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

Table of Contents

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

(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, 2006

or

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

Commission file number 1-13079

GAYLORD ENTERTAINMENT COMPANY

(Exact name of registrant as specified in its charter)

Delaware	73-0664379
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Gaylord Drive
Nashville, Tennessee 37214
(Address of principal executive offices)
(Zip Code)
(615) 316-6000
(Registrant s telephone number, including area code)

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

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

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

Class	Outstanding as of July 31, 2006
Common Stock, $.01 par value	40,717,709 shares

GAYLORD ENTERTAINMENT COMPANY
FORM 10-Q
For the Quarter Ended June 30, 2006
INDEX

	Page No.
Part I Financial Information	
Item 1. Financial Statements.	
Condensed Consolidated Statements of Operations For the Three Months Ended June 30, 2006 and 2005	3
Condensed Consolidated Statements of Operations For the Six Months Ended June 30, 2006 and 2005	4
Condensed Consolidated Balance Sheets - June 30, 2006 and December 31, 2005	5
Condensed Consolidated Statements of Cash Flows - For the Six Months Ended June 30, 2006 and 2005	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.	39
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	67
Item 4. Controls and Procedures.	68
Part II Other Information	
Item 1. Legal Proceedings.	68
Item 1A. Risk Factors.	68
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	69
Item 3. Defaults Upon Senior Securities.	69
Item 4. Submission of Matters to a Vote of Security Holders.	69
Item 5. Other Information.	69
Item 6. Exhibits.	69
SIGNATURES	
EX-31.1 SECTION 302 CERTIFICATION OF THE CEO	
EX-31.2 SECTION 302 CERTIFICATION OF THE CFO	
EX-32.1 SECTION 906 CERTIFICATION OF THE CEO & CFO	

Table of Contents

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, 2006 and 2005
(Unaudited)
(In thousands, except per share data)

	2006	2005
Revenues	$ 235,116	$ 224,472
Operating expenses:		
Operating costs	151,650	142,762
Selling, general and administrative	48,414	46,231
Preopening costs	1,503	1,173
Depreciation	18,614	17,534
Amortization	2,694	2,661
Operating income	12,241	14,111
Interest expense, net of amounts capitalized	(18,022)	(17,884)
Interest income	735	579
Unrealized gain (loss) on Viacom stock and CBS stock	602	(30,735)
Unrealized gain on derivatives	3,939	34,349
Income (loss) from unconsolidated companies	3,047	(1,590)
Other gains and (losses), net	636	2,470
Income before provision for income taxes	3,178	1,300
Provision for income taxes	8,867	1,246
(Loss) income from continuing operations	(5,689)	54
Gain (loss) from discontinued operations, net of income taxes	528	(465)
Net loss	$ (5,161)	$ (411)
Basic (loss) income per share:		
(Loss) income from continuing operations	$ (0.14)	$
Gain (loss) from discontinued operations, net of income taxes	0.01	(0.01)
Net loss	$ (0.13)	$ (0.01)

Fully diluted (loss) income per share:		
(Loss) income from continuing operations	$ (0.14)	$
Gain (loss) from discontinued operations, net of income taxes	0.01	(0.01)
Net loss	$ (0.13)	$ (0.01)

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

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)
(In thousands, except per share data)

	2006	2005
Revenues	$ 476,727	$ 437,942
Operating expenses:		
Operating costs	303,429	278,861
Selling, general and administrative	94,284	90,981
Preopening costs	2,565	2,116
Depreciation	37,222	35,734
Amortization	5,379	5,390
Operating income	33,848	24,860
Interest expense, net of amounts capitalized	(35,852)	(35,975)
Interest income	1,442	1,158
Unrealized loss on Viacom stock and CBS stock	(12,633)	(47,898)
Unrealized gain on derivatives	19,331	39,986
Income (loss) from unconsolidated companies	5,803	(118)
Other gains and (losses), net	6,726	4,920
Income (loss) before provision (benefit) for income taxes	18,665	(13,067)
Provision (benefit) for income taxes	13,064	(3,987)
Income (loss) from continuing operations	5,601	(9,080)
Gain (loss) from discontinued operations, net of income taxes	2,397	(188)
Net income (loss)	$ 7,998	$ (9,268)
Basic income (loss) per share:		
Income (loss) from continuing operations	$ 0.14	$ (0.23)
Gain (loss) from discontinued operations, net of income taxes	0.06	
Net income (loss)	$ 0.20	$ (0.23)
Fully diluted income (loss) per share:		
Income (loss) from continuing operations	$ 0.13	$ (0.23)

Gain (loss) from discontinued operations, net of income taxes	0.06	
Net income (loss)	$ 0.19	$ (0.23)

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

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2006 and December 31, 2005
(Unaudited)
(In thousands)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	$ 47,677	$ 58,719
Cash and cash equivalents restricted	41,862	19,688
Short term investments	343,942	
Trade receivables, less allowance of $1,212 and $2,471, respectively	50,727	37,154
Estimated fair value of derivative assets	241,322	
Deferred financing costs	24,016	26,865
Deferred income taxes		8,861
Other current assets	34,123	29,276
Current assets of discontinued operations	59	7,726
Total current assets	783,728	188,289
Property and equipment, net of accumulated depreciation	1,477,097	1,404,211
Intangible assets, net of accumulated amortization	25,342	27,768
Goodwill	174,002	177,556
Indefinite lived intangible assets	40,315	40,315
Investments	81,429	429,295
Estimated fair value of derivative assets		220,430
Long-term deferred financing costs	17,127	29,144
Other long-term assets	20,193	14,135
Long-term assets of discontinued operations		1,447
Total assets	$ 2,619,233	$ 2,532,590
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 1,997	$ 1,825
Secured forward exchange contract	613,054	
Accounts payable and accrued liabilities	221,938	186,540
Deferred income taxes	90,135	
Current liabilities of discontinued operations	585	7,802
Total current liabilities	927,709	196,167
Secured forward exchange contract		613,054

Long-term debt and capital lease obligations, net of current portion	630,921	598,475
Deferred income taxes	88,644	177,652
Estimated fair value of derivative liabilities	6,364	1,994
Other long-term liabilities	91,324	96,488
Long-term liabilities of discontinued operations	272	193
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, 40,709 and 40,307 shares issued and outstanding, respectively	407	403
Additional paid-in capital	686,565	670,828
Retained earnings	206,318	198,320
Unearned compensation		(1,673)
Accumulated other comprehensive loss	(19,291)	(19,311)
Total stockholders equity	873,999	848,567
Total liabilities and stockholders equity	$ 2,619,233	$ 2,532,590

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

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)
(In thousands)

	2006	2005
Cash Flows from Operating Activities:		
Net income (loss)	$ 7,998	$ (9,268)
Amounts to reconcile net income (loss) to net cash flows provided by operating activities:		
(Gain) loss from discontinued operations, net of taxes	(2,397)	188
(Income) loss from unconsolidated companies	(5,803)	118
Unrealized (gain) loss on Viacom stock and CBS stock and related derivatives	(6,698)	7,912
Provision (benefit) for deferred income taxes	13,064	(3,987)
Depreciation and amortization	42,601	41,124
Amortization of deferred financing costs	14,866	14,609
Stock-based compensation expense	4,099	
Excess tax benefit from stock-based compensation	(2,414)	
Loss (gain) on sales of assets	549	(3,228)
Dividends received from investments in unconsolidated companies	1,911	
Changes in (net of acquisitions and divestitures):		
Trade receivables	(13,573)	(16,894)
Accounts payable and accrued liabilities	27,655	35,061
Other assets and liabilities	(2,784)	2,052
Net cash flows provided by operating activities continuing operations	79,074	67,687
Net cash flows (used in) provided by operating activities discontinued operations	(3,325)	1,454
Net cash flows provided by operating activities	75,749	69,141
Cash Flows from Investing Activities:		
Purchases of property and equipment	(104,646)	(59,957)
Acquisition of businesses, net of cash acquired		(20,223)
Investments in unconsolidated companies	(4,817)	(4,747)
Proceeds from sales of assets	754	8,927
Purchases of short-term investments		(15,000)
Proceeds from sale of short term investments		32,000
Other investing activities	(7,273)	(1,148)
Net cash flows used in investing activities continuing operations	(115,982)	(60,148)
Net cash flows provided by (used in) investing activities discontinued operations	457	(226)
Net cash flows used in investing activities	(115,525)	(60,374)
Cash Flows from Financing Activities:		
Borrowings under credit facility	35,000	

Deferred financing costs paid			(8,451)
Increase in restricted cash and cash equivalents		(22,174)	(26,386)
Proceeds from exercise of stock option and purchase plans		10,154	6,145
Excess tax benefit from stock-based compensation		2,414	
Other financing activities, net		(907)	(434)
Net cash flows provided by (used in) financing activities	continuing operations	24,487	(29,126)
Net cash flows provided by (used in) financing activities	discontinued operations	4,247	(1,456)
Net cash flows provided by (used in) financing activities		28,734	(30,582)
Net change in cash and cash equivalents		(11,042)	(21,815)
Cash and cash equivalents	unrestricted, beginning of period	58,719	43,007
Cash and cash equivalents	unrestricted, end of period	$ 47,677	$ 21,192

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

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION:

The condensed consolidated financial statements include the accounts of Gaylord Entertainment Company and subsidiaries (the Company) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the financial information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim period have been included. All adjustments are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year. Certain amounts in the prior period financial statements have been reclassified to conform to the 2006 financial statement presentation.

2. INCOME (LOSS) PER SHARE:

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

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Weighted average shares outstanding	40,592	40,158	40,453	40,071
Effect of dilutive stock options		1,059	1,054	
Weighted average shares outstanding assuming dilution	40,592	41,217	41,507	40,071

For the three months ended June 30, 2006, the effect of dilutive stock options was the equivalent of approximately 1,022,000 shares of common stock outstanding. For the six months ended June 30, 2005, the effect of dilutive stock options was the equivalent of approximately 1,062,000 shares of common stock outstanding. Because the Company had a loss from continuing operations in the three months ended June 30, 2006 and the six months ended June 30, 2005, 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.

Table of Contents

3. COMPREHENSIVE (LOSS) INCOME:

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

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net (loss) income	$ (5,161)	$ (411)	$ 7,998	$ (9,268)
Unrealized loss on interest rate hedges		(56)		(19)
Foreign currency translation	20	(17)	20	(46)
Comprehensive (loss) income	$ (5,141)	$ (484)	$ 8,018	$ (9,333)

4. INVESTMENTS

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 $68.8 million. Both the Company and RREEF will contribute additional funds as needed for their pro-rata share of specified construction costs associated with the redevelopment of the Kauai Hotel. 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). RREEF is the managing member of Waipouli Holdings, LLC, but certain actions initiated by RREEF require the approval of the Company. In addition, under the joint venture arrangement, the Company s ResortQuest subsidiary secured a five year hotel management agreement from Waipouli Owner, LLC. Pursuant to the terms of the hotel management agreement, ResortQuest will be responsible for the day-to-day operations of the Kauai Hotel in accordance with Waipouli Owner LLC s business plan. The Company will account for its investment in Waipouli Holdings, LLC under the equity method of accounting in accordance with Emerging Issues Task Force (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, 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. Both the Company and IB-SIV will contribute additional funds as needed for their pro-rata share of specified construction costs associated with the redevelopment of the Waikiki Hotel. RHAC, LLC financed the purchase of the Waikiki Hotel by entering into a series of loan transactions with

Table of Contents

Greenwich Capital Financial Products, Inc. (the Waikiki Hotel Lender) consisting of a $70.0 million loan secured by the Waikiki Hotel and a $16.25 million mezzanine loan secured by the ownership interest of RHAC, LLC (collectively, the Waikiki Hotel Loans). IB-SIV is the managing member of RHAC Holdings, LLC, but certain actions of RHAC Holdings, LLC initiated by IB-SIV require the approval of the Company as a member. In addition, under the joint venture arrangement, the Company s ResortQuest subsidiary secured a 20-year hotel management agreement from RHAC, LLC. Pursuant to the terms of the hotel management agreement, ResortQuest is responsible for the day-to-day operations of the Waikiki Hotel in accordance with RHAC, LLC s business plan. The Company is accounting for its investment in RHAC Holdings, LLC 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 Investments* .

In the second quarter of 2005, Bass Pro restated its previously issued historical financial statements to reflect certain non-cash changes, which resulted primarily from a change in the manner in which Bass Pro accounts for its long term leases. This restatement resulted in a cumulative reduction in Bass Pro s net income of $8.6 million through December 31, 2004, which resulted in a pro-rata cumulative reduction in the Company s income from unconsolidated companies of $1.7 million. The Company determined that the impact of the adjustments recorded by Bass Pro were immaterial to the Company s consolidated financial statements in all prior periods. Therefore, the Company reflected its $1.7 million share of the re-statement adjustments as a one-time adjustment to loss from unconsolidated companies during the second quarter of 2005.

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 Discontinued Markets

During the third quarter of 2005, the Company committed to a plan of disposal of certain markets of its ResortQuest business that were considered to be inconsistent with the Company s long term growth strategy. In connection with this plan of disposal, the Company recorded pre-tax restructuring charges of ($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. In exchange for the assets associated with the markets sold in the second quarter of 2006, the buyers of these markets assumed $0.3 million in liabilities associated with the markets and the Company paid the buyer $0.2 million in cash. The Company recognized a pretax loss of $0.5 million during the second quarter of 2006 related to these sales, which is recorded in income from discontinued operations in the condensed consolidated statement of operations.

Table of Contents

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, for approximately $1.5 million in cash. The Company recognized a pretax gain of $0.7 million during the second quarter of 2006 related to this sale, which is recorded in income from discontinued operations in the condensed consolidated statement of operations. The pre-tax gain on this sale included the write-off of $0.5 million in goodwill related to the market sold. The Company did not record any restructuring charges in connection with the sale of this market.

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, 2006 and 2005:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues:				
ResortQuest Discontinued Markets	$ 429	$ 4,289	$ 2,320	$ 10,130
Operating loss:				
ResortQuest Discontinued Markets	$ (418)	$ (716)	$ (568)	$ (287)
International Cable Networks	6		6	
Restructuring charges	25		(44)	
Total operating loss	(387)	(716)	(606)	(287)
Interest income	6	8	11	15
Other gains and (losses):				
ResortQuest Discontinued Markets	230	2	8	2
Word Entertainment	25		25	
International Cable Networks			(19)	
Loss before benefit for income taxes	(126)	(706)	(581)	(270)
Benefit for income taxes	(654)	(241)	(2,978)	(82)
Gain (loss) from discontinued operations, net of income taxes	$ 528	$ (465)	$ 2,397	$ (188)

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 Discontinued 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 Discontinued Markets. The remaining gains and (losses) in the three months and six months ended June 30, 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, 2006 primarily results from the Company settling certain 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 Discontinued Markets sold in these periods.

Table of Contents

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

(in thousands)		June 30, 2006	December 31, 2005
Current assets:			
Cash and cash equivalents	unrestricted	$ (4)	$ 1,376
Cash and cash equivalents	restricted	57	5,490
Trade receivables, net		6	644
Prepaid expenses			96
Other current assets			120
Total current assets		59	7,726
Property and equipment, net of accumulated depreciation			773
Intangible assets, net of accumulated amortization			139
Goodwill			532
Other long-term assets			3
Total long-term assets			1,447
Total assets		$ 59	$ 9,173
Current liabilities:			
Accounts payable and accrued liabilities		$ 585	$ 7,802
Total current liabilities		585	7,802
Other long-term liabilities		272	193
Total long-term liabilities		272	193
Total liabilities		$ 857	$ 7,995

Table of Contents

6. ACQUISITIONS:

Whistler Lodging Company, Ltd.

On February 1, 2005, the Company acquired 100% of the outstanding common shares of Whistler Lodging Company, Ltd. (Whistler) from O Neill Hotels and Resorts Whistler, Ltd. for an aggregate purchase price of $0.1 million in cash plus the assumption of Whistler s liabilities as of February 1, 2005 of $4.9 million. Whistler manages approximately 600 vacation rental units located in Whistler, British Columbia. The results of operations of Whistler have been included in the Company s financial results beginning February 1, 2005. As of June 30, 2006 and December 31, 2005, goodwill related to the Whistler acquisition totaled $3.3 million.

East West Resorts

On January 1, 2005, the Company acquired 100% of the outstanding membership interests of East West Resorts at Summit County, LLC, Aspen Lodging Company, LLC, Great Beach Vacations, LLC, East West Realty Aspen, LLC, and Sand Dollar Management Investors, LLC (collectively, East West Resorts) from East West Resorts, LLC for an aggregate purchase price of $20.7 million in cash plus the assumption of East West Resorts liabilities as of January 1, 2005 of $7.8 million. East West Resorts manages approximately 2,000 vacation rental units located in Colorado ski destinations and South Carolina beach destinations. The results of operations of East West Resorts have been included in the Company s financial results beginning January 1, 2005. As of June 30, 2006 and December 31, 2005, goodwill related to the East West Resorts acquisition totaled $11.7 million.

