17)
Loss from discontinued operations, net of income taxes	**(0.01)**	(0.01)
Net income (loss)	**$ 0.08**	$ (0.18)

Fully diluted income (loss) per share:		
Income (loss) from continuing operations	**$ 0.09**	$ (0.17)
Loss from discontinued operations, net of income taxes	**(0.01)**	(0.01)
Net income (loss)	**$ 0.08**	$ (0.18)

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
(Unaudited)
(In thousands)

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	**$ 19,994**	$ 1,043
Cash and cash equivalents restricted	**1,165**	1,165
Trade receivables, less allowance of $936 and $2,016, respectively	**61,043**	49,114
Deferred income taxes	**5,371**	6,266
Other current assets	**51,295**	50,793
Current assets of discontinued operations	**63**	197
Total current assets	**138,931**	108,578
Property and equipment, net of accumulated depreciation	**2,214,018**	2,227,574
Notes receivable, net of current portion	**137,918**	146,866
Intangible assets, net of accumulated amortization	**107**	121
Goodwill	**6,915**	6,915
Indefinite lived intangible assets	**1,480**	1,480
Investments	**1,259**	1,131
Estimated fair value of derivative assets	**5,000**	6,235
Long-term deferred financing costs	**16,993**	18,888
Other long-term assets	**42,100**	42,591
Total assets	**$ 2,564,721**	$ 2,560,379
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	**$ 1,938**	$ 1,904
Accounts payable and accrued liabilities	**154,357**	168,155
Estimated fair value of derivative liabilities	**1,907**	1,606
Current liabilities of discontinued operations	**1,369**	1,329
Total current liabilities	**159,571**	172,994
Long-term debt and capital lease obligations, net of current portion	**1,274,685**	1,260,997
Deferred income taxes	**68,136**	62,656
Estimated fair value of derivative liabilities	**28,881**	28,489
Other long-term liabilities	**126,165**	131,578
Long-term liabilities of discontinued operations	**448**	446
Commitments and contingencies		

Stockholders equity:		
Preferred stock, $.01 par value, 100,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value, 150,000 shares authorized, 40,939 and 40,916 shares issued and outstanding, respectively	**409**	409
Additional paid-in capital	**716,824**	711,444
Treasury stock of 385 shares, at cost	**(4,599)**	
Retained earnings	**238,178**	234,751
Accumulated other comprehensive loss	**(43,977)**	(43,385)
Total stockholders equity	**906,835**	903,219
Total liabilities and stockholders equity	**$ 2,564,721**	$ 2,560,379

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, 2009 and 2008
(Unaudited)
(In thousands)

	2009	2008
Cash Flows from Operating Activities:		
Net income (loss)	**$ 3,427**	$ (7,306)
Amounts to reconcile net income (loss) to net cash flows used in operating activities:		
Loss from discontinued operations, net of taxes	**91**	458
Income from unconsolidated companies	**(129)**	(236)
Impairment and other charges		12,031
Provision (benefit) for deferred income taxes	**7,573**	(3,441)
Depreciation and amortization	**28,071**	21,211
Amortization of deferred financing costs	**1,138**	997
Stock-based compensation expense	**1,752**	2,946
Excess tax benefit from stock-based compensation		(830)
Gain on extinguishment of debt	**(16,557)**	
Loss on sales of assets	**236**	32
Changes in (net of acquisitions and divestitures):		
Trade receivables	**(11,929)**	(27,911)
Interest receivable	**(3,741)**	
Accounts payable and accrued liabilities	**(10,221)**	5,659
Other assets and liabilities	**(4,392)**	(9,445)
Net cash flows used in operating activities continuing operations	**(4,681)**	(5,835)
Net cash flows provided by operating activities discontinued operations	**5**	7
Net cash flows used in operating activities	**(4,676)**	(5,828)
Cash Flows from Investing Activities:		
Purchases of property and equipment	**(21,821)**	(162,442)
Collection of notes receivable	**12,715**	154
Other investing activities	**(344)**	(1,920)
Net cash flows used in investing activities continuing operations	**(9,450)**	(164,208)
Net cash flows used in investing activities discontinued operations		(122)
Net cash flows used in investing activities	**(9,450)**	(164,330)
Cash Flows from Financing Activities:		
Net borrowings under credit facility	**75,000**	182,000
Repurchases of senior notes	**(37,180)**	
Purchases of Company s common stock		(19,999)
Purchases of treasury stock	**(4,599)**	
Excess tax benefit from stock-based compensation		830

Increase in restricted cash and cash equivalents		(20)
Other financing activities, net	**(144)**	(362)
Net cash flows provided by financing activities continuing operations	**33,077**	162,449
Net cash flows used in financing activities discontinued operations		
Net cash flows provided by financing activities	**33,077**	162,449
Net change in cash and cash equivalents	**18,951**	(7,709)
Cash and cash equivalents unrestricted, beginning of period	**1,043**	23,592
Cash and cash equivalents unrestricted, end of period	**$ 19,994**	$ 15,883

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, 2008 filed with the SEC. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim periods have been included. All adjustments are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

2. NEWLY ISSUED ACCOUNTING STANDARDS:

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company adopted the provisions of this statement during the first quarter of 2008. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157,* which provided a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of SFAS 157 with respect to its non-financial assets and non-financial liabilities during the first quarter of 2009. The adoption of this statement with respect to non-financial assets and non-financial liabilities did not have a material impact on the Company s consolidated results of operations and financial condition. See Note 16 for additional disclosures.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces SFAS 141 and applies to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141(R) requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. SFAS 141(R) requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under SFAS 141. Under SFAS 141(R), the requirements of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, no amounts should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS No. 5, *Accounting for Contingencies.* This statement is effective prospectively and the Company adopted the provisions of this statement in the first quarter of 2009. The adoption of this statement did not have a material impact on the Company s consolidated financial statements.

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In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 is intended to improve financial reporting of derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance, and cash flows. The Company adopted the provisions of this statement in the first quarter of 2009, and the adoption of SFAS 161 did not have a material impact on the Company s consolidated financial position or results of operations. See Note 10 for additional disclosures.

In November 2008, the Emerging Issues Task Force (EITF) reached a consensus on Issue 08-6, *Accounting for Equity Method Investments* (EITF 08-6). EITF 08-6 concludes that an equity method investment should be recognized by using a cost accumulation model. In addition, equity method investments as a whole should be assessed for other-than-temporary impairment. The Company adopted the provisions of this statement in the first quarter of 2009, and the adoption of EITF 08-6 did not have a material impact on the Company s consolidated financial position or results of operations.