ResortQuest International, Inc.

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

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

Table of Contents

Company assigned no value to the note receivable in the purchase price allocation associated with the ResortQuest acquisition. On January 23, 2006, the bankruptcy court approved a plan to restructure the note receivable, and the Company received $5.7 million in cash and a secured administrative claim of $0.5 million in full settlement of the note receivable, accrued interest, and other related amounts due to the Company. Because the Company assigned no value to this note receivable as part of the ResortQuest purchase price allocation, the collection of this note receivable resulted in the Company recording a gain of $5.4 million in other gains and losses in the accompanying condensed consolidated statement of operations for the six months ended June 30, 2006. In July 2006, the Company received $0.5 million in cash in full settlement of the secured administrative claim.

As of June 30, 2006 and December 31, 2005, goodwill related to the ResortQuest acquisition in continuing operations totaled $152.0 million and $155.6 million, respectively. During the six months ended June 30, 2006, the Company made adjustments to deferred taxes associated with the ResortQuest acquisition as a result of the Company settling certain issues with the Internal Revenue Service related to periods prior to the acquisition of ResortQuest. These adjustments resulted in a net decrease in goodwill of $3.6 million.

As of November 20, 2003, the Company recorded approximately $4.0 million of reserves and adjustments related to the Company s plans to consolidate certain support functions, to adjust for employee benefits and to account for outstanding legal claims filed against ResortQuest as an adjustment to the purchase price allocation. The following table summarizes the activity related to these reserves for the six months ended June 30, 2006 (amounts in thousands):

Balance at December 31, 2005	Charges and Adjustments	Payments	Balance at June 30, 2006
$242	$	$242	$

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

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

Table of Contents

Company filed an exchange offer registration statement on Form S-4 with the Securities and Exchange Commission (the SEC) with respect to the 8% Senior Notes and subsequently exchanged the existing senior notes for publicly registered senior notes with the same terms after the registration statement was declared effective in April 2004. The interest rate on these notes is 8%, although the Company has entered into fixed to variable interest rate swaps with respect to $125 million principal amount of the 8% Senior Notes, which swaps result in an effective interest rate of LIBOR plus 2.95% with respect to that portion of the 8% Senior Notes. The 8% Senior Notes, which mature on November 15, 2013, bear interest semi-annually in arrears on May 15 and November 15 of each year, starting on May 15, 2004. The 8% Senior Notes are redeemable, in whole or in part by the Company, at any time on or after November 15, 2008 at a designated redemption amount, plus accrued and unpaid interest. In addition, the Company may redeem up to 35% of the 8% Senior Notes before November 15, 2006 with the net cash proceeds from certain equity offerings. The 8% Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all the Company s secured debt to the extent of the assets securing such debt. The 8% Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by generally all of the Company s active domestic subsidiaries. In connection with the offering and subsequent registration of the 8% Senior Notes, the Company paid approximately $10.1 million in deferred financing costs. The net proceeds from the offering of the 8% Senior Notes, together with $22.5 million of the Company s cash on hand, were used as follows:

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

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

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

6.75% Senior Notes

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

Table of Contents

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.

New $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. The Company s new credit facility, which replaced a $100.0 million revolving credit facility, consists of the following components: (a) a $300.0 million senior secured revolving credit facility, which includes a $50.0 million letter of credit sublimit, and (b) a $300.0 million senior secured delayed draw term loan facility, which may be drawn on in one or more advances during its term. The credit facility also includes an accordion feature that will allow the Company, on a one-time basis, to increase the credit facilities by a total of up to $300.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The revolving loan, letters of credit and term loan mature on March 9, 2010. At the Company s election, the revolving loans and the term loans may have an interest rate of LIBOR plus 2% or the lending banks base rate plus 1%, subject to adjustments based on the Company s financial performance. Interest on the Company s borrowings is payable quarterly, in arrears, for base rate loans and at the end of each interest rate period for LIBOR rate-based loans. Principal is payable in full at maturity. The Company is required to pay a commitment fee ranging from 0.25% to 0.50% per year of the average unused portion of the credit facility.

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

The new credit facility is (i) secured by a first mortgage and lien on the real property and related personal and intellectual property of the Company s Gaylord Opryland hotel, Gaylord Texan hotel, Gaylord Palms hotel and Gaylord National hotel (to be constructed) and pledges of equity interests in the entities that own such properties and (ii) guaranteed by each of the four wholly-owned subsidiaries that own the four hotels as well as ResortQuest International, Inc. Advances are subject to a 60% borrowing base, based on the appraisal values of the hotel properties (reducing to 50% in the event a hotel property is sold). The Company s 2003 revolving credit facility has been paid in full and the related mortgages and liens have been released.

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

Table of Contents

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

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

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

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

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

As of June 30, 2006, the Company was in compliance with all covenants. As of June 30, 2006, $55.0 million in borrowings were outstanding under the $600.0 million credit facility, and the lending banks had issued $15.1 million of letters of credit under the credit facility for the Company. The credit facility is cross-defaulted to the Company s 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 Class A common stock into 0.5 shares of Viacom Inc. Class A common stock and 0.5 shares of CBS Corporation Class A common stock and (ii) each outstanding share of Viacom Class B common stock into 0.5 shares of Viacom Inc. Class B common stock and 0.5 shares of CBS Corporation Class B common stock. As a result of this transaction, the Company exchanged its 10,937,900 shares of Viacom Class B common stock for 5,468,950 shares of Viacom, Inc. Class B common stock (Viacom Stock) and 5,468,950 shares of CBS Corporation Class B common stock (CBS Stock) effective January 3, 2006.

The seven-year SFEC has a notional amount of $613.1 million and required contract payments based upon a stated 5% rate. The SFEC protects the Company against decreases in the combined fair market value of the Viacom Stock and CBS Stock while providing for participation in increases in the combined fair market value, as discussed below. The Company realized cash proceeds from the SFEC of $506.5 million, net of discounted prepaid contract payments and prepaid interest related to the first

Table of Contents

3.25 years of the contract and transaction costs totaling $106.6 million. In October 2000, the Company prepaid the remaining 3.75 years of contract interest payments required by the SFEC of $83.2 million. As a result of the prepayment, the Company is not required to make any further contract interest payments during the seven-year term of the SFEC. Additionally, as a result of the prepayment, the Company was released from certain covenants of the SFEC, which related to sales of assets, additional indebtedness and liens. The unamortized balances of the prepaid contract interest are classified as current assets of $24.0 million and $26.9 million as of June 30, 2006 and December 31, 2005, respectively, and long-term assets of $0 and $10.5 million as of June 30, 2006 and December 31, 2005, respectively, in the accompanying condensed consolidated balance sheets. The Company is recognizing the prepaid contract payments and deferred financing charges associated with the SFEC as interest expense over the seven-year contract period using the effective interest method, which resulted in non-cash interest expense of $6.7 million for the three months ended June 30, 2006 and 2005 and $13.3 million for the six months ended June 30, 2006 and 2005. The Company utilized $394.1 million of the net proceeds from the SFEC to repay all outstanding indebtedness under a 1997 revolving credit facility, and the 1997 revolving credit facility was terminated.

The Company s obligation under the SFEC is collateralized by a security interest in the Company s Viacom Stock and CBS Stock. At the end of the seven-year contract term, the Company may, at its option, elect to pay in cash rather than by delivery of all or a portion of the Viacom Stock and CBS Stock. The SFEC protects the Company against decreases in the combined fair market value of the Viacom Stock and CBS Stock below $56.05 per share by way of a put option; the SFEC also provides for participation in the increases in the combined fair market value of the Viacom Stock and CBS Stock in that the Company receives 100% of the appreciation between $56.05 and $64.45 per share and, by way of a call option, 25.93% of the appreciation above $64.45 per share, as of June 30, 2006.

The secured forward exchange contract matures in May 2007. Therefore, the Company has classified the debt, derivative liability, and net deferred tax liability associated with the secured forward exchange contract as current liabilities and the investments in Viacom Stock and CBS Stock and the derivative asset associated with the secured forward exchange contract as current assets in the accompanying condensed consolidated balance sheet as of June 30, 2006.

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

Upon adoption of SFAS No. 133, the Company valued the SFEC based on pricing provided by a financial institution and reviewed by the Company. The financial institution s market prices are prepared for each quarter close period on a mid-market basis by reference to proprietary models and do not reflect any bid/offer spread. For the three months 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 and $19.3 million, respectively, related to the increase in the fair value of the derivatives associated with the SFEC. For the three months and six months ended June 30, 2005, the Company recorded net pretax gains in the Company s condensed consolidated statement of operations of $34.3 million and $40.0 million, respectively, related to the increase in the fair value of the derivatives associated with the SFEC.

Upon issuance of the 8% Senior Notes, the Company entered into two interest rate swap agreements with a notional amount of $125.0 million to convert the fixed rate on $125.0 million of the 8% Senior Notes to

Table of Contents

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, 2006, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($6.4) million. The Company has recorded a derivative liability and an offsetting decrease in the balance of the 8% Senior Notes accordingly. As of December 31, 2005, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($1.8) million. The Company recorded a derivative liability and an offsetting reduction in the balance of the 8% Senior Notes accordingly.

10. SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash paid for interest related to continuing operations for the three months and six months ended June 30, 2006 and 2005 was comprised of:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Debt interest paid	$ 23,040	$ 20,203	$ 24,308	$ 20,453
Deferred financing costs paid		169		8,451
Capitalized interest	(2,220)	(741)	(3,791)	(1,096)
Cash interest paid, net of capitalized interest	$ 20,820	$ 19,631	$ 20,517	$ 27,808

Income taxes (paid) received were ($1.3) million and $0.4 million for the six months ended June 30, 2006 and 2005, respectively.

Certain transactions have been reflected as non-cash activities in the accompanying condensed consolidated statement of cash flows for the six months ended June 30, 2005, as further discussed below.

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

In connection with the settlement of litigation with the Nashville Hockey Club Limited Partnership (NHC) on February 22, 2005, as further discussed in Note 16, the Company issued to NHC a 5-year, $5 million promissory note. Because the Company continued to accrue expense under the naming rights agreement throughout the course of this litigation, the issuance of this promissory note resulted in an increase in long term debt and capital lease obligations and a decrease in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheet and statement of cash flows.

Table of Contents

11. GOODWILL AND INTANGIBLES:

The changes in the carrying amounts of goodwill by business segment for the six months ended June 30, 2006 are as follows (amounts in thousands):

	Balance as of December 31, 2005	Impairment Losses	Acquisitions	Purchase Accounting Adjustments	Balance as of June 30, 2006
Hospitality	$	$	$	$	$
Opry and Attractions	6,915				6,915
ResortQuest	170,641			(3,554)	167,087
Corporate and Other					
Total	$177,556	$	$	$(3,554)	$174,002

During the six months ended June 30, 2006, the Company made adjustments to deferred taxes associated with the ResortQuest acquisition as a result of the Company settling certain issues with the Internal Revenue Service related to periods prior to the acquisition of ResortQuest. These adjustments resulted in a net decrease in goodwill of $3.6 million.

The carrying amount of indefinite-lived intangible assets not subject to amortization was $40.3 million at June 30, 2006 and December 31, 2005. The gross carrying amount of amortized intangible assets in continuing operations was $37.8 million at June 30, 2006 and December 31, 2005. The related accumulated amortization of amortized intangible assets in continuing operations was $12.5 million and $10.1 million at June 30, 2006 and December 31, 2005, respectively. The amortization expense related to intangible assets from continuing operations during the three months and six months ended June 30, 2006 was $1.1 million and $2.4 million, respectively. The amortization expense related to intangible assets from continuing operations during the three months and six months ended June 30, 2005 was $1.3 million and $2.7 million, respectively. The estimated amounts of amortization expense for the next five years are as follows (in thousands):

Year 1	$ 4,813
Year 2	4,813
Year 3	4,813
Year 4	4,720
Year 5	3,137
Total	$ 22,296

12. STOCK PLANS:

At June 30, 2006, the Company has one stock-based employee compensation plan, which is described more fully below. Prior to January 1, 2006, the Company accounted for stock options granted under this plan under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. No stock-based employee compensation cost was recognized in the accompanying condensed consolidated statement of operations related to stock options granted under this plan for the three months and six months ended June 30, 2005, as all options granted under this plan had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Under that transition

Table of Contents

method, compensation cost recognized in the three months and six months ended June 30, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Results for prior periods have not been restated.

As a result of adopting Statement 123(R) on January 1, 2006, the Company s income before provision for income taxes and net income for the three months ended June 30, 2006, are $1.5 million and $0.8 million lower, respectively, and the Company s income before provision for income taxes and net income for the six months ended June 30, 2006, are $3.1 million and $1.9 million lower, respectively, than if the Company had continued to account for share-based compensation under APB Opinion 25. Basic and diluted earnings per share for the three months ended June 30, 2006 are $0.02 lower, and basic and diluted earnings per share for the six months ended June 30, 2006 are $0.05 lower than if the Company had continued to account for share-based compensation under APB Opinion 25.

Prior to the adoption of Statement 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the condensed consolidated statement of cash flows. Statement 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The $2.4 million excess tax benefit classified as a financing cash inflow in the accompanying condensed consolidated statement of cash flows for the six months ended June 30, 2006 would have been classified as an operating cash inflow if the Company had not adopted Statement 123(R).

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

Table of Contents

(in thousands, except per share data)	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Net (loss) income:				
As reported	$ (5,161)	$ (411)	$ 7,998	$ (9,268)
Add: Stock option employee compensation expense included in reported net (loss) income, net of related tax effects	752		1,921	
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards, net of related tax effects	(752)	(1,178)	(1,921)	(2,361)
Pro forma	$ (5,161)	$ (1,589)	$ 7,998	$ (11,629)
Net (loss) income per share:				
As reported	$ (0.13)	$ (0.01)	$ 0.20	$ (0.23)
Pro forma	$ (0.13)	$ (0.04)	$ 0.20	$ (0.29)
Net (loss) income per share assuming dilution:				
As reported	$ (0.13)	$ (0.01)	$ 0.19	$ (0.23)
Pro forma	$ (0.13)	$ (0.04)	$ 0.19	$ (0.29)

The compensation cost that has been charged against pre-tax income for all of the Company s stock-based compensation plans was $2.4 million and $0.9 million for the three months ended June 30, 2006 and 2005, respectively, and $4.1 million and $1.9 million for the six months ended June 30, 2006 and 2005, respectively. The total income tax benefit recognized in the accompanying condensed consolidated statement of operations for all of the Company s stock-based employee compensation plans was $1.1 million and $0.4 million for the three months ended June 30, 2006 and 2005, respectively, and $1.6 million and $0.7 million for the six months ended June 30, 2006 and 2005, respectively.

Stock Option and Restricted Stock Plan

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 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 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 employees with those of its shareholders. Stock option awards are generally granted with an exercise price equal to the market price of the Company s stock at the date of grant and generally expire ten years after the date of grant. Generally, stock options granted to non-employee directors are exercisable after one year from the date of grant, while options granted to employees are exercisable one to four years from the date of grant. The Company records compensation expense equal to the fair value of each stock option award granted on a straight line basis over the option s vesting period. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing formula that uses the assumptions noted in the following table. Because the

Black-Scholes-Merton option pricing formula incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on the

Table of Contents

historical volatility of the Company s stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Expected volatility	25.1% - 25.3%	34.2% - 34.3%	25.1% - 25.7%	34.2% - 34.9%
Weighted-average expected volatility	25.1%	34.3%	25.5%	34.8%
Expected dividends				
Expected term (in years)	4.5	5.3	4.1 - 4.5	5.0 - 5.3
Risk-free rate	4.7% - 4.9%	3.8% - 3.9%	4.3% - 4.9%	3.8% - 4.2%

A summary of stock option activity under the Company s equity incentive plans as of June 30, 2006, and changes during the six months then ended is presented below:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2006	3,757,855	$28.17		
Granted	580,490	44.39		
Exercised	(394,183)	25.38		
Forfeited	(64,108)	35.32		
Cancelled	(2,986)	30.49		
Outstanding at June 30, 2006	3,877,068	30.53	6.3	$50,197,129
Exercisable at June 30, 2006	2,553,707	26.83	5.2	$42,473,097

The weighted-average grant-date fair value of options granted during the six months-ended June 30, 2006 and 2005 was $12.48 and $15.13, respectively. The total intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was $7.7 million and $4.0 million, respectively.

The Plan also provides for the award of restricted stock and restricted stock units (Restricted Stock Awards). Restricted Stock Awards granted to employees are exercisable one to four years from the date of grant. The fair value of Restricted Stock Awards is determined based on the market price of the Company s stock at the date of grant. The Company records compensation expense equal to the fair value of each Restricted Stock Award granted over the vesting period. The weighted-average grant-date fair value of Restricted Stock Awards granted during the six months ended June 30, 2006 and 2005 was $44.30 and $41.05, respectively. A summary of the status of the Company s Restricted Stock Awards as of June 30, 2006 and changes during the six months ended June 30, 2006, is presented below:

Table of Contents

Restricted Stock Awards	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at January 1, 2006	74,035	$33.78
Granted	34,000	44.30
Vested	(9,500)	21.66
Forfeited	(2,835)	31.13
Nonvested shares at June 30, 2006	95,700	38.80

The grant date fair value of all Restricted Stock Awards that vested during the six months ended June 30, 2006 was $0.2 million.

As of June 30, 2006, there was $16.8 million of total unrecognized compensation cost related to stock options, restricted stock and restricted stock units granted under the Company s equity incentive plans. That cost is expected to be recognized over a weighted-average period of 2.8 years.

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. The weighted-average grant-date fair value of PARSUP awards granted during the six months ended June 30, 2006 was $44.24. No PARSUP awards were granted during the six months ended June 30, 2005. A summary of the status of the Company s PARSUP awards as of June 30, 2006 and changes during the six months ended June 30, 2006, is presented below:

PARSUP Awards	Shares	Weighted Average Grant-Date Fair Value
Nonvested awards at January 1, 2006	583,500	$22.22
Granted	17,500	44.24
Vested		
Forfeited	(80,000)	22.77
Nonvested awards at June 30, 2006	521,000	22.87

As of June 30, 2006, there was $4.6 million of total unrecognized compensation cost related to PARSUP awards granted under the Company s equity incentive plans. That cost is expected to be recognized over a weighted-average period of 1.6 years.

Cash received from option exercises under all stock-based employee compensation arrangements for the six months ended June 30, 2006 and 2005 was $10.2 million and $6.1 million, respectively. The actual

Table of Contents

tax benefit realized for the tax deductions from option exercise of the stock-based employee compensation arrangements totaled $2.9 million and $1.3 million for the six months ended June 30, 2006 and 2005, respectively. The Company also has an employee stock purchase plan whereby substantially all employees are eligible to participate in the purchase of designated shares of the Company s common stock. Participants in the plan purchase these shares at a price equal to 95% of the closing price at the end of each quarterly stock purchase period. The Company issued 3,453 and 2,482 shares of common stock at an average price per share of $41.46 and $44.17 pursuant to this plan during the three months ended June 30, 2006 and 2005, respectively.

13. RETIREMENT AND POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS:

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

	Three months ended June 30,		Six months ended June 30,	
	2006	**2005**	**2006**	**2005**
Service cost	$ 47	$ 109	$ 94	$ 218
Interest cost	1,215	1,201	2,430	2,402
Expected return on plan assets	(1,058)	(960)	(2,116)	(1,920)
Amortization of net actuarial loss	748	648	1,496	1,296
Amortization of prior service cost	1	1	2	2
Total net periodic pension expense	$ 953	$ 999	$ 1,906	$ 1,998

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,	
	2006	**2005**	**2006**	**2005**
Service cost	$ 47	$ 52	$ 95	$ 104
Interest cost	258	198	516	396
Amortization of net actuarial gain		(126)		(251)
Amortization of net prior service cost	(245)	(250)	(490)	(500)
Amortization of curtailment gain	(61)	(61)	(122)	(122)
Total net postretirement benefit expense	$ (1)	$(187)	$ (1)	$(373)

14. INCOME TAXES

The Company s effective tax rate as applied to pre-tax income for the three months ended June 30, 2006 and 2005 was 279% and 96%, respectively. The Company s higher effective tax rate was due primarily to the impact of permanent differences relative to pre-tax income for each respective period coupled with the effect of adjustments to the state effective tax rate on existing deferred tax assets and liabilities.

Table of Contents

The Company s effective tax rate as applied to pre-tax income (loss) for the six months ended June 30, 2006 and 2005 was 70% and 31%, respectively. The Company s higher effective tax rate was due primarily to the impact of permanent differences relative to pre-tax income for each respective period coupled with the effect of adjustments to the state effective tax rate on existing deferred tax assets and liabilities.

15. NEWLY ISSUED ACCOUNTING STANDARDS:

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes* FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. Under FIN 48, the Company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109. The interpretation clearly scopes out income tax positions related to FASB Statement No. 5, *Accounting for Contingencies*. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006 and are to be applied to all tax positions upon initial adoption of this standard. The Company will adopt the provisions of this statement beginning in the first quarter of 2007. The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of retained earnings on January 1, 2007. The Company does not anticipate that the adoption of this statement will have a material effect on its financial position or results of operations.

16. COMMITMENTS AND CONTINGENCIES:

On February 22, 2005, the Company concluded the settlement of litigation with NHC, which owns the Nashville Predators NHL hockey team, over (i) NHC s obligation to redeem the Company s ownership interest, and (ii) the Company s obligations under the Nashville Arena Naming Rights Agreement dated November 24, 1999. Under the Naming Rights Agreement, which had a 20-year term through 2018, the Company was required to make annual payments to NHC, beginning at $2,050,000 in 1999 and with a 5% escalation each year thereafter, and to purchase a minimum number of tickets to Predators games each year. At the closing of the settlement, NHC redeemed all of the Company s outstanding limited partnership units in the Predators pursuant to a Purchase Agreement dated February 22, 2005 effectively terminating the Company s ownership interest in the Predators. In addition, the Naming Rights Agreement was cancelled pursuant to the Acknowledgment of Termination of Naming Rights Agreement. As a part of the settlement, the Company made a one-time cash payment to NHC of $4 million and issued to NHC a 5-year, $5 million promissory note bearing interest at 6% per annum. The note is payable at $1 million per year for 5 years, with the first payment due on the first anniversary of the resumption of NHL Hockey in Nashville, Tennessee, which occurred on October 5, 2005. The Company s obligation to pay the outstanding amount under the note shall terminate immediately if, at any time before the note is paid in full, the Predators cease to be an NHL team playing their home games in Nashville, Tennessee. In addition, if the Predators cease to be an NHL team playing its home games in Nashville prior to the first payment under the note (October 5, 2006), then in addition to the note being cancelled, the Predators will pay the Company $4 million. If the Predators cease to be an NHL team playing its home games in Nashville after the first payment but prior to the second payment under the note, then in addition to the note being cancelled, the Predators will pay the Company $2 million. In addition, pursuant to a Consent Agreement among the Company, the National Hockey League and owners of NHC, the Company s guaranty described below has been limited as described below. The Company continued to recognize the expense under the Naming Rights Agreement throughout the course of this litigation. As a result, the net

Table of Contents

effect of the settlement resulted in the Company reversing $2.4 million of expense previously accrued under the Naming Rights Agreement during the first quarter of 2005.

In connection with the Company s execution of the Agreement of Limited Partnership of NHC on June 25, 1997, the Company, its subsidiary CCK, Inc., Craig Leipold, Helen Johnson-Leipold (Mr. Leipold s wife) and Samuel C. Johnson (Mr. Leipold s father-in-law) entered into a guaranty agreement executed in favor of the National Hockey League (NHL). This agreement provides for a continuing guarantee of the following obligations for as long as any of these obligations remain outstanding: (i) all obligations under the expansion agreement between NHC and the NHL; and (ii) all operating expenses of NHC. The maximum potential amount which the Company and CCK, collectively, could be liable under the guaranty agreement is $15.0 million, although the Company and CCK would have recourse against the other guarantors if required to make payments under the guarantee. In connection with the legal settlement with the Nashville Predators consummated on February 22, 2005, as described above, this guaranty has been limited so that the Company is not responsible for any debt, obligation or liability of NHC that arises from any act, omission or circumstance occurring after the date of the legal settlement. As of June 30, 2006, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

In connection with Waipouli Owner, LLC s execution of the Kauai Hotel Loans as described in Note 4, 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 19.9% of any such guaranty payments. The Company estimates that the maximum potential amount that the Company could be liable under this contribution agreement is $13.6 million, which represents 19.9% of the $68.4 million of total debt that Waipouli Owner, LLC owes to the Kauai Hotel Lender as of June 30, 2006. As of June 30, 2006, the Company had not recorded any liability in the condensed consolidated balance sheet associated with this guarantee.

In connection with RHAC, LLC s execution of the Waikiki Hotel Loans as described in Note 4, IB-SIV, the parent company of the Company s joint venture partner, entered into two separate Guaranties of Recourse Obligations with the Waikiki Hotel Lender whereby it guaranteed RHAC, LLC s obligations under the Waikiki Hotel Loans for as long as those loans remain outstanding (i) in the event of certain types of fraud, breaches of environmental representations or warranties, or breaches of certain special purpose entity covenants by RHAC, LLC, on the one hand, or (ii) in the event of bankruptcy or reorganization proceedings of RHAC, LLC, on the other hand. As a part of the joint venture arrangement and simultaneously with the closing of the purchase of the Waikiki Hotel, the Company entered into a Contribution Agreement with IB-SIV, whereby the Company agreed that, in the event that IB-SIV is required to make any payments pursuant to the terms of these guarantees, it will contribute to IB-SIV an amount equal to 19.9% of any such guaranty payments. The Company estimates that the maximum potential amount for which the Company could be liable under this contribution agreement is $17.2 million, which represents 19.9% of the $86.3 million of total debt that RHAC, LLC owes to the Waikiki Hotel Lender as of June 30, 2006. As of June 30, 2006, the Company had not recorded any liability in the consolidated balance sheet associated with this guarantee.

Table of Contents

Also in connection with RHAC, LLC s execution of the Waikiki Hotel Loans, IB-SIV and the Company were required to execute an irrevocable letter of credit in favor of the Waikiki Hotel Lender with a total notional amount of $7.9 million in order to secure RHAC, LLC s obligation to perform certain capital upgrades on the Waikiki Hotel and to provide additional security for payment of the Waikiki Hotel Loans. This letter of credit is required to remain outstanding until all required capital upgrades have been completed. However, the notional amount of this letter of credit will be reduced by the amount of funds actually expended by RHAC, LLC on the capital upgrades. Under the terms of the Waikiki Hotel Loans, the Waikiki Hotel Lender may draw up to the notional amount of this letter of credit and apply the proceeds to the Waikiki Hotel Loans upon the occurrence of an event of default. Pursuant to the Contribution Agreement described above, the Company agreed to initially execute a letter of credit for the full $7.9 million notional amount required by the Lender, and IB-SIV agreed that, in the event that any amounts are drawn by Lender under the letter of credit, it will contribute an amount equal to 80.1% of any such letter of credit draw to the Company. IB-SIV further agreed to execute a separate letter of credit subsequent to closing with a notional amount of $6.3 million to allow the Company to reduce the notional amount of its letter of credit to $1.6 million. During the third quarter of 2005, IB-SIV executed this replacement letter of credit with a notional amount of $6.3 million, and the Company reduced the notional amount of its letter of credit to $1.6 million. As of June 30, 2006, the notional amount of the Company s letter of credit had decreased to $1.1 million as a result of expenditures made by RHAC, LLC on the capital upgrades. The Company estimates that the maximum potential amount for which the Company could be liable under this obligation is $1.1 million as of June 30, 2006. As of June 30, 2006, the Company had not recorded any liability in the consolidated balance sheet associated with this obligation.

Certain of the ResortQuest subsidiary s property management agreements in Hawaii contain provisions for guaranteed levels of returns to the owners. These agreements, which have remaining terms of up to approximately 6 years, also contain force majeure clauses to protect the Company from forces or occurrences beyond the control of management. Assuming that the properties under these management agreements break even, the Company estimates that the maximum potential amount of future payments which the Company could be required to make under these guarantees is approximately $27.9 million as of June 30, 2006. As of June 30, 2006, the Company had not recorded any liability in the consolidated balance sheet associated with these guarantees.

On February 23, 2005, the Company acquired approximately 42 acres of land and related land improvements in Prince George s County, Maryland (Washington D.C. area) for approximately $29 million on which the Company is developing the Gaylord National Resort & Convention Center (the Gaylord National). Approximately $17 million of this was paid in the first quarter of 2005, with the remainder payable upon completion of various phases of the project. The 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 project, 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 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, 2006, the Company had committed to pay $366.1 million under those agreements for construction services and supplies ($232.3 million of which is outstanding). Construction costs to date for this project

Table of Contents

have exceeded the Company s initial estimates. The Company currently estimates the total cost of the project, including the cost increases and the costs of the 500-room expansion, to be in the range of $790 million and $840 million (excluding capitalized interest, preopening costs and government incentives in connection with the Gaylord National hotel project), of which the Company has spent approximately $134 million (including capitalized interest but excluding preopening costs) as of June 30, 2006.

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 the Company s development of a 1,500 to 2,000 room convention hotel in Chula Vista, California (located in the San Diego area). The Company is also considering other potential hotel sites throughout the country. The timing and extent of any of these development projects is uncertain.

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

Table of Contents

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.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues:				
Hospitality	$ 157,189	$ 147,678	$ 322,653	$ 290,179
Opry and Attractions	19,819	18,688	36,584	31,545
ResortQuest	58,029	57,978	117,333	115,943
Corporate and Other	79	128	157	275
Total	$ 235,116	$ 224,472	$ 476,727	$ 437,942
Depreciation and amortization:				
Hospitality	$ 16,026	$ 15,335	$ 32,166	$ 31,179
Opry and Attractions	1,437	1,154	2,851	2,552
ResortQuest	2,760	2,647	5,485	5,332
Corporate and Other	1,085	1,059	2,099	2,061
Total	$ 21,308	$ 20,195	$ 42,601	$ 41,124
Operating income (loss):				
Hospitality	$ 26,172	$ 23,985	$ 60,623	$ 45,937
Opry and Attractions	1,556	2,153	185	(3)
ResortQuest	(1,500)	(709)	516	953
Corporate and Other	(12,484)	(10,145)	(24,911)	(19,911)
Preopening costs	(1,503)	(1,173)	(2,565)	(2,116)
Total operating income	12,241	14,111	33,848	24,860
Interest expense, net of amounts capitalized	(18,022)	(17,884)	(35,852)	(35,975)
Interest income	735	579	1,442	1,158
Unrealized gain (loss) on Viacom stock and CBS stock	602	(30,735)	(12,633)	(47,898)
Unrealized gain on derivatives	3,939	34,349	19,331	39,986
Income (loss) from unconsolidated companies	3,047	(1,590)	5,803	(118)
Other gains and (losses), net	636	2,470	6,726	4,920
Income (loss) before provision (benefit) for income taxes	$ 3,178	$ 1,300	$ 18,665	$ (13,067)

Table of Contents

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

Prior to January 1, 2006, Gaylord Entertainment Company charged Gaylord Opryland, Gaylord Palms and Gaylord Texan a management fee equal to 3% of revenues. This management fee, which totaled $4.3 million and $8.4 million during the three months and six months ended June 30, 2005, was recorded as revenues by the Issuer and operating costs by the Guarantors in the condensed consolidating financial information presented below. Effective January 1, 2006, this management fee is no longer charged.