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1 (FSP FAS 107-1 and APB 28-1), which extends the disclosure requirements of FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to interim financial statements of publicly traded companies. With the issuance of FSP FAS 107-1 and APB 28-1, the Company will now be required to disclose, on a quarterly basis, fair value information for financial instruments that are not reflected in the condensed consolidated balance sheets at fair value. FSP FAS No. 107-1 and APB Opinion No. 28-1 will be effective for the Company in the second quarter of 2009.

3. INCOME PER SHARE:

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

	Three Months Ended March 31,	
(in thousands)	**2009**	**2008**
Weighted average shares outstanding	**40,906**	41,246
Effect of dilutive stock options	**216**	
Weighted average shares outstanding assuming dilution	**41,122**	41,246

The Company had approximately 5,266,000 and 2,947,000 stock-based compensation awards outstanding as of March 31, 2009 and 2008, respectively, that could potentially dilute earnings per share in the future but were excluded from the computation of diluted earnings per share for the three months ended March 31, 2009 and 2008, respectively, as the effect of their inclusion would be anti-dilutive.

In addition, for the three months ended March 31, 2008, the effect of dilutive stock options was the equivalent of approximately 582,000 shares of common stock outstanding. Because the Company had a loss from continuing operations in the three months ended March 31, 2008, these incremental shares were excluded from the computation of dilutive earnings per share for that period as the effect of their inclusion would have been anti-dilutive.

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4. COMPREHENSIVE INCOME (LOSS):
Comprehensive income (loss) is as follows for the respective periods:

	Three Months Ended March 31,	
(in thousands)	**2009**	**2008**
Net income (loss)	**$ 3,427**	$ (7,306)
Unrealized (loss) gain on natural gas swaps, net of deferred income taxes	**(224)**	518
Unrealized loss on interest rate swaps, net of deferred income taxes	**(302)**	(2,756)
Other	**(66)**	
Comprehensive income (loss)	**$ 2,835**	$ (9,544)

A rollforward of the amounts included in comprehensive income (loss) related to the fair value of financial derivative instruments that qualify for hedge accounting, net of taxes, for the three months ended March 31, 2009 is as follows (in thousands):

	Interest Rate Derivatives	Natural Gas Derivatives	Total Derivatives
Balance at December 31, 2008	$(18,258)	$ (867)	$(19,125)
2009 changes in fair value	**(302)**	**(224)**	**(526)**
Reclassification to earnings			
Balance at March 31, 2009	**$(18,560)**	**$(1,091)**	**$(19,651)**

5. PROPERTY AND EQUIPMENT:
Property and equipment of continuing operations at March 31, 2009 and December 31, 2008 is recorded at cost and summarized as follows:

(in thousands)	**March 31, 2009**	**December 31, 2008**
Land and land improvements	**$ 210,145**	$ 198,169
Buildings	**2,179,814**	2,180,232
Furniture, fixtures and equipment	**498,864**	510,358
Construction in progress	**47,423**	47,234
	2,936,246	2,935,993
Accumulated depreciation	**(722,228)**	(708,419)
Property and equipment, net	**$ 2,214,018**	$ 2,227,574

Depreciation expense, including amortization of assets under capital lease obligations, of continuing operations was $26.4 million and $20.2 million for the three months ended March 31, 2009 and 2008, respectively.

6. NOTES RECEIVABLE:
In connection with the development of the Gaylord National Resort and Convention Center (Gaylord National), Prince George s County, Maryland (the County) issued three series of bonds. The first bond issuance, with a face value of

$65 million, was issued by the County 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, with a face value of $95 million (Series A Bond), was issued by the County in April 2005 and placed into escrow until substantial completion of the convention center and 1,500 rooms within the hotel. The

Series A Bond and the third bond issuance, with a face value of $50 million (Series B Bond), were delivered to the Company upon substantial completion and opening of the Gaylord National on April 2, 2008. The interest rate on the Series A Bond and Series B Bond is 8.0% and 10.0%, respectively.

The Company is currently holding the Series A Bond and Series B Bond and receiving the debt service thereon, which is payable from tax increments, hotel taxes and special hotel rental taxes generated from the development. Accordingly, during the second quarter of 2008, the Company calculated the present value of the future debt service payments from the Series A Bond and Series B Bond based on their effective interest rates of 8.04% and 11.42%, respectively, at the time the bonds were delivered to the Company and recorded a note receivable and offset to property and equipment in the amounts of $93.8 million and $38.3 million, respectively, in the accompanying condensed consolidated balance sheet. The Company also calculated the present value of the interest that had accrued on the Series A Bond between its date of issuance and delivery to the Company based on its effective interest rate of 8.04% at the time the bond was delivered to the Company and recorded a note receivable and offset to property and equipment in the amount of $18.3 million in the accompanying condensed consolidated balance sheet. The Company is recording the amortization of discount on these notes receivable as interest income over the life of the notes. During the three months ended March 31, 2009, the Company recorded interest income of $3.7 million on these bonds, which included $3.1 million of interest that accrued on the bonds subsequent to their delivery to the Company and $0.6 million related to amortization of the discount on the bonds. The Company received a payment of $12.6 million during the three months ended March 31, 2009 relating to this note receivable.

7. IMPAIRMENT AND OTHER CHARGES:

On April 15, 2008, the Company terminated the Agreement of Purchase and Sale dated as of November 19, 2007 (the Purchase Agreement) with LCWW Partners, a Texas joint venture, and La Cantera Development Company, a Delaware corporation (collectively, Sellers), to acquire the assets related to the Westin La Cantera Resort, located in San Antonio, Texas, on the basis that it did not obtain satisfactory financing. Pursuant to the terms of the Purchase Agreement and a subsequent amendment, the Company forfeited a $10.0 million deposit previously paid to Sellers. As a result, the Company recorded an impairment charge of $12.0 million during the three months ended March 31, 2008 to write off the deposit, as well as certain transaction-related expenses that were also capitalized in connection with the potential acquisition.

8. DISCONTINUED OPERATIONS:

The Company has reflected the following business as discontinued operations, consistent with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144). 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 144 for all periods presented.

ResortQuest

During the second quarter of 2007, in a continued effort to focus on its Gaylord Hotel and Opry and Attractions businesses, the Company committed to a plan of disposal 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 $50.0 million related to the sale of ResortQuest Hawaii during 2007.

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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 Company recognized a pretax loss of $59.5 million related to the sale of ResortQuest Mainland in 2007.