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

Table of Contents

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	$226,309	$	$ (8,925)	$235,116
Operating expenses:					
Operating costs	6,331	145,319			151,650
Selling, general and administrative	11,572	36,842			48,414
Management fees		8,925		(8,925)	
Preopening costs		1,503			1,503
Depreciation	1,407	17,207			18,614
Amortization	399	2,295			2,694
Operating (loss) income	(1,977)	14,218			12,241
Interest expense, net of amounts capitalized	(20,675)	(15,884)	(1,455)	19,992	(18,022)
Interest income	17,250	1,499	1,978	(19,992)	735
Unrealized gain on Viacom stock and CBS stock	602				602
Unrealized gain on derivatives	3,939				3,939
(Loss) income from unconsolidated companies		(156)	3,203		3,047
Other gains and (losses), net	933	(297)			636
Income (loss) before (benefit) provision for income taxes	72	(620)	3,726		3,178
(Benefit) provision for income taxes	(1,988)	7,066	3,789		8,867
Equity in subsidiaries (earnings) losses, net	7,221			(7,221)	
(Loss) income from continuing operations	(5,161)	(7,686)	(63)	7,221	(5,689)
Gain from discontinued operations, net of taxes		519	9		528
Net (loss) income	$ (5,161)	$ (7,167)	$ (54)	$ 7,221	$ (5,161)

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2005

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 18,305	$215,812	$	$ (9,645)	$224,472
Operating expenses:					
Operating costs	6,038	141,051		(4,327)	142,762
Selling, general and administrative	9,427	36,804			46,231
Management fees		5,318		(5,318)	
Preopening costs		1,173			1,173
Depreciation	1,378	16,156			17,534
Amortization	345	2,316			2,661
Operating income	1,117	12,994			14,111
Interest expense, net of amounts capitalized	(19,305)	(14,636)	(1,389)	17,446	(17,884)
Interest income	15,874	272	1,879	(17,446)	579
Unrealized loss on Viacom stock	(30,735)				(30,735)
Unrealized gain on derivatives	34,349				34,349
Income (loss) from unconsolidated companies		107	(1,697)		(1,590)
Other gains and (losses), net	2,964	(494)			2,470
Income (loss) before provision (benefit) for income taxes	4,264	(1,757)	(1,207)		1,300
Provision (benefit) for income taxes	822	794	(370)		1,246
Equity in subsidiaries (earnings) losses, net	3,853			(3,853)	
(Loss) income from continuing operations	(411)	(2,551)	(837)	3,853	54
Loss from discontinued operations, net		(465)			(465)
Net (loss) income	$ (411)	$ (3,016)	$ (837)	$ 3,853	$ (411)

Table of Contents

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	$ 461,278	$	$ (17,981)	$ 476,727
Operating expenses:					
Operating costs	12,247	291,214		(32)	303,429
Selling, general and administrative	23,127	71,256		(99)	94,284
Management fees		17,850		(17,850)	
Preopening costs		2,565			2,565
Depreciation	2,772	34,450			37,222
Amortization	752	4,627			5,379
Operating (loss) income	(5,468)	39,316			33,848
Interest expense, net of amounts capitalized	(40,690)	(29,818)	(2,766)	37,422	(35,852)
Interest income	32,248	2,862	3,754	(37,422)	1,442
Unrealized loss on Viacom 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	5,125			6,726
(Loss) income before (benefit) provision for income taxes	(5,611)	17,483	6,793		18,665
(Benefit) provision for income taxes	(3,584)	11,997	4,651		13,064
Equity in subsidiaries (earnings) losses, net	(10,025)			10,025	
Income (loss) from continuing operations	7,998	5,486	2,142	(10,025)	5,601
Gain (loss) from discontinued operations, net		2,401	(4)		2,397
Net income (loss)	$ 7,998	$ 7,887	$ 2,138	$ (10,025)	$ 7,998

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2005

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 36,896	$423,160	$	$(22,114)	$437,942
Operating expenses:					
Operating costs	10,984	276,356		(8,479)	278,861
Selling, general and administrative	19,045	71,936			90,981
Management fees		13,635		(13,635)	
Preopening costs		2,116			2,116
Depreciation	2,745	32,989			35,734
Amortization	692	4,698			5,390
Operating income	3,430	21,430			24,860
Interest expense, net of amounts capitalized	(37,709)	(29,306)	(2,731)	33,771	(35,975)
Interest income	30,388	836	3,705	(33,771)	1,158
Unrealized loss on Viacom stock	(47,898)				(47,898)
Unrealized gain on derivatives	39,986				39,986
Income (loss) from unconsolidated companies		107	(225)		(118)
Other gains and (losses), net	3,657	1,263			4,920
(Loss) income before (benefit) provision for income taxes	(8,146)	(5,670)	749		(13,067)
(Benefit) provision for income taxes	(3,722)	(616)	351		(3,987)
Equity in subsidiaries (earnings) losses, net	4,844			(4,844)	
(Loss) income from continuing operations	(9,268)	(5,054)	398	4,844	(9,080)
Loss from discontinued operations, net		(188)			(188)
Net (loss) income	$ (9,268)	$ (5,242)	$ 398	$ 4,844	$ (9,268)

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
June 30, 2006

	Issuer	Guarantors	Non-Guarantors (in thousands)	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents unrestricted	$ 33,990	$ 13,687	$	$	$ 47,677
Cash and cash equivalents restricted	1,222	40,640			41,862
Short term investments	343,942				343,942
Trade receivables, net	531	50,196			50,727
Estimated fair value of derivative assets	241,322				241,322
Deferred financing costs	24,016				24,016
Other current assets	5,626	28,623		(126)	34,123
Intercompany receivables, net	1,105,307		44,227	(1,149,534)	
Current assets of discontinued operations		59			59
Total current assets	1,755,956	133,205	44,227	(1,149,660)	783,728
Property and equipment, net of accumulated depreciation	87,571	1,389,526			1,477,097
Intangible assets, net of accumulated amortization		25,342			25,342
Goodwill		174,002			174,002
Indefinite lived intangible assets	1,480	38,835			40,315
Investments	449,998	23,858	74,318	(466,745)	81,429
Long-term deferred financing costs	17,127				17,127
Other long-term assets	5,299	14,894			20,193
Long-term assets of discontinued operations					
Total assets	$2,317,431	$1,799,662	$ 118,545	$(1,616,405)	$2,619,233
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Current portion of long-term debt and capital lease	$ 1,088	$ 909	$	$	$ 1,997

obligations					
Secured forward exchange contract	613,054				613,054
Accounts payable and accrued liabilities	32,374	189,855		(291)	221,938
Deferred income taxes	131,816	(40,613)	(1,068)		90,135
Intercompany payables, net		1,278,099	(128,565)	(1,149,534)	
Current liabilities of discontinued operations		46	539		585
Total current liabilities	778,332	1,428,296	(129,094)	(1,149,825)	927,709
Long-term debt and capital lease obligations, net of current portion	627,615	3,306			630,921
Deferred income taxes	(26,819)	108,823	6,640		88,644
Estimated fair value of derivative liabilities	6,364				6,364
Other long-term liabilities	57,936	33,223		165	91,324
Long-term liabilities of discontinued operations		275	(3)		272
Stockholders equity:					
Preferred stock					
Common stock	407	3,337	2	(3,339)	407
Additional paid-in capital	686,565	517,184	53,846	(571,030)	686,565
Retained earnings	206,318	(294,778)	187,154	107,624	206,318
Other stockholders equity	(19,287)	(4)			(19,291)
Total stockholders equity	874,003	225,739	241,002	(466,745)	873,999
Total liabilities and stockholders equity	$2,317,431	$1,799,662	$ 118,545	$(1,616,405)	$2,619,233

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
December 31, 2005

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
ASSETS:					
Current assets:					
Cash and cash equivalents unrestricted	$ 41,757	$ 16,962	$	$	$ 58,719
Cash and cash equivalents restricted	1,201	18,487			19,688
Short-term investments					
Trade receivables, net	254	36,900			37,154
Deferred financing costs	26,865				26,865
Deferred income taxes	5,653	3,196	12		8,861
Other current assets	4,965	24,437		(126)	29,276
Intercompany receivables, net	1,058,718		41,573	(1,100,291)	
Current assets of discontinued operations		7,726			7,726
Total current assets	1,139,413	107,708	41,585	(1,100,417)	188,289
Property and equipment, net	85,240	1,318,971			1,404,211
Amortized intangible assets, net		27,768			27,768
Goodwill		177,556			177,556
Indefinite lived intangible assets	1,480	38,835			40,315
Investments	796,548	19,286	70,181	(456,720)	429,295
Estimated fair value of derivative assets	220,430				220,430
Long-term deferred financing costs	29,144				29,144
Other long-term assets	4,928	9,207			14,135
Long-term assets of discontinued operations		1,447			1,447
Total assets	$2,277,183	$1,700,778	$ 111,766	$(1,557,137)	$2,532,590
LIABILITIES AND STOCKHOLDERS EQUITY:					
Current liabilities:					
Current portion of long-term debt	$ 1,254	$ 571	$	$	$ 1,825
	34,362	152,469		(291)	186,540

Accounts payable and accrued liabilities					
Intercompany payables, net		1,228,669	(128,378)	(1,100,291)	
Current liabilities of discontinued operations		7,276	526		7,802
Total current liabilities	35,616	1,388,985	(127,852)	(1,100,582)	196,167
Secured forward exchange contract	613,054				613,054
Long-term debt	597,190	1,285			598,475
Deferred income taxes	119,142	57,755	755		177,652
Estimated fair value of derivative liabilities	1,994				1,994
Other long-term liabilities	61,596	34,725	2	165	96,488
Long-term liabilities of discontinued operations		196	(3)		193
Stockholders equity:					
Preferred stock					
Common stock	403	3,337	2	(3,339)	403
Additional paid-in capital	670,828	517,184	53,846	(571,030)	670,828
Retained earnings	198,320	(302,665)	185,016	117,649	198,320
Other stockholders equity	(20,960)	(24)			(20,984)
Total stockholders equity	848,591	217,832	238,864	(456,720)	848,567
Total liabilities and stockholders equity	$2,277,183	$1,700,778	$ 111,766	$(1,557,137)	$2,532,590

Table of Contents

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

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Net cash (used in) provided by continuing operating activities	$(47,817)	$ 126,891	$	$	$ 79,074
Net cash used in discontinued operating activities		(3,325)			(3,325)
Net cash (used in) provided by operating activities	(47,817)	123,566			75,749
Purchases of property and equipment	(5,866)	(98,780)			(104,646)
Investment in unconsolidated companies		(4,817)			(4,817)
Proceeds from sales of assets		754			754
Other investing activities	(1,425)	(5,848)			(7,273)
Net cash used in investing activities continuing operations	(7,291)	(108,691)			(115,982)
Net cash provided by investing activities discontinued operations		457			457
Net cash used in investing activities	(7,291)	(108,234)			(115,525)
Borrowings under credit facility	35,000				35,000
Increase in restricted cash and cash equivalents	(21)	(22,153)			(22,174)
Proceeds from exercise of stock option and purchase plans	10,154				10,154
Excess tax benefit from stock-based compensation	2,414				2,414
Other financing activities, net	(206)	(701)			(907)
Net cash provided by (used in) financing activities continuing operations	47,341	(22,854)			24,487
Net cash provided by financing activities discontinued operations		4,247			4,247
	47,341	(18,607)			28,734

Net cash provided by (used in) financing activities					
Net change in cash and cash equivalents	(7,767)	(3,275)			(11,042)
Cash and cash equivalents at beginning of year	41,757	16,962			58,719
Cash and cash equivalents at end of year	$ 33,990	$ 13,687	$	$	$ 47,677

Table of Contents

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2005

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Net cash (used in) provided by continuing operating activities	$(31,793)	$ 99,105	$ 375	$	$ 67,687
Net cash provided by discontinued operating activities		1,829	(375)		1,454
Net cash (used in) provided by operating activities	(31,793)	100,934			69,141
Purchases of property and equipment	(3,264)	(56,693)			(59,957)
Acquisition of businesses, net of cash acquired		(20,223)			(20,223)
Investment in unconsolidated companies		(4,747)			(4,747)
Proceeds from sale of assets	5,967	2,960			8,927
Purchases of short term investments	(15,000)				(15,000)
Proceeds from sale of short term investments	32,000				32,000
Other investing activities	(198)	(950)			(1,148)
Net cash provided by (used in) investing activities continuing operations	19,505	(79,653)			(60,148)
Net cash used in investing activities discontinued operations		(226)			(226)
Net cash provided by (used in) investing activities	19,505	(79,879)			(60,374)
Deferred financing costs paid	(8,451)				(8,451)
Decrease (increase) in restricted cash and cash equivalents	699	(27,085)			(26,386)
Proceeds from exercise of stock option and purchase plans	6,145				6,145
Other financing activities, net	(153)	(281)			(434)
Net cash used in financing activities continuing operations	(1,760)	(27,366)			(29,126)

Net cash used in financing activities discontinued operations		(1,456)		(1,456)
Net cash used in financing activities	(1,760)	(28,822)		(30,582)
Net change in cash and cash equivalents	(14,048)	(7,767)		(21,815)
Cash and cash equivalents at beginning of year	39,711	3,296		43,007
Cash and cash equivalents at end of year	$ 25,663	$ (4,471)	$	$ 21,192

Table of Contents

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

Our Current Operations

Our operations are organized into four principal business segments:

Hospitality, consisting of our Gaylord Opryland Resort and Convention Center (Gaylord Opryland), our Gaylord Palms Resort and Convention Center (Gaylord Palms), our Gaylord Texan Resort and Convention Center (Gaylord Texan), and our Radisson Hotel at Opryland (Radisson Hotel).

ResortQuest, consisting of our vacation rental property management business.

Opry and Attractions, consisting of our Grand Ole Opry assets, WSM-AM and our Nashville attractions.

Corporate and Other, consisting of our ownership interests in certain entities and our corporate expenses.

For the three and six months ended June 30, 2006 and 2005, our total revenues were divided among these business segments as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Segment	**2006**	**2005**	**2006**	**2005**
Hospitality	66.9%	65.8%	67.7%	66.3%
ResortQuest	24.7%	25.8%	24.6%	26.5%
Opry and Attractions	8.4%	8.3%	7.7%	7.2%
Corporate and Other		0.1%		

We generate a significant portion of our revenues from our Hospitality segment. We believe that we are the only hospitality company focused primarily on the large group meetings and conventions sector of the lodging market. Our strategy is to continue this focus by concentrating on our All-in-One-Place self-contained service offerings and by emphasizing customer rotation among our convention properties, while also offering additional vacation and entertainment opportunities to guests and target customers through the ResortQuest and Opry and Attractions business segments.

Our concentration in the hospitality industry, and in particular the large group meetings sector of the hospitality industry, exposes us to certain risks outside of our control. General economic conditions, particularly national and global economic conditions, can affect the number and size of meetings and conventions attending our hotels. Our business is also exposed to risks related to tourism, including terrorist attacks and other global events which affect levels of tourism in the United States and, in particular, the areas of the country in which our properties are located. Competition and the desirability of the locations in which our hotels and other vacation properties are located are also important risks to our business.

Table of Contents

Key Performance Indicators

Hospitality Segment. The operating results of our Hospitality segment are highly dependent on the volume of customers at our hotels and the quality of the customer mix at our hotels. These factors impact the price we can charge for our hotel rooms and other amenities, such as food and beverage and meeting space. Key performance indicators related to revenue are:

- hotel occupancy (volume indicator)
- average daily rate (ADR) (price indicator)
- Revenue per Available Room (RevPAR) (a summary measure of hotel results calculated by dividing room sales by room nights available to guests for the period)
- Total Revenue per Available Room (Total RevPAR) (a summary measure of hotel results calculated by dividing the sum of room, food and beverage and other ancillary service revenue by room nights available to guests for the period)
- Net Definite Room Nights Booked (a volume indicator which represents the total number of definite bookings for future room nights at Gaylord hotels confirmed during the applicable period, net of cancellations)

We recognize Hospitality segment revenue from rooms as earned on the close of business each day and from concessions and food and beverage sales at the time of sale. Almost all of our Hospitality segment revenues are either cash-based or, for meeting and convention groups meeting our credit criteria, billed and collected on a short-term receivables basis. Our industry is capital intensive, and we rely on the ability of our hotels to generate operating cash flow to repay debt financing, fund maintenance capital expenditures and provide excess cash flow for future development.

The results of operations of our Hospitality segment are affected by the number and type of group meetings and conventions scheduled to attend our hotels in a given period. We attempt to offset any identified shortfalls in occupancy by creating special events at our hotels or offering incentives to groups in order to attract increased business during this period. A variety of factors can affect the results of any interim period, including the nature and quality of the group meetings and conventions attending our hotels during such period, which meetings and conventions have often been contracted for several years in advance, and the level of transient business at our hotels during such period.

ResortQuest Segment. Our ResortQuest segment earns revenues through property management fees and other sources such as real estate commissions. The operating results of our ResortQuest segment are primarily dependent on the volume of guests staying at vacation properties managed by us and the number and quality of vacation properties managed by us. Key performance factors related to revenue are:

- occupancy rate of units available for rental (volume indicator)
- average daily rate (price indicator)
- ResortQuest Revenue per Available Room (ResortQuest RevPAR) (a summary measure of ResortQuest results calculated by dividing gross lodging revenue for properties under exclusive rental management contracts by net available unit nights available to guests for the period)

Table of Contents

Total Units Under Management (a volume indicator which represents the total number of vacation properties available for rental)

We recognize revenues from property management fees ratably over the rental period based on our share of the total rental price of the vacation rental property. Almost all of our vacation rental property revenues are deducted from the rental fees paid by guests prior to paying the remaining rental price to the property owner. Other ResortQuest revenues are recognized at the time of sale.

The results of operations of our ResortQuest segment are principally affected by the number of guests staying at the vacation rental properties managed by us in a given period. A variety of factors can affect the results of any interim period, such as adverse weather conditions, economic conditions in a particular region or the nation as a whole, the perceived attractiveness of the vacation destinations in which we are located and the quantity and quality of our vacation rental property units under management. In addition, many of the units that we manage are located in seasonal locations (for example, our beach resorts in Florida), resulting in our business locations recognizing a larger percentage of their revenues during those peak seasons in their respective locations.

Table of Contents

Overall Outlook

We have invested heavily in our operations in the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003, primarily in connection with the continued construction and ultimate opening of the Gaylord Texan in 2003 and 2004, the ResortQuest acquisition, completed on November 20, 2003, and the beginning of construction of the Gaylord National in 2005 and 2006, which is described in detail below. Our investments in 2006 will consist primarily of ongoing capital improvements for our existing properties and the construction of the Gaylord National.

On February 23, 2005, we acquired approximately 42 acres of land and related land improvements in Prince George s County, Maryland (located in the Washington D.C. area) for approximately $29 million on which we are developing a hotel to be known as 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; however, we have expanded the planned hotel to a total of 2,000 rooms. We currently expect to open the hotel in 2008.