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

	Three Months Ended March 31,	
(in thousands)	**2009**	**2008**
Operating loss:		
ResortQuest	**$ (240)**	$ (487)
Other	**16**	
Restructuring charges		(178)
Total operating loss	**(224)**	(665)
Interest expense	**(1)**	
Other gains and (losses):		
ResortQuest		(123)
Other	**45**	50
Loss before benefit for income taxes	**(180)**	(738)
Benefit for income taxes	**(89)**	(280)
Loss from discontinued operations	**$ (91)**	$ (458)

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

(in thousands)	**March 31, 2009**	**December 31, 2008**
Current assets:		
Other current assets	**$ 63**	$ 197
Total current assets	**63**	197
Total assets	**$ 63**	$ 197

Current liabilities:				
Accounts payable and accrued liabilities	**$**	**1,369**	$	1,329
Total current liabilities		**1,369**		1,329
Other long-term liabilities		**448**		446
Total long-term liabilities		**448**		446
Total liabilities	**$**	**1,817**	$	1,775

9. DEBT:

Long-term debt and capitalized lease obligations at March 31, 2009 and December 31, 2008 consisted of the following:

(in thousands)	March 31, 2009	December 31, 2008
$1.0 Billion Credit Facility, interest and maturity as described below	**$ 797,500**	$ 722,500
Senior Notes, interest at 8.00%, maturing November 15, 2013	**281,560**	321,459
Senior Notes, interest at 6.75%, maturing November 15, 2014	**187,700**	207,700
Nashville Predators Promissory Note, interest at 6.00%, maturing October 5, 2010	**2,000**	2,000
Capital lease obligations	**2,863**	3,007
Fair value hedge effective for 8.00% Senior Notes	**5,000**	6,235
Total debt	**1,276,623**	1,262,901
Less amounts due within one year	**(1,938)**	(1,904)
Total long-term debt	**$ 1,274,685**	$ 1,260,997

$1.0 Billion Credit Facility

The Company entered into an Amended and Restated Credit Agreement effective March 23, 2007, by and among the Company, certain subsidiaries of the Company party thereto, as guarantors, the lenders party thereto and Bank of America, N.A., as administrative agent (the $1.0 Billion Credit Facility). Prior to its refinancing on July 25, 2008, the $1.0 Billion 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 a $30.0 million sublimit for swingline loans, and (b) a $700.0 million senior secured delayed draw term loan facility, which could be drawn on in one or more advances during its term. The revolving loan, letters of credit and term loan were set to mature on March 9, 2010. At the Company s election, the revolving loans and the term loans bore 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. The Company entered into interest rate swaps with respect to $403.0 million aggregate principal amount of borrowings under the delayed draw term loan facility to convert the variable rate on those borrowings to a fixed weighted average interest rate of 2.98% plus the applicable margin on these borrowings during the term of the swap agreements. The Company terminated these swaps in connection with its refinancing of the $1.0 Billion Credit Facility. 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 0.125% to 0.35% per year of the average unused portion of the $1.0 Billion Credit Facility.

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

The New $1.0 Billion Credit Facility is (i) secured by a first mortgage and lien on the real property and related personal and intellectual property of the Company s Gaylord Opryland hotel, Gaylord Texan hotel, Gaylord Palms hotel and Gaylord National hotel, and pledges of equity interests in the entities that own such properties and (ii) guaranteed by each of the four wholly owned subsidiaries that own the four hotels. Advances are subject to a 55% borrowing base, based on the appraisal value of the hotel properties (reduced to 50% in the event a hotel property is sold).

As of March 31, 2009, the Company was in compliance with all of its covenants related to its debt. As of March 31, 2009, $797.5 million of borrowings were outstanding under the $1.0 Billion Credit Facility, and the lending banks had issued $9.9 million of letters of credit under the facility for the Company, which left $192.6 million of availability under the credit facility (subject to the satisfaction of debt incurrence tests under the indentures governing our senior notes).

Repurchase of Senior Notes

During the three months ended March 31, 2009, the Company repurchased $59.9 million in aggregate principal amount of its outstanding senior notes ($39.9 million of 8% Senior Notes and $20.0 million of 6.75% Senior Notes) for $43.6 million, of which $6.4 million was accrued at March 31, 2009. After adjusting for accrued interest, the write-off of $0.8 million in deferred financing costs, and other costs, the Company recorded a pretax gain of $16.6 million as a result of the repurchases, which is recorded as a gain on extinguishment of debt in the accompanying condensed consolidated statement of operations for the three months ended March 31, 2009.

10. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and commodity price risk. Interest rate swaps are entered into to manage interest rate risk associated with portions of the Company s fixed and variable rate borrowings. Natural gas price swaps are entered into to manage the price risk associated with forecasted purchases of natural gas and electricity used by the Company s hotels. In accordance with SFAS 133(R), the Company designates certain interest rate swaps as cash flow hedges of variable rate borrowings, the remaining interest rate swaps as fair value hedges of fixed rate borrowings, and natural gas prices swaps as cash flow hedges of forecasted purchases of natural gas and electricity. All of the Company s derivatives are held for hedging purposes. A portion of the Company s natural gas price swap contracts are considered economic hedges and do not qualify for hedge accounting under SFAS 133(R). The Company does not engage in speculative transactions, nor does it hold or issue financial instruments for trading purposes. All of the counterparties to the Company s derivative agreements are financial institutions with at least investment grade credit ratings.

Cash Flow Hedging Strategy

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

The Company has entered into interest rate swap agreements to manage interest rate risk exposure. The interest rate swap agreement utilized by the Company effectively modifies the Company s exposure to interest rate risk by converting $500.0 million, or 63%, of the Company s variable rate debt outstanding under the term loan portion of the Company s New $1.0 Billion Credit Facility to a weighted average fixed rate of 3.94% plus the applicable margin on these borrowings, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of variable rate amounts in exchange for fixed rate interest payments through July 25, 2011, without an exchange of the underlying principal amount. The critical terms of the swap agreements match the critical terms of the borrowings under the term loan portion of the New $1.0 Billion Credit Facility. Therefore, the Company has designated these interest rate swap agreements as cash flow hedges under SFAS 133. As the terms of these derivatives match the terms of the underlying hedged items, there should be no gain (loss) recognized in income on derivatives unless there is a termination of the derivative or the forecasted transaction is determined to be unlikely to occur.

The Company has entered into natural gas price swap contracts to manage the price risk associated with a portion of the Company s forecasted purchases of natural gas and electricity used by the Company s hotels. The objective of the hedge is to reduce the variability of cash flows associated with the forecasted purchases of these commodities. At March 31, 2009, the Company had twelve variable to fixed natural gas price swap contracts that mature from April 2009 to December 2009 with an aggregate notional amount of approximately 826,000 dekatherms. The Company has designated the majority of these interest rate swap agreements as cash flow hedges under SFAS 133. The Company assesses the correlation of the terms of these derivatives with the terms of the underlying hedged items on a quarterly basis. As these terms are currently highly correlated, there should be no gain (loss) recognized in income on derivatives unless there is a termination of the derivative or the forecasted transaction is determined to be unlikely to occur.

Fair Value Hedging Strategy

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

The Company has entered into two interest rate swap agreements to manage interest rate risk exposure. The interest rate swap agreement utilized by the Company effectively modifies the Company s exposure to interest rate risk by converting $125.0 million, or 44%, of the Company s fixed rate debt outstanding under its 8% Senior Notes to a variable rate equal to six-month LIBOR plus 2.95%, thus reducing the impact of interest rate changes on the fair value of the underlying fixed rate debt. This agreement involves the receipt of fixed rate amounts in exchange for variable rate interest payments through November 15, 2013, without an exchange of the underlying principal amount. The critical terms of the swap agreement mirror the terms of the 8% Senior Notes. Therefore, the Company has designated these interest rate swap agreements as fair value hedges under SFAS 133.

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The counterparties under these swap agreements notified the Company that, as permitted by the agreements, each was opting to terminate its portion of the $125.0 million swap agreement effective May 15, 2009. As stated in the agreement, each of the counterparties will pay a $2.5 million termination fee, plus accrued interest, to the Company on May 15, 2009. Therefore, the Company has determined that the fair value of this interest rate swap is $5.0 million as of March 31, 2009. As a result of this termination, the Company will amortize the gain on the swap agreement over the remaining term of the 8% Senior Notes using the effective interest method. The amount that the Company anticipates will be reclassified out of accumulated other comprehensive income and into earnings in the next twelve months is a gain of $0.8 million.

The fair value of the Company s derivative instruments based upon quotes, with appropriate adjustments for non-performance risk of the parties to the derivative contracts, at March 31, 2009 and December 31, 2008 is as follows:

	Asset Derivatives		**Liability Derivatives**	
(in thousands)	**March 31, 2009**	**December 31, 2008**	**March 31, 2009**	**December 31, 2008**
Derivatives designated as hedging instruments under SFAS 133:				
Interest rate swaps fair value hedges	**$ 5,000**	$ 6,235	**$**	$
Interest rate swaps cash flow hedges			**28,881**	28,489
Natural gas swaps			**1,749**	1,382
Total derivatives designated as hedging instruments under SFAS 133	**$ 5,000**	$ 6,235	**$ 30,630**	$ 29,871
Derivatives not designated as hedging instruments under SFAS 133:				
Natural gas swaps	**$**	$	**$ 158**	$ 224
Total derivatives not designated as hedging instruments under SFAS 133	**$**	$	**$ 158**	$ 224
Total derivatives	**$ 5,000**	**$ 6,235**	**$ 30,788**	**$ 30,095**

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The effect of derivative instruments on the statement of operations for the three month period ended March 31, 2009 is as follows (in thousands):

Derivatives in SFAS 133 Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	Hedged Items in SFAS 133 Fair Value Hedge Relationships	Location of Gain (Loss) Recognized in Income on Related Hedged Item	Amount of Gain (Loss) Recognized in Income on Related Hedged Items
Interest rate swaps	Interest expense	**$ (1,235)**	Fixed Rate Debt	Interest expense	**$ 1,235**

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Exluded from Effectiveness Testing)
Interest rate swaps	**$ (28,881)**	Interest expense	**$**	**$**
Natural gas swaps	**(1,749)**	Operating costs		
Total	**$ (30,630)**		**$**	**$**

Derivatives Not Designated as Hedging Instruments under SFAS 133	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Dervative
Natural gas swaps	Other gains and losses	**$ (98)**

11. SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash paid for interest related to continuing operations for the respective periods was comprised of:

Three Months Ended

	March 31,	
(in thousands)	**2009**	**2008**
Debt interest paid	**$ 10,657**	$ 8,388
Capitalized interest	**(419)**	(8,388)
Cash interest paid, net of capitalized interest	**$ 10,238**	$

Total capitalized interest for the three months ended March 31, 2008 was $15.2 million. Net income taxes (refunded) paid were ($3.9) million and $0.03 million for the three months ended March 31, 2009 and 2008, respectively.

12. STOCK PLANS:

The Company s 2006 Omnibus Incentive Plan (the Plan) permits the grant of stock options, restricted stock, and restricted stock units to its directors and employees for up to 2,690,000 shares of common stock. The Plan also provides that no more than 1,350,000 of those shares may be granted for awards other than options or stock appreciation rights. The Company records compensation expense equal to the fair value of each stock option award granted on a straight line basis over the option s vesting period unless the option award contains a market provision, in which case the Company records compensation expense equal to the fair value of each award on a straight line basis over the requisite service period for each separately vesting portion of the award. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing formula. Including shares permitted under previous plans, at March 31, 2009 and December 31, 2008, there were 3,989,989 and 3,750,711 shares, respectively, of the Company s common stock reserved for future issuance pursuant to the exercise of outstanding stock options.

The Plan also provides for the award of restricted stock and restricted stock units (Restricted Stock Awards). The fair value of Restricted Stock Awards is determined based on the market price of the Company s stock at the date of grant. The Company records compensation expense equal to the fair value of each Restricted Stock Award granted over the vesting period. At March 31, 2009 and December 31, 2008, Restricted Stock Awards of 245,019 and 134,276 shares, respectively, were outstanding.

Under its long term incentive plan for key executives (LTIP) pursuant to the Plan, in February 2008 the Company granted selected executives and other key employees 449,500 restricted stock units (LTIP Restricted Stock Units) and 650,000 stock options (LTIP Stock Options), which will replace annual grants of stock based compensation awards to these employees over the next three years. The LTIP Restricted Stock Units cliff vest at the end of their four-year term. The number of LTIP Restricted Stock Units that vest will be determined at the end of their term based on the achievement of various company-wide performance goals. The Company originally expected that all of the performance goals would be achieved and all of the LTIP Restricted Stock Units granted would vest at the end of their term. Based on current projections, the Company expects that portions of the performance goals will be achieved and only one-half of the LTIP Restricted Stock Units granted will vest at the end of their term. The Company is currently recording compensation expense equal to the fair value of one-half of the LTIP Restricted Stock Units granted on a straight-line basis over the vesting period. If there are further changes in the expected achievement of the performance goals, the Company will adjust compensation expense accordingly. The fair value of the LTIP Restricted Stock Units was determined based on the market price of the Company s stock at the date of grant. The LTIP Stock Options, which vest two to four years from the date of grant and have a term of ten years, were granted with an exercise price of $38.00, while the market price of the Company s common stock on the grant date was $31.02. As a result of this market condition, the Company is recording compensation expense equal to the fair value of each LTIP Stock Option granted on a straight-line basis over the requisite service period for each separately vesting portion of the award. At both March 31, 2009 and December 31, 2008 LTIP Restricted Stock Units of 433,250 shares and LTIP Stock Options of 633,250 shares were outstanding.