Prince George s County, Maryland has approved three bond issues related to the development of our 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 project, at which time the bonds will be released to us. In addition, on July 18, 2006, Prince George s County, Maryland approved an additional $50 million of bonds, which will be issued to us upon completion of the project. We 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 our development.

We have entered into several agreements with a general contractor and other suppliers for the provision of certain construction services at the site. The agreement with the general contractor (the Perini/Tompkins Joint Venture) is with our wholly-owned subsidiary, Gaylord National, LLC, and provides for the construction of a portion of the Gaylord National hotel project in a guaranteed maximum price format. The original agreement and amendments one through seven are filed as Exhibit 10.14 to our Annual Report on Form 10-K for the year ended December 31, 2005. On June 29, 2006, we entered into amendment eight to the agreement to provide for a guaranteed maximum price to date of $301.7 million, and this amendment is filed as Exhibit 10.2 to our Current Report on Form 8-K dated July 5, 2006. As of June 30, 2006, we had committed to pay $366.1 million under this agreement and the other agreements for construction services and supplies ($232.3 million of which is outstanding). Construction costs to date have exceeded our initial estimates from 2004. We currently estimate the total cost of the project to be in the range of $790 million to $840 million, which includes the estimated construction costs for the expanded 2,000 room facility and excludes approximately $59 million in capitalized interest, approximately $40 million in pre-opening costs and the governmental economic incentives. The current Gaylord National budget estimate includes approximately $33 million of contingency, which if not spent would be saved entirely by the Company. As of June 30, 2006, we have spent approximately $134 million (including capitalized interest but excluding pre-opening costs) on the project. We intend to use proceeds of our $600 million credit facility, cash flow from operations, and after completion, the proceeds of tax increment payments on the $145 million in government bonds described above, as well as the sale of certain non-core assets or additional debt financing, to fund the development and construction costs and to pay related fees and expenses.

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 us, outlining the general terms of our development of a 1,500 to 2,000 room convention hotel in Chula Vista, California.

We are also considering other potential hotel sites throughout the country. The timing and extent of any of these development projects is uncertain.

Table of Contents

We plan to take advantage of real estate development opportunities related to ResortQuest as these opportunities arise. As described in Non-Operating Results Affecting Net Income (Loss) Income (Loss) from Unconsolidated Companies below, we have acquired minority interests in two hotels in Hawaii and have entered into long-term management agreements with respect to these properties.

In the third quarter of 2005, we consummated a plan of disposal of certain ResortQuest markets that were considered to be inconsistent with our long term growth strategy. Exiting these markets, which represent less than 10% of ResortQuest s total inventory, did not have a material impact on ResortQuest s financial results. The operating results for ResortQuest s non-core markets are reflected in Gaylord s consolidated financial results as discontinued operations, net of taxes, for all periods presented.

Selected Financial Information

The following table contains our unaudited selected summary financial data for the three and six month periods ended June 30, 2006 and 2005. The table also shows the percentage relationships to total revenues and, in the case of segment operating income (loss), its relationship to segment revenues.

Table of Contents

	(Unaudited) Three Months ended June 30,				(Unaudited) Six Months ended June 30,			
	2006	%	2005	%	2006	%	2005	%
	(in thousands, except percentages)				(in thousands, except percentages)			
Income Statement Data:								
REVENUES:								
Hospitality	$ 157,189	66.9%	$ 147,678	65.8%	$ 322,653	67.7%	$ 290,179	66.3%
Opry and Attractions	19,819	8.4%	18,688	8.3%	36,584	7.7%	31,545	7.2%
ResortQuest	58,029	24.7%	57,978	25.8%	117,333	24.6%	115,943	26.5%
Corporate and Other	79	0.0%	128	0.1%	157	0.0%	275	0.0%
Total revenues	235,116	100.0%	224,472	100.0%	476,727	100.0%	437,942	100.0%
OPERATING EXPENSES:								
Operating costs	151,650	64.5%	142,762	63.6%	303,429	63.6%	278,861	63.7%
Selling, general and administrative	48,414	20.6%	46,231	20.6%	94,284	19.8%	90,981	20.8%
Preopening costs	1,503	0.6%	1,173	0.5%	2,565	0.5%	2,116	0.5%
Depreciation and amortization:								
Hospitality	16,026	6.8%	15,335	6.8%	32,166	6.7%	31,179	7.1%
Opry and Attractions	1,437	0.6%	1,154	0.5%	2,851	0.6%	2,552	0.6%
ResortQuest	2,760	1.2%	2,647	1.2%	5,485	1.2%	5,332	1.2%
Corporate and Other	1,085	0.5%	1,059	0.5%	2,099	0.4%	2,061	0.5%
Total depreciation and amortization	21,308	9.1%	20,195	9.0%	42,601	8.9%	41,124	9.4%
Total operating expenses	222,875	94.8%	210,361	93.7%	442,879	92.9%	413,082	94.3%
OPERATING INCOME (LOSS):								
Hospitality	26,172	16.7%	23,985	16.2%	60,623	18.8%	45,937	15.8%
Opry and Attractions	1,556	7.9%	2,153	11.5%	185	0.5%	(3)	0.0%
ResortQuest	(1,500)	-2.6%	(709)	-1.2%	516	0.4%	953	0.8%
Corporate and Other	(12,484)	(A)	(10,145)	(A)	(24,911)	(A)	(19,911)	(A)
Preopening costs	(1,503)	(B)	(1,173)	(B)	(2,565)	(B)	(2,116)	(B)
Total operating income	12,241	5.2%	14,111	6.3%	33,848	7.1%	24,860	5.7%
Interest expense, net of amounts capitalized	(18,022)	(C)	(17,884)	(C)	(35,852)	(C)	(35,975)	(C)
Interest income	735	(C)	579	(C)	1,442	(C)	1,158	(C)
Unrealized gain (loss) on Viacom stock and CBS stock and derivatives, net	4,541	(C)	3,614	(C)	6,698	(C)	(7,912)	(C)
Income (loss) from unconsolidated companies	3,047	(C)	(1,590)	(C)	5,803	(C)	(118)	(C)
Other gains and (losses), net	636	(C)	2,470	(C)	6,726	(C)	4,920	(C)
(Provision) benefit for income taxes	(8,867)	(C)	(1,246)	(C)	(13,064)	(C)	3,987	(C)
Gain (loss) on discontinued operations, net	528	(C)	(465)	(C)	2,397	(C)	(188)	(C)

Net (loss) income	$ (5,161)	(C)	$ (411)	(C)	$ 7,998	(C)	$ (9,268)	(C)

(A) These amounts have not been shown as a percentage of segment revenue because the Corporate and Other segment generates only minimal revenue.

(B) These amounts have not been shown as a percentage of segment revenue because the Company does not associate them with any individual segment in managing the Company.

(C) These amounts have not been shown as a percentage of total revenue because they have no relationship to total revenue.

Table of Contents

Summary Financial Results

Results

The following table summarizes our financial results for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except per share data)					
Total revenues	$235,116	$224,472	4.7%	$476,727	$437,942	8.9%
Total operating expenses	$222,875	$210,361	5.9%	$442,879	$413,082	7.2%
Operating income	$ 12,241	$ 14,111	-13.3%	$ 33,848	$ 24,860	36.2%
Net (loss) income	$ (5,161)	$ (411)	-1155.7%	$ 7,998	$ (9,268)	186.3%
Net income (loss) per share fully diluted	$ (0.13)	$ (0.01)	-1200.0%	$ 0.19	$ (0.23)	182.6%

Total Revenues

The increase in our total revenues for the three and six months ended June 30, 2006, as compared to the three and six months ended June 30, 2005, is primarily attributable to the increase in our Hospitality segment revenues (an increase of $9.5 million for the three months, and an increase of $32.5 million for the six months, ended June 30, 2006, as compared to the same periods in 2005), described more fully below.

Total Operating Expenses

The increase in our total operating expenses for the three and six months ended June 30, 2006, as compared to the three and six months ended June 30, 2005, is primarily due to increased Hospitality segment operating expenses associated with increased Hospitality segment revenues (excluding preopening costs, total Hospitality operating expenses increased $7.3 million for the three months, and $17.8 million for the six months, ended June 30, 2006, as compared to the same period in 2005), described more fully below.

Operating Income

Three Months Ended June 30, 2006. Our operating income for the three months ended June 30, 2006 was slightly lower than our operating income for the same period in 2005 due in part to an increase of $2.3 million in our Corporate and Other business segment operating loss for the period (as compared to the same period in 2005), as described more fully below. Hospitality operating income for the three months ended June 30, 2006 (as compared to the same period in 2005) was impacted by the shift of the Easter holiday into the second quarter of 2006, which is a seasonally low period for group bookings, and a change in group mix as compared to the second quarter of 2005.

Six Months Ended June 30, 2006. The improvement in our operating income for the six months ended June 30, 2006 as compared to the same period in 2005 was due primarily to improved Hospitality segment performance, described more fully below. A $5.0 million increase in size of our Corporate and Other business segment operating loss for the six months ended June 30, 2006 (as compared to the same period in 2005), described below, served to reduce the improvement in our operating income.

Table of Contents

Net (Loss) Income

Three Months Ended June 30, 2006. The increase in size of our net loss for the three months ended June 30, 2006 (as compared to the same period in 2005) was impacted by the reduction in our operating income, described above, as well as the following:

A provision for income taxes of $8.9 million for the three months ended June 30, 2006, as compared to a provision for income taxes of $1.2 million for the same period in 2005, described more fully below, which increased our net loss.

Income from unconsolidated companies of $3.0 million for the three months ended June 30, 2006, as compared to a loss from unconsolidated companies of $1.6 million for the same period in 2005, described more fully below, which reduced the size of our net loss.

Six Months Ended June 30, 2006. Our net income for the six months ended June 30, 2006 (as compared to our net loss for same period in 2005) was impacted by the $9.0 million increase in our operating income for the period, described above, as well as the following:

An unrealized gain on Viacom stock and CBS stock and derivatives, net, of $6.7 million for 2006, as compared to an unrealized loss on Viacom stock and CBS stock and derivatives, net, of $7.9 million in 2005, described more fully below, which increased our net income.

Income from unconsolidated companies of $5.8 million for 2006, as compared to a loss from unconsolidated companies of $0.1 million for the same period in 2005, described more fully below, which increased our net income.

A gain on discontinued operations, net, of $2.4 million for 2006, as compared to a loss from discontinued operations, net, of $0.2 million for the same period in 2005, described more fully below, which increased our net income.

A provision for income taxes of $13.1 million for the six months ended June 30, 2006, as compared to a benefit for income taxes of $4.0 million for the same period in 2005, described more fully below, which decreased our net income.

Factors and Trends Contributing to Operating Performance

The most important factors and trends contributing to our operating performance during the periods described herein have been:

Increased Hospitality segment revenues for the three and six months ended June 30, 2006 resulting from improved system-wide occupancy rates, average daily rate and RevPAR for these periods. This was a result, in part, of a significant improvement in the operating performance of the Gaylord Opryland in 2006.

Continued strong food and beverage, banquet and catering services at our hotels for the three and six months ended June 30, 2006, which positively impacted Total RevPAR at our hotels and served to supplement the impact of the increased occupancy, ADR and RevPAR of the Hospitality segment during the first and second quarters of 2006.

Table of Contents

Recently Adopted Accounting Standards

Prior to January 1, 2006, we accounted for stock options under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. No stock-based employee compensation cost was recognized in the accompanying condensed consolidated statement of operations related to stock options for the three months and six months ended June 30, 2005, as all options granted by us had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Results for prior periods have not been restated.

As a result of adopting Statement 123(R) on January 1, 2006, our net income for the three months and six months ended June 30, 2006 are $0.8 million and $1.9 million lower, respectively, than if we had continued to account for share-based compensation under APB Opinion 25. Diluted earnings per share for the three months and six months ended June 30, 2006 are $0.02 and $0.05 lower, respectively, than if we had continued to account for share-based compensation under APB Opinion 25. As of June 30, 2006, there was $21.4 million of total unrecognized compensation cost related to stock options, restricted stock, and restricted stock units granted by us. That cost is expected to be recognized over a weighted-average period of 2.5 years.

Operating Results Detailed Segment Financial Information

Hospitality Segment

Total Segment Results. The following presents the financial results of our Hospitality segment for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages and performance metrics)					
Hospitality revenue(1)	$ 157,189	$ 147,678	6.4%	$ 322,653	$ 290,179	11.2%
Hospitality operating expenses:						
Operating costs	91,121	84,547	7.8%	183,998	167,480	9.9%
Selling, general and administrative	23,870	23,811	0.2%	45,866	45,583	0.6%
Depreciation and amortization	16,026	15,335	4.5%	32,166	31,179	3.2%
Total Hospitality operating expenses	131,017	123,693	5.9%	262,030	244,242	7.3%
Hospitality operating income (2)	$ 26,172	$ 23,985	9.1%	$ 60,623	$ 45,937	32.0%
Hospitality performance metrics:						
Occupancy	77.7%	77.5%	0.3%	78.8%	75.8%	4.0%
ADR	$ 153.89	$ 150.91	2.0%	$ 157.11	$ 149.45	5.1%
RevPAR(3)	$ 119.63	$ 116.97	2.3%	$ 123.83	$ 113.30	9.3%
Total RevPAR(4)	$ 283.22	$ 269.94	4.9%	$ 292.53	$ 264.72	10.5%
Net Definite Room Nights Booked(5)	455,000	389,000	17.0%	706,000	575,000	22.8%

Table of Contents

(1) Hospitality results and performance metrics include the results of our Radisson Hotel at Opryland.

(2) Hospitality operating income does not include the effect of preopening costs. See the discussion of preopening costs set forth below.

(3) We calculate Hospitality RevPAR by dividing room sales by room nights available to guests for the period. Hospitality RevPAR is not comparable to similarly titled measures such as revenues.

(4) We calculate Hospitality Total RevPAR by dividing the sum of room sales, food and beverage, and other ancillary services (which equals Hospitality segment

revenue) by room nights available to guests for the period. The term other ancillary revenues means non-room revenue other than food and beverage and consists primarily of revenue from banquets and other events hosted by the hotel, gift shop and other miscellaneous sales. Hospitality Total RevPAR is not comparable to similarly titled measures such as revenues.

(5) Net Definite Room Nights Booked includes 74,000 and 93,000 room nights for the three months ended June 30, 2006 and 2005, respectively, and includes 99,000 and 115,000 room nights for the six months ended June 30, 2006 and 2005, respectively, related to the Gaylord National, which we expect to

open in 2008.

The increase in total Hospitality segment revenue in the three and six months ended June 30, 2006, as compared to the same periods in 2005, is due to an improvement in the operating performance of the Gaylord Opryland in 2006, as compared to the hotel s results in 2005, as well as the results of the Gaylord Palms and the Gaylord Texan hotels, described below.

Hospitality segment operating expenses consist of direct operating costs, selling, general and administrative expenses, and depreciation and amortization expense. The increase in Hospitality segment operating expenses in the three and six months ended June 30, 2006, as compared to the same periods in 2005, is due to increased Hospitality segment operating costs, described below.

Hospitality segment operating costs, which consist of direct costs associated with the daily operations of our hotels (primarily room, food and beverage and convention costs), increased in the three and six months ended June 30, 2006, as compared to the same period in 2005, due to the increased costs associated with increased Hospitality segment revenues associated with higher volumes of services.

Hospitality segment selling, general and administrative expenses, consisting of administrative and overhead costs, remained stable in the three and six months ended June 30, 2006, as compared to the same periods in 2005.

Total Hospitality depreciation and amortization expense increased slightly in the three and six months ended June 30, 2006, as compared to the same periods in 2005, primarily due to additional assets being placed in service.

Table of Contents

Property-Level Results. The following presents the property-level financial results of our Hospitality segment for the three and six months ended June 30, 2006 and 2005.

Gaylord Opryland Results. The results of Gaylord Opryland for the three and six months ended June 30, 2006 and 2005 are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages and performance metrics)					
Total revenues	$66,875	$59,309	12.8%	$132,632	$109,170	21.5%
Operating expense data:						
Operating costs	$39,451	$34,605	14.0%	$ 79,329	$ 66,686	19.0%
Selling, general and administrative	$ 9,395	$ 8,765	7.2%	$ 18,100	$ 16,761	8.0%
Hospitality performance metrics:						
Occupancy	78.9%	79.4%	-0.6%	78.2%	74.7%	4.7%
ADR	$143.52	$141.24	1.6%	$ 143.16	$ 133.11	7.6%
RevPAR	$113.28	$112.09	1.1%	$ 112.02	$ 99.40	12.7%
Total RevPAR	$255.26	$233.45	9.3%	$ 254.99	$ 212.67	19.9%

The increase in Gaylord Opryland revenue in the three months ended June 30, 2006, as compared to the same period in 2005, is due to a combination of stable occupancy and room rates, together with a significant increase in food and beverage, catering and other ancillary services revenue at the hotel, due to the hotel s booking of customers with higher outside-the-room spending patterns and the introduction of additional outside-the-room offerings, such as the hotel s spa.

The increase in Gaylord Opryland revenue in the six months ended June 30, 2006, as compared to the same period in 2005, is due to increased occupancy and room rates (associated with increased, and higher quality, group business), as well as the increased outside-the-room spending described above.

The hotel s results during the three and six months ended June 30, 2006 were not impacted by the hotel s multi-year room refurbishment program, as no rooms were removed from available inventory during these periods. However, the hotel s results during the three and six months ended June 30, 2005 were impacted by the program, which removed 7,940 room nights from available inventory during the second quarter of 2005, decreasing the number of available room nights used in calculating occupancy in 2005. The room renovation will resume this year in July and continue into the fourth quarter of 2006 with the renovation of an additional 431 rooms, or approximately 18,600 room nights. To complete the multi-year room renovation program, the Company expects to take approximately 53,000 room nights out of service at various times in 2007.

The increase in operating costs at Gaylord Opryland in the three and six months ended June 30, 2006, as compared to the same periods in 2005, was due to staff increases associated with the increased food and beverage, catering and other ancillary services revenues, as well as, during the six month period, the increased occupancy levels at the hotel. In addition, utility costs impacted the hotel s operating costs during the applicable periods.

The increase in selling, general and administrative expenses at Gaylord Opryland in the three and six months ended June 30, 2006, as compared to the same periods in 2005, is due to increased sales and marketing expenditures at the hotel.

Table of Contents

Gaylord Palms Results. The results of Gaylord Palms for the three and six months ended June 30, 2006 and 2005 are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages and performance metrics)					
Total revenues	$45,077	$44,239	1.9%	$95,893	$94,635	1.3%
Operating expense data:						
Operating costs	$24,115	$23,880	1.0%	$49,983	$48,516	3.0%
Selling, general and administrative	$ 8,175	$ 8,635	-5.3%	$15,975	$17,137	-6.8%
Hospitality performance metrics:						
Occupancy	83.8%	76.5%	9.5%	84.4%	83.4%	1.2%
ADR	$175.53	$173.26	1.3%	$184.32	$175.41	5.1%
RevPAR	$147.10	$132.60	10.9%	$155.62	$146.27	6.4%
Total RevPAR	$352.32	$345.76	1.9%	$376.81	$371.87	1.3%

Gaylord Palms revenue for the three months ended June 30, 2006, as compared to the same period in 2005, grew slightly as increases in the hotel s occupancy rate and RevPAR were offset by smaller increases in the hotel s ADR and Total RevPAR. Gaylord Palms revenue for the six months ended June 30, 2006, as compared to the same period in 2005, grew slightly as an increase in the hotel s ADR was offset by smaller increases in the hotel s occupancy rate and Total RevPAR. The relatively small increase in the hotel s Total RevPAR for both periods was due to lower banquet spending by groups, as the hotel hosted more association business, as compared to corporate business, during the periods.

Operating costs for the three and six months ended June 30, 2006 remained stable as compared to the same periods in 2005.

Selling, general and administrative expense for the three and six months ended June 30, 2006, decreased as compared to the same periods in 2005, due to lower administrative costs for the period.

Table of Contents

Gaylord Texan Results. The results of the Gaylord Texan for the three and six months ended June 30, 2006 and 2005 are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages and performance metrics)					
Total revenues	$42,883	$41,985	2.1%	$89,769	$82,447	8.9%
Operating expense data:						
Operating costs	$26,353	$25,033	5.3%	$52,380	$50,269	4.2%
Selling, general and administrative	$ 5,842	$ 5,877	-0.6%	$10,921	$10,695	2.1%
Hospitality performance metrics:						
Occupancy	70.0%	75.7%	-7.5%	75.7%	72.5%	4.4%
ADR	$166.05	$161.01	3.1%	$169.34	$164.79	2.8%
RevPAR	$116.18	$121.84	-4.6%	$128.16	$119.55	7.2%
Total RevPAR	$311.88	$305.34	2.1%	$328.23	$301.46	8.9%

Gaylord Texan revenue for the three months ended June 30, 2006, as compared to the same period in 2005, increased slightly as increases in the hotel s ADR and outside-the-room spending offset a decline in the hotel s occupancy rate for the period due to fewer groups holding meetings at the hotel.

The increase in Gaylord Texan revenue for the six months ended June 30, 2006, as compared to the same period in 2005, was due to increases in both the number of guests at the hotel as well as the room rates paid by such guests, as hotel occupancy, ADR and RevPAR all increased for the period. In addition, Total RevPAR also increased due to improvements in the hotel s food and beverage, catering and other ancillary revenues for the period.

Operating costs for the three months ended June 30, 2006, as compared to the same period in 2005, increased primarily due to higher property tax expense and increased costs associated with the hotel s SummerFest promotion.

Operating costs for the six months ended June 30, 2006, as compared to the same period in 2005, increased primarily due to increased costs necessary to service the increased occupancy at the hotel.

Selling, general and administrative expense for the three and six months ended June 30, 2006 remained stable as compared to the same periods in 2005.

Table of Contents

ResortQuest Segment

Total Segment Results. The following presents the financial results of our ResortQuest segment for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages and performance metrics)					
Total revenues	$ 58,029	$ 57,978	0.1%	$ 117,333	$ 115,943	1.2%
Operating expense data:						
Operating costs	46,224	45,218	2.2%	90,554	87,661	3.3%
Selling, general and administrative	10,545	10,822	-2.6%	20,778	21,997	-5.5%
Depreciation and amortization	2,760	2,647	4.3%	5,485	5,332	2.9%
Operating income (loss)	$ (1,500)	$ (709)	-111.6%	$ 516	$ 953	-45.9%
Hospitality performance metrics:						
Occupancy	50.0%	51.7%	-3.3%	53.9%	56.4%	-4.4%
ADR	$ 176.27	$ 161.64	9.1%	$ 164.86	$ 151.51	8.8%
RevPAR(1)	$ 88.12	$ 83.57	5.4%	$ 88.93	$ 85.41	4.1%
Total Units Under Management	$ 15,709	$ 17,245	-8.9%	$ 15,709	$ 17,245	-8.9%

(1) We calculate ResortQuest RevPAR by dividing gross lodging revenue for properties under exclusive rental management contracts by net available unit nights available to guests for the period. Our ResortQuest segment revenue represents a percentage of the gross lodging revenues based

on the services provided by ResortQuest. Net available unit nights (those available to guests) are equal to total available unit nights less owner, maintenance, and complimentary unit nights. ResortQuest RevPAR is not comparable to similarly titled measures such as revenues.

Revenues. Our ResortQuest segment earns revenues primarily as a result of property management fees and service fees recognized over the time during which our guests stay at our properties. Property management fees paid to us are generally a designated percentage of the rental price of the vacation property, plus certain incremental fees, all of which are based upon the type of services provided by us to the property owner and the type of rental units managed. We also recognize other revenues primarily related to real estate broker commissions. ResortQuest revenue in the three and six months ended June 30, 2006 was relatively unchanged, as compared to the three and six months ended June 30, 2005, as a decline in occupancy was offset by a higher ADR.

Operating Expenses. ResortQuest operating expenses primarily consist of operating costs, selling, general and administrative expenses and depreciation and amortization expense. Operating costs of ResortQuest, which are comprised of payroll expenses, credit card transaction fees, travel agency fees, advertising, payroll for managed entities and various other direct operating costs, increased in the three and six months ended June 30, 2006, as compared to the same periods in 2005, due to increased costs associated with our investment in brand-building initiatives such as technology, marketing and organizational improvements, as well as costs associated with ResortQuest s new travel insurance program. Selling, general and administrative expenses of ResortQuest, which are comprised of payroll expenses, rent, utilities and various other general and administrative costs, decreased in the three months ended June 30, 2006, as compared to the three months ended June 30, 2005, due to a decrease in consulting fees. Selling, general and administrative expenses decreased in the six months ended June 30, 2006, as compared to the same period in 2005, due to a decrease in consulting fees, as well as the inclusion of severance, relocation, and other non-recurring costs in the six months ended June 30, 2005 related to certain changes in management.

Table of Contents

ResortQuest s results of operations were also impacted by our decision to dispose of certain ResortQuest markets that were considered to be inconsistent with our long term growth strategy. The results of operations of these markets are excluded from the results of continuing operations presented above for all periods presented.

Opry and Attractions Segment

Total Segment Results. The following presents the financial results of our Opry and Attractions segment for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages)					
Total revenues	$ 19,819	$ 18,688	6.1%	$ 36,584	$ 31,545	16.0%
Operating expense data:						
Operating costs	12,053	11,196	7.7%	24,340	20,497	18.7%
Selling, general and administrative	4,773	4,185	14.1%	9,208	8,499	8.3%
Depreciation and amortization	1,437	1,154	24.5%	2,851	2,552	11.7%
Operating income (loss)	$ 1,556	$ 2,153	-27.7%	$ 185	$ (3)	6266.7%

The increase in revenues in the Opry and Attractions segment for the three and six months ended June 30, 2006, as compared to the same periods in 2005, is primarily due to increased revenues at the Grand Ole Opry and our other Nashville-area attractions from a combination of higher ticket prices and increased merchandise sales, increased revenues from our broadcast operations, and increased revenues from our Corporate Magic corporate event planning business.

The increase in Opry and Attractions operating costs in the three and six months ended June 30, 2006, as compared to the same periods in 2005, is due primarily to increased costs of merchandise sold, increased consulting fees related to brand development initiatives, and increased production costs related to a higher number of Corporate Magic events.

The increase in Opry and Attractions selling, general and administrative expenses in the three months and six months ended June 30, 2006, as compared to the same periods in 2005, is due primarily to increased employment costs and utilities expense.

Table of Contents

Corporate and Other Segment

Total Segment Results. The following presents the financial results of our Corporate and Other segment for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages)					
Total revenues	$ 79	$ 128	-38.3%	$ 157	$ 275	-42.9%
Operating expense data:						
Operating costs	2,252	1,801	25.0%	4,537	3,223	40.8%
Selling, general and administrative	9,226	7,413	24.5%	18,432	14,902	23.7%
Depreciation and amortization	1,085	1,059	2.5%	2,099	2,061	1.8%
Operating loss	$ (12,484)	$ (10,145)	-23.1%	$ (24,911)	$ (19,911)	-25.1%

Corporate and Other revenue for the three and six months ended June 30, 2006, which consists of rental income and corporate sponsorships, decreased from the same periods in 2005 due to a decline in the amount of rental income and corporate sponsorships received.

Corporate and Other operating expenses increased in the three and six months ended June 30, 2006, as compared to the three and six months ended June 30, 2005, due to an increase in both Corporate and Other operating costs and Corporate and Other selling, general and administrative expenses. Corporate and Other operating costs, which consist primarily of costs associated with information technology, increased in the three and six months ended June 30, 2006 as compared to the same periods in 2005 primarily due to an increase in contract service costs and consulting fees related to information technology initiatives. Corporate and Other selling, general and administrative expenses, which consist of the costs associated with, prior to its termination on February 22, 2005, the Gaylord Entertainment Center naming rights agreement, senior management salaries and benefits, legal, human resources, accounting, pension and other administrative costs, increased in the three and six months ended June 30, 2006, as compared to the same periods in 2005, due to stock option expense that was recorded in the three and six months ended June 30, 2006 that was not recorded in the three and six months ended June 30, 2005 as a result of our adoption of Statement 123(R), *Share-Based Payment*, effective January 1, 2006. Corporate and Other selling, general and administrative expenses during the six months ended June 30, 2005 were also impacted by the net reversal of $2.4 million of expense previously accrued under the naming rights agreement as a result of the settlement of litigation in connection with that agreement, the effect of which was largely offset by the contribution by us of $2.3 million of Viacom stock to a newly formed Gaylord charitable foundation in the first quarter of 2005. Corporate and Other depreciation and amortization expense, which is primarily related to information technology equipment and capitalized electronic data processing software costs, for the three and six months ended June 30, 2006 remained relatively stable as compared to the same periods in 2005.

Operating Results Preopening costs

In accordance with AICPA SOP 98-5, Reporting on the Costs of Start-Up Activities , we expense the costs associated with start-up activities and organization costs as incurred. Preopening costs increased by $0.3 million to $1.5 million in the three months ended June 30, 2006 (as compared to $1.2 million in the three months ended June 30, 2005). Preopening costs for the six months ended June 30, 2006 increased by $0.5 million to $2.6 million in the six months ended June 30, 2006 (as compared to $2.1 million in the six months ended June 30, 2005). These costs were related to the construction of the Gaylord National.

Table of Contents

Non-Operating Results Affecting Net (Loss) Income

General

The following table summarizes the other factors which affected our net (loss) income for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages)					
Interest expense, net of amounts capitalized	$(18,022)	$(17,884)	0.8%	$(35,852)	$(35,975)	-0.3%
Interest income	$ 735	$ 579	26.9%	$ 1,442	$ 1,158	24.5%
Unrealized gain (loss) on Viacom stock and CBS stock and derivatives, net	$ 4,541	$ 3,614	25.7%	$ 6,698	$ (7,912)	184.7%
Income (loss) from unconsolidated companies	$ 3,047	$ (1,590)	291.6%	$ 5,803	$ (118)	5017.8%
Other gains and (losses), net	$ 636	$ 2,470	-74.3%	$ 6,726	$ 4,920	36.7%
Provision (benefit) for income taxes	$ 8,867	$ 1,246	611.6%	$ 13,064	$ (3,987)	427.7%
Gain from discontinued operations, net of taxes	$ 528	$ (465)	213.5%	$ 2,397	$ (188)	1375.0%

Interest Expense, Net of Amounts Capitalized

Interest expense, net of amounts capitalized, remained relatively unchanged during the three and six months ended June 30, 2006, as compared to the same periods in 2005. Our weighted average interest rate on our borrowings, including the interest expense associated with the secured forward exchange contract related to our Viacom stock and CBS stock investment and excluding the write-off of deferred financing costs during the period, was 6.5% and 6.3% for the three months ended June 30, 2006 and 2005, respectively, and was 6.5% and 6.2% for the six months ended June 30, 2006 and 2005, respectively. As further discussed in Note 8 to our condensed consolidated financial statements for the three months and six months ended June 30, 2006 and 2005 included herewith, the secured forward exchange contract related to our Viacom stock and CBS stock investment resulted in non-cash interest expense of $6.7 million for the three months ended June 30, 2006 and 2005 and $13.3 million for the six months ended June 30, 2006 and 2005.

Interest Income

The increase in interest income during the three and six months ended June 30, 2006, as compared to the same periods in 2005, is due to higher cash balances invested in interest-bearing accounts in 2006 and increased short-term interest rates.

Unrealized Gain (Loss) on Viacom Stock and CBS Stock and Derivatives, Net

For the three months ended June 30, 2006, we recorded a net pretax gain of $0.6 million related to the increase in fair value of the Viacom stock and CBS stock. For the three months ended June 30, 2006, we recorded a net pretax gain of $3.9 million related to the increase in fair value of the derivatives associated with the secured forward exchange contract. This resulted in a net pretax gain of $4.5 million related to the unrealized gain (loss) on Viacom stock and CBS stock and derivatives, net, for the three months ended June 30, 2006.

Table of Contents

For the six months ended June 30, 2006, we recorded a net pretax loss of $12.6 million related to the decrease in fair value of the Viacom stock and CBS stock. For the six months ended June 30, 2006, we recorded a net pretax gain of $19.3 million related to the increase in fair value of the derivatives associated with the secured forward exchange contract. This resulted in a net pretax gain of $6.7 million relating to the unrealized gain (loss) on Viacom stock and CBS stock and derivatives, net, for the six months ended June 30, 2006.

Income (Loss) from Unconsolidated Companies

We account for our investments in Bass Pro, RHAC Holdings, LLC (the joint venture entity which owns the Aston Waikiki Beach Hotel) and Waipouli Holdings, LLC (the joint venture entity which owns the ResortQuest Kauai Beach at Makaiwa Hotel), under the equity method of accounting. Income from unconsolidated companies for the three and six months ended June, 2006 and 2005 consisted of equity method income from these investments as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
	(In thousands, except percentages)					
Bass Pro	$ 3,203	$ (1,697)	288.7%	$ 5,805	$ (225)	2680.0%
RHAC Holdings, LLC	(148)	107	-238.3%	6	107	-94.4%
Waipouli Holdings, LLC	(8)			(8)		
Total:	$ 3,047	$ (1,590)	291.6%	$ 5,803	$ (118)	5017.8%

Bass Pro. On December 14, 2005, the shareholders of Bass Pro, Inc. contributed their equity in Bass Pro, Inc. to a newly formed limited liability company, Bass Pro Group, LLC in exchange for ownership interests in Bass Pro Group, LLC. The majority owner of Bass Pro, Inc. also contributed (simultaneously with the contributions of the Bass Pro, Inc. stock) his equity interest in Tracker Marine, LLC and Big Cedar LLC to Bass Pro Group, LLC. As a result, Bass Pro, Inc., Tracker Marine, LLC and Big Cedar, LLC are all wholly-owned subsidiaries of Bass Pro Group, LLC. Because the new entity owns these additional businesses, our ownership interest in Bass Pro decreased from 26.6% to 13.0%. However, we will continue to account for our investment in Bass Pro under the equity method of accounting. In the second quarter of 2005, Bass Pro restated its previously issued historical financial statements to reflect certain non-cash changes, which resulted primarily from a change in the manner in which Bass Pro accounts for its long term leases. This restatement resulted in a cumulative reduction in Bass Pro s net income of $8.6 million through December 31, 2004, which resulted in a pro-rata cumulative reduction in our income from unconsolidated companies of $1.7 million. We determined that the impact of the adjustments recorded by Bass Pro is immaterial to our consolidated financial statements in all prior periods. Therefore, we have reflected our $1.7 million share of the re-statement adjustments as a one-time adjustment to loss from unconsolidated companies during the second quarter of 2005.