Under its Performance Accelerated Restricted Stock Unit Program (PARSUP) pursuant to the Plan, the Company granted selected executives and other key employees restricted stock units, the vesting of which occurred upon the earlier of February 2008 or the achievement of various company-wide performance goals. The fair value of PARSUP awards was determined based on the market price of the Company s stock at the date of grant. The Company recorded 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. All PARSUP awards vested in February 2008, but certain recipients elected to defer receipt of their vested PARSUP awards.

The compensation cost that has been charged against pre-tax income for all of the Company s stock-based compensation plans was $1.8 million and $2.9 million for the three months ended March 31, 2009 and 2008, 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 respective periods (in thousands):

	Three months ended March 31,	
	2009	**2008**
Service cost	**$**	$ 64
Interest cost	**1,254**	1,306
Expected return on plan assets	**(962)**	(1,204)
Amortization of net actuarial loss	**906**	296
Amortization of prior service cost	**1**	1
Total net periodic pension expense	**$1,199**	$ 463

The Company expects to contribute $7.3 million to its defined benefit pension plan during 2009.

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

	Three months ended March 31,	
	2009	**2008**
Service cost	**$ 21**	$ 22
Interest cost	**312**	300
Amortization of curtailment gain	**(61)**	(61)
Total net postretirement benefit expense	**$272**	$261

14. INCOME TAXES:

The Company s effective tax rate as applied to pre-tax income (loss) was 64% and 28% for the three months ended March 31, 2009 and 2008, respectively. The Company s increased effective tax rate was due primarily to the impact of adjustments to valuation allowances for the Company.

As of March 31, 2009 and December 31, 2008, the Company had $14.4 million and $13.1 million of unrecognized tax benefits, respectively, of which $7.4 million and $6.9 million, respectively, would affect the Company s effective tax rate if recognized. The increase in the liability is due primarily to a change in judgment related to a tax position taken in a prior year in addition to interest accrued in the current year. These liabilities are recorded in other long-term liabilities in the accompanying condensed consolidated balance sheets. It is expected that the unrecognized tax benefits will change in the next twelve months; however, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company. As of March 31, 2009 and December 31, 2008, the Company had accrued $1.0 million and $0.7 million, respectively, of interest and $0 of penalties related to uncertain tax positions.

15. COMMITMENTS AND CONTINGENCIES:

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

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

In August 2008, a union-affiliated pension fund filed a purported derivative and class action complaint in Tennessee state court alleging that the directors of the Company breached their fiduciary duties by adopting a shareholder rights plan, which is further described in Note 17. On March 9, 2009, the Company reached an agreement in principle to settle the pending purported derivative and class action complaint. The Company and the plaintiffs in the action, together with their counsel, have agreed that the changes to the Company s Board of Directors and amendments to the Original Rights Agreement (as defined below in Note 17) reflected in the Amended Rights Agreement (as defined below in Note 17) will form the basis for that settlement.

Through a joint venture arrangement with RREEF Global Opportunities Fund II, LLC, a private real estate fund managed by DB Real Estate Opportunities Group (RREEF), the Company holds an 18.1% ownership interest in Waipouli Holdings, LLC, which it acquired in exchange for its initial capital contribution of $3.8 million to Waipouli Holdings, LLC in 2006. Through a wholly-owned subsidiary, Waipouli Owner, LLC, Waipouli Holdings, LLC owns the 311-room ResortQuest Kauai Beach at Makaiwa Hotel and related assets located in Kapaa, Hawaii (the Kauai Hotel). Waipouli Owner, LLC financed the purchase of the Kauai Hotel in 2006 by entering into a series of loan transactions with Morgan Stanley Mortgage Capital, Inc. (the Kauai Hotel Lender) consisting of a $52.0 million senior loan secured by the Kauai Hotel, an $8.2 million senior mezzanine loan secured by the ownership interest of Waipouli Owner, LLC, and an $8.2 million junior mezzanine loan secured by the ownership interest of Waipouli Owner, LLC (collectively, the Kauai Hotel Loans). In connection with Waipouli Owner, LLC s execution of the Kauai Hotel Loans, RREEF entered into three separate Guaranties of Recourse Obligations with the Kauai Hotel Lender whereby it guaranteed Waipouli Owner, LLC s obligations under the Kauai Hotel Loans for as long as those loans remain outstanding (i) in the event of certain types of fraud, breaches of environmental representations or warranties, or breaches of certain special purpose entity covenants by Waipouli Owner, LLC, or (ii) in the event of bankruptcy or reorganization proceedings of Waipouli Owner, LLC. As a part of the joint venture arrangement and simultaneously with the closing of the purchase of the Kauai Hotel, the Company entered into a Contribution Agreement with RREEF, whereby the Company agreed that, in the event that RREEF is required to make any payments pursuant to the terms of these guarantees, it will contribute to RREEF an amount equal to its pro rata share of any such guaranty payments. The Company estimates that the maximum potential amount that the Company could be liable for 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 March 31, 2009. As of March 31, 2009, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

Through a joint venture arrangement with G.O. IB-SIV US, a private real estate fund managed by DB Real Estate Opportunities Group (IB-SIV), the Company holds a 19.9% ownership interest in RHAC Holdings, LLC, which it acquired in exchange for its initial capital contribution of $4.7 million to RHAC Holdings, LLC in 2005. Through a wholly-owned subsidiary, RHAC, LLC, RHAC Holdings LLC owns the 716-room Aston

Waikiki Beach Hotel and related assets located in Honolulu, Hawaii (the Waikiki Hotel). RHAC, LLC financed the purchase of the Waikiki Hotel by entering into a series of loan transactions with Greenwich Capital Financial Products, Inc. (the Waikiki Hotel Lender) consisting of a $70.0 million senior loan secured by the Waikiki Hotel and a $16.3 million mezzanine loan secured by the ownership interest of RHAC, LLC (collectively, the Waikiki Hotel Loans). On September 29, 2006, RHAC, LLC refinanced the Waikiki Hotel Loans with the Waikiki Hotel Lender, which resulted in the mezzanine loan increasing from $16.3 million to $34.9 million. In connection with RHAC, LLC s execution of the Waikiki Hotel Loans, IB-SIV, entered into two separate Guaranties of Recourse Obligations with the Waikiki Hotel Lender whereby it guaranteed RHAC, LLC s obligations under the Waikiki Hotel Loans for as long as those loans remain outstanding (i) in the event of certain types of fraud, breaches of environmental representations or warranties, or breaches of certain special purpose entity covenants by RHAC, LLC, or (ii) in the event of bankruptcy or reorganization proceedings of RHAC, LLC. As a part of the joint venture arrangement and simultaneously with the closing of the purchase of the Waikiki Hotel, the Company entered into a Contribution Agreement with IB-SIV, whereby the Company agreed that, in the event that IB-SIV is required to make any payments pursuant to the terms of these guarantees, it will contribute to IB-SIV an amount equal to 19.9% of any such guaranty payments. The Company estimates that the maximum potential amount for which the Company could be liable under this contribution agreement is $20.9 million, which represents 19.9% of the $104.9 million of total debt that RHAC, LLC owes to the Waikiki Hotel Lender as of March 31, 2009. As of March 31, 2009, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

On February 22, 2005, the Company concluded the settlement of litigation with Nashville Hockey Club Limited Partnership (NHC), which owned the Nashville Predators NHL hockey team, over (i) NHC s obligation to redeem the Company s ownership interest, and (ii) the Company s obligations under the Nashville Arena Naming Rights Agreement dated November 24, 1999. Under the Naming Rights Agreement, which had a 20-year term through 2018, the Company was required to make annual payments to NHC, beginning at $2,050,000 in 1999 and with a 5% escalation each year thereafter, and to purchase a minimum number of tickets to Predators games each year. At the closing of the settlement, NHC redeemed all of the Company s outstanding limited partnership units in the Predators pursuant to a Purchase Agreement dated February 22, 2005, effectively terminating the Company s ownership interest in the Predators. In addition, the Naming Rights Agreement was cancelled pursuant to the Acknowledgment of Termination of Naming Rights Agreement. As a part of the settlement, the Company made a one-time cash payment to NHC of $4 million and issued to NHC a 5-year, $5 million promissory note bearing interest at 6% per annum. The note is payable at $1 million per year for 5 years and has an outstanding balance of $2.0 million as of March 31, 2009. The Company s obligation to pay the outstanding amount under the note shall terminate immediately if, at any time before the note is paid in full, the Predators cease to be an NHL team playing their home games in Nashville, Tennessee. In addition, pursuant to a Consent Agreement among the Company, the National Hockey League and owners of NHC, the Company s guaranty described below has been limited as described below.

In connection with the Company s execution of an Agreement of Limited Partnership with NHC on June 25, 1997, the Company, its subsidiary CCK, Inc., Craig Leipold, Helen Johnson-Leipold (Mr. Leipold s wife) and Samuel C. Johnson (Mr. Leipold s father-in-law) entered into a guaranty agreement executed in favor of the National Hockey League (NHL). This agreement provides for a continuing guarantee of the following obligations for as long as either of these obligations remains outstanding: (i) all obligations under the expansion agreement between NHC and the NHL; and (ii) all operating expenses of NHC. The maximum potential amount which the Company and CCK, collectively, could be liable under the guaranty agreement is $15.0 million, although the Company and CCK would have recourse against the other guarantors if required to make payments under the guarantee. In connection with the legal settlement with the Nashville Predators consummated on February 22, 2005, this guaranty has been limited so that the Company is not responsible for any debt, obligation or liability of NHC that arises from any act, omission or circumstance occurring after the date of the legal settlement. As of March 31, 2009, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

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

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

16. FAIR VALUE MEASUREMENTS:

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of March 31, 2009, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These included the Company s derivative instruments related to interest rates and natural gas prices and investments held in conjunction with the Company s non-qualified contributory deferred compensation plan.

The Company s interest rate and natural gas derivative instruments consist of over-the-counter swap contracts, which are not traded on a public exchange. See Note 10 for further information on the Company s derivative instruments and hedging activities. The Company determines the fair values of these swap contracts based on quotes, with appropriate adjustments for any significant impact of non-performance risk of the parties to the swap contracts. Therefore, the Company has categorized these swap contracts as Level 2. The Company has consistently applied these valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of derivative contracts it holds.

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

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The Company s assets and liabilities measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at March 31, 2009, were as follows (in thousands):

	March 31, 2009	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fixed to variable interest rate swaps	$ 5,000	$	$ 5,000	$
Deferred compensation plan investments	10,086	10,086		
Total assets measured at fair value	$15,086	$ 10,086	$ 5,000	$
Variable to fixed natural gas swaps	$ 1,907	$	$ 1,907	$
Variable to fixed interest rate swaps	28,881		28,881	
Total liabilities measured at fair value	$30,788	$	$30,788	$

17. STOCKHOLDERS EQUITY:

Shareholder Rights Plan

On March 9, 2009, the Company entered into an Amended and Restated Rights Agreement (the Amended Rights Agreement) with Computershare Trust Company, N.A., as rights agent (Computershare), which amends and restates the terms of the Company s shareholder rights plan, as set forth in the Rights Agreement dated as of August 12, 2008, by and between the Company and Computershare (the Original Rights Agreement).

The Amended Rights Agreement amends the Original Rights Agreement to: (i) increase the triggering ownership percentage from 15% to 22% of the Company s outstanding shares of common stock; and (ii) include provisions that define and establish procedures in the event that the Company receives a Qualified Offer. Under the Amended Rights Agreement, a Qualified Offer is a tender or exchange offer for all of the Company s outstanding common stock in which the same consideration per share is offered for all shares of common stock that (i) is fully financed, (ii) has an offer price per share exceeding the greater of (the Minimum Per Share Offer Price): (x) an amount that is 25% higher than the 12-month moving average closing price of the Company s common stock, and (y) an amount that is 25% higher than the closing price of the Company s common stock on the day immediately preceding commencement of the offer, (iii) generally remains open until at least the earlier of (x) 106 business days following the commencement of the offer, or (y) the business day immediately following the date on which the results of the vote adopting any redemption resolution at any special meeting of stockholders (as described below) is certified, (iv) is conditioned on the offeror being tendered at least 51% of our common stock not held by the offeror, (v) assures a prompt second-step acquisition of shares not purchased in the initial offer at the same consideration as the initial offer, (vi) is only subject to customary closing conditions, and (vii) meets certain other requirements set forth in the Amended Rights Agreement.