RHAC Holdings, LLC (Aston Waikiki Beach Hotel). On May 31, 2005, we, through a wholly-owned subsidiary, 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, we entered into a joint venture arrangement with IB-SIV and retained a 19.9% ownership interest in RHAC Holdings, LLC in exchange for our $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. consisting of a $70.0 million loan secured by the Waikiki Hotel and a $16.25 million mezzanine loan secured by the ownership interest of RHAC, LLC. IB-SIV is the managing member of RHAC Holdings, LLC, but

certain actions of RHAC Holdings, LLC initiated

Table of Contents

by IB-SIV require our approval as a member. In addition, under the joint venture arrangement, our ResortQuest subsidiary secured a 20-year hotel management agreement from RHAC, LLC. Pursuant to the terms of the hotel management agreement, ResortQuest is responsible for the day-to-day operations of the Waikiki Hotel in accordance with RHAC, LLC s business plan.

Waipouli Holdings, LLC (ResortQuest Kauai Beach at Makaiwa Hotel). On June 20, 2006, we 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 our 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 $68.8 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. 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. RREEF is the managing member of Waipouli Holdings, LLC, but certain actions initiated by RREEF require our approval as a member. In addition, under the joint venture arrangement, our ResortQuest subsidiary secured a five-year hotel management agreement from Waipouli Owner, LLC. Pursuant to the terms of the hotel management agreement, ResortQuest will be responsible for the day-to-day operations of the Kauai Hotel in accordance with Waipouli Owner LLC s business plan.

Other Gains and (Losses), Net

Our other gains and losses for the three months ended June 30, 2006 primarily consisted of the receipt of a dividend distribution related to our investment in CBS stock, a loss on the retirement of certain fixed assets and other miscellaneous income and expenses. Our other gains and losses for the six months ended June 30, 2006 primarily consisted of a gain related to the collection of a note receivable previously considered uncollectible as more fully described below, the receipt of dividend distributions related to our investment in CBS stock, a loss on the retirement of certain fixed assets and other miscellaneous income and expenses.

During 1998, ResortQuest recorded a note receivable of $4.0 million as a result of cash advances made to a primary stockholder (Debtor) of the predecessor company who is no longer an affiliate of ResortQuest. The note was collateralized by a third mortgage on residential real estate owned by the Debtor. Due to the failure to make interest payments, the note receivable was in default. We accelerated the note and demanded payment in full. We also contracted an independent external third party to appraise the property by which the note was secured, confirm the outstanding senior claims on the property and assess the associated credit risk. Based on this assessment, we assigned no value to the note receivable in the purchase price allocation associated with the ResortQuest acquisition. On January 23, 2006, the bankruptcy court approved a plan to restructure the note receivable, and we received $5.7 million in cash and a secured administrative claim of $0.5 million in full settlement of the note receivable, accrued interest and other related amounts due to us. Because we assigned no value to this note receivable as part of the ResortQuest purchase price allocation, this recovery of this note receivable resulted in a gain of $5.4 million during the first quarter of 2006. In July 2006, we received $0.5 million in cash in full settlement of the secured administrative claim.

Our other gains and losses for the three months ended June 30, 2005 primarily consisted of a $2.1 million gain on the sale of the Ryman Auditorium parking lot, a dividend distribution from our investment in Viacom stock, a loss on the retirement of certain other fixed assets and other miscellaneous income and expenses.

Provision (Benefit) for Income Taxes

The effective tax rate as applied to pretax income from continuing operations differed from the statutory federal rate due to the following (as of June 30):

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
U.S. federal statutory rate	35%	35%	35%	35%
State taxes (net of federal tax benefit and change in valuation allowance)	(9)	2	(1)	2
Adjustment to deferred tax liabilities due to state tax rate adjustment	63	61	11	(5)
Other	190	(2)	25	(1)
Effective tax rate	279%	96%	70%	31%

The increase in our effective tax rate for the three months ended June 30, 2006, as compared to our effective tax rate for the same period in 2005, was due primarily to the impact of permanent differences relative to pre-tax income for each of the respective periods coupled with the effect of adjustments to the state effective tax rate on existing deferred tax assets and liabilities. The amount designated as Other for the three months ended June 30, 2006 in the table above is a result of a change in the annualized effective tax rate and its corresponding year to date effect.

The increase in our effective tax rate for the six months ended June 30, 2006, as compared to our effective tax rate for the same period in 2005, was due primarily to the impact of permanent differences relative to pre-tax income for each of the respective periods coupled with the effect of adjustments to the state effective tax rate on existing deferred tax assets and liabilities.

Gain from Discontinued Operations, Net of Taxes

We reflected the following businesses as discontinued operations in our financial results for the three and six months ended June 30, 2006 and 2005, consistent with the provisions of SFAS No. 144 and APB Opinion No. 30. The results of operations, net of taxes (prior to their disposal where applicable), and the estimated fair value of the assets and liabilities of these businesses have been reflected in our condensed consolidated financial statements as discontinued operations in accordance with SFAS No. 144 for all periods presented.

ResortQuest Discontinued Markets. During the third quarter of 2005, we committed to a plan of disposal of certain markets of our ResortQuest business that were considered to be inconsistent with our long term growth strategy. In connection with this plan of disposal, we 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.

We 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. In exchange for the assets associated with the markets sold in the second quarter of 2006, the buyers of these markets assumed $0.3 million in liabilities associated with the markets and we paid the buyers $0.2 million in cash. We recognized a pretax loss of $0.5 million during the second quarter of 2006 related to these sales, which is recorded in income from discontinued operations in the condensed consolidated statement of operations.

During the second quarter of 2006, we completed the sale of one additional market of our ResortQuest business that was not included in the plan of disposal described above, but was later determined to be inconsistent with our long term growth strategy, for approximately $1.5 million in cash. We recognized a pretax gain of $0.7 million during the second quarter of 2006 related to this sale, which is recorded in income from discontinued operations in the condensed consolidated statement of operations. The pre-tax gain on this sale included the writeoff of $0.5 million in goodwill related to the market sold. We did not record any restructuring charges in connection with the sale of this market.

Table of Contents

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, 2006 and 2005:

(in thousands)	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Revenues:				
ResortQuest Discontinued Markets	$ 429	$ 4,289	$ 2,320	$ 10,130
Operating loss:				
ResortQuest Discontinued Markets	$ (418)	$ (716)	$ (568)	$ (287)
International Cable Networks	6		6	
Restructuring charges	25		(44)	
Total operating loss	(387)	(716)	(606)	(287)
Interest income	6	8	11	15
Other gains and (losses):				
ResortQuest Discontinued Markets	230	2	8	2
Word Entertainment	25		25	
International Cable Networks			(19)	
Loss before benefit for income taxes	(126)	(706)	(581)	(270)
Benefit for income taxes	(654)	(241)	(2,978)	(82)
Gain (loss) from discontinued operations, net of income taxes	$ 528	$ (465)	$ 2,397	$ (188)

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 Discontinued 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 Discontinued Markets. The remaining gains and (losses) in the three months and six months ended June 30, 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, 2006 primarily results from our settling certain 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 Discontinued Markets sold in these periods.

Table of Contents

Liquidity and Capital Resources

Cash Flows Summary

Our cash flows consisted of the following during the six months ended June 30 (in thousands):

	2006	2005
Operating Cash Flows:		
Net cash flows provided by operating activities continuing operations	$ 79,074	$ 67,687
Net cash flows (used in) provided by operating activities discontinued operations	(3,325)	1,454
Net cash flows provided by operating activities	75,749	69,141
Investing Cash Flows:		
Purchases of property and equipment	(104,646)	(59,957)
Acquisition of business, net of cash required		(20,223)
Investments in unconsolidated companies	(4,817)	(4,747)
Proceeds from sale of assets	754	8,927
Purchases of short-term investments		(15,000)
Proceeds from sale of short-term investments		32,000
Other	(7,273)	(1,148)
Net cash flows used in investing activities continuing operations	(115,982)	(60,148)
Net cash flows provided by (used in) investing activities discontinued operations	457	(226)
Net cash flows used in investing activities	(115,525)	(60,374)
Financing Cash Flows:		
Borrowings under credit facility	35,000	
Deferred financing costs paid		(8,451)
Increase in restricted cash and cash equivalents	(22,174)	(26,386)
Proceeds from exercise of stock options and purchase plans	10,154	6,145
Excess tax benefit from stock-based compensation	2,414	
Other	(907)	(434)
Net cash flows provided by (used in) financing activities continuing operations	24,487	(29,126)
Net cash flows provided by (used in) financing activities discontinued operations	4,247	(1,456)
Net cash flows provided by (used in) financing activities	28,734	(30,582)
Net change in cash and cash equivalents	$ (11,042)	$(21,815)

Cash Flows From Operating Activities. Cash flow from operating activities is the principal source of cash used to fund our operating expenses, interest payments on debt and maintenance capital expenditures. During the six months

ended June 30, 2006, our net cash flows provided by operating activities continuing operations were $79.1 million, reflecting primarily our income from continuing operations before non-cash depreciation expense, amortization expense, income tax provision, interest expense, gain on the Viacom stock and CBS stock and related derivatives, stock-based compensation expense, excess tax benefits from stock-based compensation, income from unconsolidated companies, dividends received from unconsolidated companies and loss on sales of certain fixed assets of approximately $67.8 million, as well as favorable changes in working capital of approximately $11.3 million. The favorable changes in working capital primarily resulted from the timing of payment of various liabilities, including trade payables and accrued expenses, as well as an increase in deferred revenues due to increased receipts of deposits on advance bookings of hotel rooms (primarily at Gaylord Opryland and Gaylord Palms) and vacation properties (primarily related to a seasonal increase in deposits received on advance bookings of vacation properties for the summer months). These favorable changes in working capital were partially offset by an increase in trade receivables due to a seasonal

Table of Contents

increase in revenues and the timing of payments received from corporate group guests at Gaylord Opryland and Gaylord Palms, as well as an increase in prepaid expenses due to the timing of payments made to renew our insurance contracts.

During the six months ended June 30, 2005, our net cash flows provided by operating activities continuing operations were $67.7 million, reflecting primarily our loss from continuing operations before non-cash depreciation expense, amortization expense, income tax benefit, interest expense, loss on the Viacom stock and related derivatives, loss from unconsolidated companies and gains on sales of certain fixed assets of approximately $47.5 million, as well as favorable changes in working capital of approximately $20.2 million. The favorable changes in working capital primarily resulted from the timing of payment of various liabilities, including trade payables, accrued expenses and accrued interest, as well as an increase in deferred revenues due to increased receipts of deposits on advance bookings of hotel rooms (primarily at Gaylord Opryland and Gaylord Texan) and vacation properties (primarily related to a seasonal increase in deposits received on advance bookings of vacation properties for the summer months). These favorable changes in working capital were partially offset by an increase in trade receivables due to a seasonal increase in revenues and the timing of payments received from corporate group guests at Gaylord Opryland, Gaylord Palms and Gaylord Texan and a seasonal increase in revenues at ResortQuest, as well as an increase in prepaid expenses due to the timing of payments made to renew our insurance contracts.

Cash Flows From Investing Activities. During the six months ended June 30, 2006, our primary uses of funds and investing activities were purchases of property and equipment, which totaled $104.6 million. Our capital expenditures during the six months ended June 30, 2006 included construction at Gaylord National of $67.4 million, approximately $17.4 million at the Gaylord Texan related to the construction of the new Glass Cactus entertainment complex, approximately $6.1 million at Gaylord Opryland and approximately $5.8 million related to ResortQuest.

During the six months ended June 30, 2005, our primary uses of funds and investing activities were purchases of property and equipment, which totaled $60.0 million (consisting of construction at the new Gaylord National Resort & Convention Center of $25.7 million, continuing construction at the Gaylord Texan of $9.7 million, approximately $12.4 million at Gaylord Opryland, primarily related to the construction of a new spa facility, and approximately $8.0 million related to ResortQuest) and the purchases of two businesses (Whistler Lodging Company, Ltd. and East West Resorts), which totaled $20.2 million.

We currently project capital expenditures for the twelve months of 2006 to total approximately $321 million, which includes approximately $206 million related to the construction of the new Gaylord National Resort & Convention Center in Prince George s County, Maryland, continuing construction costs at the Gaylord Texan of approximately $29 million, approximately $29 million related to Gaylord Opryland, and approximately $25 million related to ResortQuest.

Cash Flows From Financing Activities. Our cash flows from financing activities reflect primarily the incurrence of debt and the repayment of long-term debt. During the six months ended June 30, 2006, our net cash flows provided by financing activities continuing operations were approximately $24.5 million, reflecting $35.0 million of borrowing under the $600.0 million credit facility and $10.2 million in proceeds received from the exercise of stock options, partially offset by a $22.2 million increase in restricted cash and cash equivalents.

During the six months ended June 30, 2005, our net cash flows used in financing activities continuing operations were approximately $29.1 million, reflecting the payment of $8.5 million of deferred financing costs in connection with our entering into a new $600.0 million credit facility and a $26.4 million increase in restricted cash and cash equivalents, partially offset by $6.1 million in proceeds received from the exercise of stock options.

Working Capital. As of June 30, 2006, we had total current assets of $783.7 million and total current liabilities of $927.7 million, which resulted in a working capital deficit of $144.0 million. A significant portion of our current liabilities consist of deferred revenues, which primarily represent deposits received on advance bookings of hotel rooms and vacation properties and do not require future cash payments by us.

Also, the secured forward exchange contract relating to the Viacom stock and CBS stock owned by us matures in May 2007. We have classified the debt and derivative liability associated with the secured forward exchange contract as current liabilities and the investments in Viacom Stock and CBS Stock and the derivative asset associated with the secured forward exchange contract as current assets in the accompanying condensed consolidated balance sheet as of

June 30, 2006. However, at expiration, we may elect to settle the obligation associated with the secured forward exchange contract by delivering all or a portion of the Viacom Stock and CBS Stock, so this obligation should also not require future cash payments by us. A complete description of the secured forward exchange contract is contained in Note 8 to our condensed consolidated financial statements for the three and six months ended June 30, 2006 and 2005 included herewith.

At the expiration of the secured forward exchange contract, we will also be required to pay the deferred taxes relating thereto. This deferred tax liability, which is classified as a current liability in the accompanying condensed consolidated balance sheet as of June 30, 2006, is estimated to be $152 million, which we anticipate will be reduced by approximately one-third through the application of our federal and state income tax net operating loss carryforwards and federal income tax credit carryforwards. We intend to finance the payment of this obligation through the use of internally generated funds, corporate borrowings and/or the sale of non-core assets.

We believe our current assets, cash flows from operating activities, cash generated from the sale of non-core assets, and availability under our $600.0 million credit facility will be sufficient to repay our current liabilities as they become due.

Table of Contents

Principal Debt Agreements

New $600 Million Credit Facility. On March 10, 2005, we entered into a new $600.0 million credit facility with Bank of America, N.A. acting as the administrative agent. Our new credit facility consists of the following components: (a) a $300.0 million senior secured revolving credit facility, which includes a $50.0 million letter of credit sublimit, and (b) a $300.0 million senior secured delayed draw term loan facility, which may be drawn on in one or more advances during its term. The credit facility also includes an accordion feature that will allow us, 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 our election, the revolving loans and the term loans may have an interest rate of LIBOR plus 2% or the lending banks base rate plus 1%, subject to adjustments based on our financial performance. Interest on our 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. We are required to pay a commitment fee ranging from 0.25% to 0.50% per year of the average unused portion of the credit facility.

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

The new credit facility is (i) secured by a first mortgage and lien on the real property and related personal and intellectual property of our Gaylord Opryland hotel, Gaylord Texan hotel, Gaylord Palms hotel and Gaylord National hotel (to be constructed) and pledges of equity interests in the entities that own such properties and (ii) guaranteed by each of our four wholly-owned subsidiaries that own the four hotels as well as ResortQuest International, Inc. Advances are subject to a 60% borrowing base, based on the appraisal values of the hotel properties (reducing to 50% in the event a hotel property is sold). Our former revolving credit facility has been paid in full, and the related mortgages and liens have been released.