The Amended Rights Agreement provides that, in the event that the Company receives a Qualified Offer, the Company s Board of Directors may, but is not obligated to, call a special meeting of stockholders for the purpose of voting on a resolution to accept the Qualified Offer and to authorize the redemption of the outstanding rights issued pursuant to the provisions of the Amended Rights Agreement. Such an action by stockholders would require the affirmative vote of the holders of a majority of the shares of the Company s common stock outstanding as of the record date for the special meeting (excluding for purposes of this calculation shares of the Company s common stock owned by the person making the Qualified Offer). If either (i) such a special meeting is not held within 105 business days following commencement of the Qualified Offer or (ii) at such a special meeting the Company s stockholders approve such action as set forth above, the Amended Rights Agreement provides that all of the outstanding rights will be redeemed.

Agreements with Stockholders

Agreement with TRT Holdings, Inc. On March 9, 2009, the Company entered into a settlement agreement (the TRT Agreement) with TRT Holdings, Inc., a Delaware corporation (TRT), which had previously submitted notice to the Company of its intention to nominate four individuals for election to the Company s Board of Directors at the Company s annual meeting of stockholders to be held on May 7, 2009 (the Annual Meeting) and to solicit proxies for the election of such nominees.

Prior to the execution of the TRT Agreement, the Company s Board of Directors consisted of nine directors. The TRT Agreement provided that, prior to the Annual Meeting, the Board of Directors would increase the size of the Board from nine to eleven directors. Under the terms of the TRT Agreement, TRT is entitled to name two directors for nomination by the Board and inclusion in the Company s proxy statement for the Annual Meeting and each of the annual meetings of stockholders in 2010 and 2011. The TRT nominees for the Annual Meeting are Robert B. Rowling and David W. Johnson. The TRT Agreement also requires the Board of Directors to nominate seven incumbent directors and two additional independent directors identified by the Nominating and Corporate Governance Committee after consultation with the Company s stockholders. The TRT Agreement provided that one TRT nominee will serve on each of the Executive Committee (which is being increased in size to five directors), the Human Resources Committee and the Nominating and Corporate Governance Committee of the Board. In addition, the TRT Agreement provides that the Board will not increase the size of the Board to more than eleven directors prior to the Company s 2012 annual meeting of stockholders.

By execution of the TRT Agreement, TRT withdrew its nominations to the Board that were set forth in TRT s letter to the Company dated January 28, 2009 (subject to the Company s compliance with certain terms of the TRT Agreement) and its demands for stockholder lists and certain books and records of the Company that were set forth in letters to the Company dated January 15, 2009, and January 23, 2009.

Pursuant to the terms of the TRT Agreement, the Company entered into the Amended Rights Agreement discussed above. Additionally, in accordance with the terms of the TRT Agreement, the Board adopted a resolution approving, for purposes of Section 203 of the Delaware General Corporation Law, the acquisition by TRT and its affiliates of additional shares of the Company s common stock in excess of 15% of the outstanding stock of the Company and providing that TRT and its affiliates would not be an interested stockholder as defined by Section 203.

Under the terms of the TRT Agreement, TRT is obligated to vote its shares for the full slate of nominees recommended by the Board of Directors for election at the Annual Meeting and each of the 2010 and the 2011 annual meetings of stockholders of the Company. Additionally, TRT and its affiliates are required to vote their shares at the Annual Meeting, each of the annual meetings of stockholders in 2010 and 2011, and any other meeting of the Company s stockholders prior to the termination date of the TRT Agreement (i) in accordance with the recommendation of the Board of Directors on any stockholder proposal that is put to a vote of stockholders, and (ii) in favor of any proposal made by the Company unless Mr. Rowling (or any other TRT nominee that is an affiliate of TRT) has voted against such proposal in his or her capacity as a member of the Board of Directors. These voting obligations will not, however, apply with respect to the voting of TRT s shares in connection with an extraordinary transaction (as defined in the TRT Agreement).

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The TRT Agreement includes a standstill provision restricting TRT from taking certain actions from the date of the TRT Agreement through the termination date of the agreement, including the following:

acquiring beneficial ownership of any voting securities in an amount such that TRT would own 22% or more of the outstanding voting securities of the Company;

participating in any solicitation of proxies or making public statements in an attempt to influence the voting of the Company s securities in opposition to the recommendation of the Board of Directors, initiating any shareholder proposals, seeking representation on the Board of Directors (except as contemplated by the TRT Agreement) or effecting the removal of any member of the Board of Directors (provided, that TRT will not be restricted from making a public statement regarding how it intends to vote or soliciting proxies in connection with an extraordinary transaction not involving TRT); and

acquiring any assets or indebtedness of the Company (other than bonds or publicly traded debt of the Company, subject to certain limitations set forth in the TRT Agreement).

The TRT Agreement includes certain exceptions to the standstill provision, including if (i) TRT has been invited by the Board of Directors to participate in a process initiated related to the possible sale of the Company, (ii) TRT makes a Qualified Offer (as defined in the Amended Rights Agreement), or (iii) a third party has made an offer to acquire the Company under certain circumstances set forth in the TRT Agreement. The TRT Agreement also provides that each of the Company and TRT will not disparage the other party, subject to certain exceptions set forth in the TRT Agreement. The Company agreed to reimburse TRT for one-half of its expenses incurred in connection with the TRT Agreement, up to a maximum aggregate reimbursement of $200,000.

The termination date under the TRT Agreement is the earliest to occur of (i) the consummation of a Qualified Offer as defined in the Amended Rights Agreement, (ii) May 15, 2011, (iii) the date of the last resignation of a TRT nominee from the Board of Directors in accordance with the requirement under the TRT Agreement that TRT will not be entitled to any representation on the Board of Directors if TRT owns less than 5% of the Company s stock, or (iv) a material breach of the TRT Agreement by the Company that is not cured by the Company within 30 days of notice of such breach by TRT (or, if such material breach or lack of cure is disputed by the Company, upon the rendering of an arbitral award finding such material breach or lack of cure).

Agreement with GAMCO Asset Management. On March 9, 2009, the Company entered into a letter agreement (the GAMCO Agreement) with GAMCO Asset Management, Inc. (GAMCO), which had previously submitted notice to the Company of its intention to nominate four individuals for election to the Board of Directors at the Annual Meeting.

Under the terms of the GAMCO Agreement, GAMCO is entitled to name two directors for nomination by the Board of Directors and inclusion in the Company s proxy statement for the Annual Meeting. The GAMCO nominees for the Annual Meeting are Glenn J. Angiolillo and Robert S. Prather, Jr. In addition, the GAMCO Agreement provides that as long as any GAMCO nominee is a member of the Board of Directors, the Company will appoint a GAMCO nominee to each committee of the Board of Directors. By execution of the GAMCO Agreement, GAMCO withdrew (i) its nominations to the Board of Directors (subject to the Company s compliance with the GAMCO Agreement) that were set forth in GAMCO s letters to the Company dated February 3 and 5, 2009, and (ii) its stockholder proposal, dated August 18, 2008, recommending the redemption of the rights issued pursuant to the Company s rights agreement.

The foregoing descriptions of the TRT Agreement and the GAMCO Agreement are qualified in their entirety by reference to the full text of the agreements, copies of which the Company filed with the Securities and Exchange Commission as exhibits to a Current Report on Form 8-K filed on March 10, 2009.

Costs. During the three months ended March 31, 2009, the Company incurred various costs in connection with preparing for a proxy contest, reaching agreements with the stockholders described above, and reimbursing certain expenses pursuant to the TRT Agreement as noted above of $0.9 million. In addition, the Company incurred costs of $0.9 million in connection with the settlement of the Company s shareholder rights plan litigation, as described in the Company s Current Report on 8-K filed with the SEC on March 10, 2009. These costs are included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

Treasury Stock

On December 18, 2008, following approval by the Human Resources Committee and the Board of Directors, the Company and the Company s Chairman of the Board of Directors and Chief Executive Officer (Executive) entered into an amendment to Executive s employment agreement. The amendment provided Executive with the option of making an irrevocable election to invest his existing Supplemental Employee Retirement Plan (SERP) benefit in Company common stock, which election Executive subsequently made. The investment was made by a rabbi trust in which, during January 2009, the independent trustee of the rabbi trust purchased shares of Company common stock in the open market in compliance with applicable law. Executive is only entitled to a distribution of the Company common stock held by the rabbi trust in satisfaction of his SERP benefit. As such, the Company believes that the ownership of shares of common stock by the rabbi trust and the distribution of those shares to Executive in satisfaction of his SERP benefit meets the requirements of EITF Issue No. 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested*, so that the Company will not recognize any increase or decrease in expense as a result of subsequent changes in the value of the Company common stock and the purchased shares are treated as treasury stock and the SERP benefit is included in additional paid-in capital in the Company s accompanying condensed consolidated financial statements.

Stock Repurchases

During the three months ended March 31, 2008, the Company repurchased 656,700 shares of its common stock at a weighted average purchase price of $30.42 per share.

18. EMPLOYEE SEVERANCE COSTS:

In the first quarter of 2009, as part of the Company s cost containment initiative, the Company eliminated approximately 350 employee positions, which included positions in all segments of the organization. As a result, the Company recognized approximately $4.5 million in severance costs in the three months ended March 31, 2009. These costs are comprised of operating costs and selling, general and administrative costs of $2.8 million and $1.7 million, respectively, in the accompanying condensed consolidated statement of operations.

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19. FINANCIAL REPORTING BY BUSINESS SEGMENTS:

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

Hospitality, which includes the Gaylord Opryland Resort and Convention Center, the Gaylord Palms Resort and Convention Center, the Gaylord Texan Resort and Convention Center, the Radisson Hotel at Opryland and, commencing in April 2008, the Gaylord National Resort and Convention Center, as well as the Company s ownership interests in two joint ventures;

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

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

The following information from continuing operations is derived directly from the segments internal financial reports used for corporate management purposes.

	Three Months Ended March 31,	
(in thousands)	**2009**	**2008**
Revenues:		
Hospitality	**$ 200,647**	$ 177,944
Opry and Attractions	**11,644**	17,116
Corporate and Other	**28**	175
Total	**$ 212,319**	$ 195,235
Depreciation and amortization:		
Hospitality	**$ 24,589**	$ 18,261
Opry and Attractions	**1,114**	1,300
Corporate and Other	**2,368**	1,650
Total	**$ 28,071**	$ 21,211
Operating income (loss):		
Hospitality	**$ 26,151**	$ 35,492
Opry and Attractions	**(2,508)**	(1,044)
Corporate and Other	**(15,621)**	(13,454)
Preopening costs		(15,575)
Impairment and other charges		(12,031)
Total operating income (loss)	**8,022**	(6,612)
Interest expense, net of amounts capitalized	**(18,600)**	(3,579)
Interest income	**3,846**	324
Income from unconsolidated companies	**129**	236
Gain on extinguishment of debt	**16,557**	
Other gains and (losses), net	**(150)**	59
Income (loss) before provision (benefit) for income taxes	**$ 9,804**	$ (9,572)

20. SUBSEQUENT EVENTS:

During April 2009, the Company repurchased $23.3 million in aggregate principal amount of its outstanding senior notes ($16.3 million of 8% Senior Notes and $7.0 million of 6.75% Senior Notes) for $16.3 million. After adjusting for accrued interest, the write-off of $0.3 million in deferred financing costs, and other costs, the Company will record a pretax gain of $7.4 million as a result of the repurchases, which will be recorded as a gain on extinguishment of debt in the Company s consolidated statement of operations in the second quarter of 2009.

21. INFORMATION CONCERNING GUARANTOR AND NON-GUARANTOR SUBSIDIARIES:

Not all of the Company s subsidiaries have guaranteed the Company s 8% Senior Notes and 6.75% Senior Notes. The Company s 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 joint ventures and certain discontinued operations and inactive subsidiaries (the Non-Guarantors) do not guarantee the Company s 8% Senior Notes and 6.75% Senior Notes.

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, 2009

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ 2,056	$212,311	$	$ (2,048)	$212,319
Operating expenses:					
Operating costs		131,365			131,365
Selling, general and administrative	5,436	39,425			44,861
Management fees		2,048		(2,048)	
Depreciation and amortization	1,379	26,692			28,071
Operating (loss) income	(4,759)	12,781			8,022
Interest expense, net of amounts capitalized	(19,148)	(28,891)	(82)	29,521	(18,600)
Interest income	6,223	23,689	3,455	(29,521)	3,846
Income from unconsolidated companies		129			129
Gain on extinguishment of debt	16,557				16,557
Other gains and (losses), net	(1)	(149)			(150)
(Loss) income before (benefit) provision for income taxes	(1,128)	7,559			