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

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

- we 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 us or any of our subsidiaries in connection with any equity issuance.

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

- we 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 assumed fixed rate) of not less than 1.60 to 1.00.

Table of Contents

our investments in entities which are not wholly-owned subsidiaries may not exceed an amount equal to ten percent (10.0%) of our consolidated total assets.

As of June 30, 2006, we were in compliance with all covenants. As of June 30, 2006, $55.0 million of borrowings were outstanding under the $600.0 million credit facility, and the lending banks had issued $15.1 million of letters of credit under the facility for us. The credit facility is cross-defaulted to our other indebtedness.

8% Senior Notes. On November 12, 2003, we completed our offering of $350 million in aggregate principal amount of senior notes due 2013 (the 8% Senior Notes) in an institutional private placement. In January 2004, we filed an exchange offer registration statement on Form S-4 with the SEC with respect to the 8% Senior Notes and 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 of the notes is 8%, although we have entered into interest rate swaps with respect to $125 million principal amount of the 8% Senior Notes which results in an effective interest rate of LIBOR plus 2.95% with respect to that portion of the notes. The 8% Senior Notes, which mature on November 15, 2013, bear interest semi- annually in cash 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, at any time on or after November 15, 2008 at a designated redemption amount, plus accrued and unpaid interest. In addition, we may redeem up to 35% of the 8% Senior Notes before November 15, 2006 with the net cash proceeds from certain equity offerings. The 8% Senior Notes rank equally in right of payment with our other unsecured unsubordinated debt, but are effectively subordinated to all of our 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 our active domestic subsidiaries. In connection with the offering and subsequent registration of the 8% Senior Notes, we paid approximately $10.1 million in deferred financing costs. The net proceeds from the offering of the 8% Senior Notes, together with cash on hand, were used as follows:

$275.5 million was used to repay our $150 million senior term loan portion and the $50 million subordinated term loan portion of the 2003 Florida/Texas loans, as well as the remaining $66 million of our $100 million Nashville hotel mezzanine loan and to pay certain fees and expenses related to the ResortQuest acquisition; and

$79.2 million was placed in escrow pending consummation of the ResortQuest acquisition, at which time that amount was used, together with available cash, to repay ResortQuest s senior notes and its credit facility.

In addition, 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 our other indebtedness.

6.75% Senior Notes. On November 30, 2004, we completed our 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, we filed an exchange offer registration statement on Form S-4 with the SEC with respect to the 6.75% Senior Notes and exchanged the existing senior notes for publicly registered senior notes after the registration statement was declared effective in May 2005. The interest rate of the 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, at any time on or after November 15, 2009 at a designated redemption amount, plus accrued and unpaid interest. In addition, we 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 our other unsecured unsubordinated debt, but are effectively subordinated to all of our 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 our active domestic

Table of Contents

subsidiaries. In connection with the offering of the 6.75% Senior Notes, we 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 the senior loan secured by the Nashville hotel assets 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 our other indebtedness.

Prior Indebtedness

$100 Million Revolving Credit Facility. Prior to the completion of our $600 million credit facility on March 10, 2005, we had in place, from November 20, 2003, a $65.0 million revolving credit facility, which was increased to $100.0 million on December 17, 2003. The revolving credit facility, which replaced the revolving credit portion of our 2003 Florida/Texas senior secured credit facility discussed below, was scheduled to mature in May 2006. The revolving credit facility had an interest rate, at our election, of either LIBOR plus 3.50%, subject to a minimum LIBOR of 1.32%, or the lending banks base rate plus 2.25%. Interest on our 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 revolving credit facility was guaranteed on a senior unsecured basis by our subsidiaries that were guarantors of our 8% Senior Notes and 6.75% Senior Notes, described above (consisting generally of all our active domestic subsidiaries including, as of December 2004, the subsidiaries owning the Nashville hotel assets), and was secured by a leasehold mortgage on the Gaylord Palms.

Nashville Hotel Loan. On March 27, 2001, we, through wholly-owned subsidiaries, entered into a $275.0 million senior secured loan and a $100.0 million mezzanine loan with Merrill Lynch Mortgage Lending, Inc. The mezzanine loan was repaid in November 2003 with the proceeds of the 8% Senior Notes, and the senior loan was repaid in November 2004 with the proceeds of the 6.75% Senior Notes. The senior and mezzanine loan borrower and its sole member were subsidiaries formed for the purposes of owning and operating the Nashville hotel and entering into the loan transaction and were special-purpose entities whose activities were strictly limited, although we fully consolidate these entities in our consolidated financial statements. The senior loan was secured by a first mortgage lien on the assets of Gaylord Opryland. The terms of the senior loan required us to purchase interest rate hedges in notional amounts equal to the outstanding balances of the senior loan in order to protect against adverse changes in one-month LIBOR which have been terminated. We used $235.0 million of the proceeds from the senior loan and the mezzanine loan to refinance an existing interim loan incurred in 2000.

2003 Florida/Texas Senior Secured Credit Facility. Prior to the closing of the 8% Senior Notes offering and establishment of our $100 million revolving credit facility, we had in place our 2003 Florida/Texas senior secured credit facility, consisting of a $150 million senior term loan, a $50 million subordinated term loan and a $25 million revolving credit facility, outstanding amounts of which were repaid with proceeds of the 8% Senior Notes offering. When the 2003 loans were first established, proceeds were used to repay 2001 term loans incurred in connection with the development of the Gaylord Palms.

Future Developments

As more fully described in Overall Outlook above, we are currently developing the Gaylord National Resort & Convention Center in Prince George s County, Maryland. Also, as described in Overall Outlook above, we are considering other potential hotel sites throughout the country, including Chula Vista, California.

Table of Contents

Commitments and Contractual Obligations

The following table summarizes our significant contractual obligations as of June 30, 2006, including long-term debt and operating and capital lease commitments (amounts in thousands):

Contractual obligations	Total amounts committed	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt	$ 630,000	$	$	$55,000	$ 575,000
Capital leases	4,281	997	1,744	1,540	
Promissory note payable to Nashville Predators	5,000	1,000	2,000	2,000	
Construction commitments (1)	264,768	123,159	115,457	26,152	
Operating leases (2)	709,245	12,309	19,909	13,647	663,380
Other	700	175	350	175	
Total contractual obligations	$1,613,994	$137,640	$139,460	$98,514	$1,238,380

(1) During 2005 we entered into a series of agreements with a general contractor and other suppliers related to the construction of the Gaylord National. As of June 30, 2006, we had committed to pay $366.1 million under those agreements ($232.3 million of which is outstanding).

(2) The total operating lease commitments of $709.2 million above includes the 75-year operating lease agreement we entered into during 1999 for

65.3 acres of land in Osceola County, Florida where Gaylord Palms is located.	

The cash obligations in the table above do not include future cash obligations for interest associated with our outstanding long-term debt, capital lease obligations and promissory note payable to the Nashville Predators. See Note 10 to our condensed consolidated financial statements for the three and six months ended June 30, 2006 and 2005 included herewith for a discussion of the interest we paid during the three and six months ended June 30, 2006 and 2005.

The cash obligations in the table above also do not include obligations to pay deferred taxes on our secured forward exchange contract relating to the Viacom stock and CBS stock owned by us. At the expiration of the secured forward exchange contract relating to the Viacom stock and CBS stock owned by us, which is scheduled for May 2007, we will be required to pay the deferred taxes relating thereto. This deferred tax liability is estimated to be $152 million, which we anticipate will be reduced by approximately one-third through the application of the Company s Federal and state income tax net operating loss carryforwards and Federal income tax credit carryforwards. We intend to finance the payment this obligation through the use of internally generated funds, corporate borrowings and/or the sale of non-core assets. A complete description of the secured forward exchange contract is contained in Note 8 to our condensed consolidated financial statements for the three and six months ended June 30, 2006 and 2005 included herewith.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including those related to revenue recognition, impairment of long-lived assets and goodwill, restructuring charges, derivative financial instruments, income taxes, and retirement and postretirement benefits other than pension plans, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. For a discussion of our critical accounting policies and estimates, please refer to Management s Discussion and Analysis of Financial Condition and

Table of Contents

Results of Operations and Notes to Consolidated Financial Statements presented in our 2005 Annual Report on Form 10-K. There were no newly identified critical accounting policies in the first or second quarters of 2006 nor were there any material changes to the critical accounting policies and estimates discussed in our 2005 Annual Report on Form 10-K.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards, see Note 15 to our condensed consolidated financial statements for the three and six months ended June 30, 2006 and 2005 included herewith.

Private Securities Litigation Reform Act

This quarterly report on Form 10-Q contains forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as may, will, project, might, expect, believe, anticipate, intend, could, would, estimate, continue or pursue, or variations thereof or comparable terminology. In particular, they include statements relating to, among other things, future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results. We have based these forward-looking statements on our current expectations and projections about future events.

We caution the reader that forward-looking statements involve risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors, as well as other factors described in our Annual Report on Form 10-K for the year ended December 31, 2005 or described from time to time in our other reports filed with the Securities and Exchange Commission:

- the potential adverse effect of our debt on our cash flow and our ability to fulfill our obligations under our indebtedness and maintain adequate cash to finance our business;
- the availability of debt and equity financing on terms that are favorable to us;
- the challenges associated with the integration of ResortQuest s operations into our operations;
- factors affecting the number of guests renting vacation properties managed by ResortQuest, including adverse weather conditions such as hurricanes, economic conditions in a particular region or the nation as a whole, or the perceived attractiveness of the destinations in which we operate and the units we manage;
- general economic and market conditions and economic and market conditions related to the hotel and large group meetings and convention industry; and
- the timing, budgeting and other factors and risks relating to new hotel development, including our ability to generate cash flow from the Gaylord Texan and to develop and construct the Gaylord National.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is from changes in the value of our investment in Viacom stock and CBS stock and changes in interest rates.

Risks Related to a Change in Value of Our Investment in Viacom Stock and CBS Stock

Prior to January 3, 2006, we held an investment of 10.9 million shares of Viacom Class B common stock, which was received as the result of the sale of television station KTVT to CBS in 1999 and the subsequent acquisition of CBS by Viacom in 2000.

We entered into a secured forward exchange contract related to 10.9 million shares of the Viacom stock in 2000. Effective January 3, 2006, Viacom completed a transaction to separate Viacom into two publicly traded companies named Viacom Inc. and CBS Corporation by converting (i) each outstanding share of Viacom Class A common stock into 0.5 shares of Viacom Inc. Class A common stock and 0.5 shares of CBS Corporation Class A common stock and (ii) each outstanding share of Viacom Class B common stock into 0.5 shares of Viacom Inc. Class B common stock and 0.5 shares of CBS Corporation Class B common stock. As a result of this transaction, we exchanged our 10,937,900 shares of Viacom Class B common stock for 5,468,950 shares of Viacom, Inc. Class B common stock and 5,468,950 shares of CBS Corporation Class B common stock effective January 3, 2006.

The secured forward exchange contract protects us against decreases in the combined fair market value of the Viacom stock and CBS stock, while providing for participation in increases in the combined fair market value. At June 30, 2006, the fair market value of our investment in the 5.5 million shares of Viacom stock was $196.0 million, or $35.84 per share, and the fair market value of our investment in the 5.5 million shares of CBS stock was $147.9 million, or $27.05 per share. The secured forward exchange contract protects us 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 secured forward exchange contract also provides for participation in the increases in the combined fair market value of the Viacom stock and CBS stock in that we receive 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 June 30, 2006.

Changes in the market price of the Viacom stock and CBS stock could have a significant impact on future earnings. For example, a 5% increase in the value of the Viacom stock and CBS stock at June 30, 2006 would have resulted in an increase of $0.1 million in the net pre-tax gain on the investment in Viacom stock and CBS stock and related derivatives for the three months ended June 30, 2006. Likewise, a 5% decrease in the value of the Viacom stock and CBS stock at June 30, 2006 would have resulted in a decrease of $0.1 million in the net pre-tax gain on the investment in Viacom stock and CBS stock and related derivatives for the three months ended June 30, 2006.

Risks Related to Changes in Interest Rates

Interest rate risk related to our indebtedness. We have exposure to interest rate changes primarily relating to outstanding indebtedness under our 8% Senior Notes and our new $600 million credit facility.

In conjunction with our offering of the 8% Senior Notes, we entered into an interest rate swap with respect to $125 million aggregate principal amount of our 8% Senior Notes. This interest rate swap, which has a term of ten years, effectively adjusts the interest rate of that portion of the 8% Senior Notes to LIBOR plus 2.95%. The interest rate swap on the 8% Senior Notes is deemed effective and therefore the hedge has been treated as an effective fair value hedge under SFAS No. 133. If LIBOR were to increase by 100 basis points, our annual interest cost on the 8% Senior Notes would increase by approximately $1.3 million.

Borrowings outstanding under our new $600 million credit facility bear interest at our election of either LIBOR plus 2% or the lending banks base rate plus 1%, subject to adjustments based on our financial performance. If LIBOR were to

Table of Contents

increase by 100 basis points, our annual interest cost on borrowings outstanding under our $600.0 million credit facility as of June 30, 2006 would increase by approximately $0.6 million.

Cash balances. Certain of our outstanding cash balances are occasionally invested overnight with high credit quality financial institutions. We do not have significant exposure to changing interest rates on invested cash at June 30, 2006. As a result, the interest rate market risk implicit in these investments at June 30, 2006, if any, is low.

Risks Related to Foreign Currency Exchange Rates

Substantially all of our revenues are realized in U.S. dollars and are from customers in the United States. Although we own certain subsidiaries who conduct business in foreign markets and whose transactions are settled in foreign currencies, these operations are not material to our overall operations. Therefore, we do not believe we have any significant foreign currency exchange rate risk. We do not hedge against foreign currency exchange rate changes and do not speculate on the future direction of foreign currencies.

Summary

Based upon our overall market risk exposures at June 30, 2006, we believe that the effects of changes in the stock price of our Viacom stock and CBS stock or interest rates could be material to our consolidated financial position, results of operations or cash flows. However, we believe that the effects of fluctuations in foreign currency exchange rates on our consolidated financial position, results of operations or cash flows would not be material.

ITEM 4. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that materially affected, or are likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is a party to certain litigation, as described in Note 16 to our condensed consolidated financial statements for the three months ended June 30, 2006 and 2005 included herewith and which is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

There have been no material changes in our Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2005.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Inapplicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Inapplicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its Annual Meeting of Stockholders on May 4, 2006 (the Annual Meeting). The stockholders of the Company voted to elect ten directors. Each director must be elected annually. The following table sets forth the number of votes cast for and withheld/abstained with respect to each of the nominees:

Nominee	For	Withhold	Total
E.K. Gaylord II	38,450,841	689,438	39,140,279
E. Gordon Gee	38,572,897	567,381	39,140,278
Ellen Levine	38,904,282	235,996	39,140,278
Robert P. Bowen	39,102,238	38,041	39,140,279
Ralph Horn	38,892,217	248,062	39,140,279
Michael J. Bender	39,102,154	38,124	39,140,278
Laurence S. Geller	39,101,879	38,400	39,140,279
Michael D. Rose	38,243,225	897,054	39,140,279
Colin V. Reed	39,035,117	105,161	39,140,278
Michael I. Roth	39,029,916	110,363	39,140,279

At the Annual Meeting, our stockholders also approved the Company s new 2006 Omnibus Incentive Plan (the 2006 Incentive Plan) to replace our 1997 Omnibus Stock Option and Incentive Plan. A more complete description of the 2006 Incentive Plan is contained in our Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders filed with the SEC on April 3, 2006, and the 2006 Incentive Plan was filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended March 31, 2006, as filed with the SEC on May 9, 2006. In addition, at the Annual Meeting our stockholders also ratified the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2006. The following table sets forth the number of votes for, votes against, votes abstaining and broker non-votes with respect to each of these items:

Proposal	For	Against	Abstain	Broker Non-Vote	Total
Approve the 2006 Incentive Plan	26,850,995	8,387,273	108,119	3,793,892	39,140,279
Ratify Appointment of Ernst & Young LLP as the Company s Independent Registered Public Accounting Firm for 2006	39,108,316	13,156	18,804	3	39,140,279

ITEM 5. OTHER INFORMATION.

Inapplicable.

ITEM 6. EXHIBITS.

See Index to Exhibits following the Signatures page.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GAYLORD ENTERTAINMENT COMPANY

Date: August 9, 2006

By: /s/ Colin V. Reed

Colin V. Reed
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ David C. Kloeppel

David C. Kloeppel
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Rod Connor

Rod Connor
Senior Vice President and
Chief Administrative Officer
(Principal Accounting Officer)

Table of Contents

INDEX TO EXHIBITS

31.1 Certification of Colin V. Reed pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

31.2 Certification of David C. Kloeppel pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

32.1 Certification of Colin V. Reed and David C. Kloeppel pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.