GAYLORD ENTERTAINMENT CO /DE
Form 10-Q
May 09, 2008

Table of Contents

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

(Mark One)

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

For the quarterly period ended March 31, 2008

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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes 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 May 1, 2008**
Common Stock, $.01 par value	40,846,444 shares

GAYLORD ENTERTAINMENT COMPANY
FORM 10-Q
For the Quarter Ended March 31, 2008
INDEX

Part I FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS.

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2008 and 2007
(Unaudited)
(In thousands, except per share data)

	2008	2007
Revenues	**$ 195,235**	$ 182,358
Operating expenses:		
Operating costs	**113,489**	108,553
Selling, general and administrative	**39,541**	40,800
Preopening costs	**15,575**	2,945
Impairment and other charges	**12,031**	
Depreciation	**20,193**	18,549
Amortization	**1,018**	911
Operating (loss) income	**(6,612)**	10,600
Interest expense, net of amounts capitalized	**(3,579)**	(18,777)
Interest income	**324**	517
Unrealized loss on Viacom stock and CBS stock		(2,789)
Unrealized gain on derivatives		9,569
Income (loss) from unconsolidated companies	**236**	(1,918)
Other gains and (losses), net	**59**	5,863
(Loss) income before (benefit) provision for income taxes	**(9,572)**	3,065
(Benefit) provision for income taxes	**(2,724)**	2,408
(Loss) income from continuing operations	**(6,848)**	657
(Loss) income from discontinued operations, net of income taxes	**(458)**	2,807
Net (loss) income	**$ (7,306)**	$ 3,464
Basic (loss) income per share:		
(Loss) income from continuing operations	**$ (0.17)**	$ 0.02
(Loss) income from discontinued operations, net of income taxes	**(0.01)**	0.06
Net (loss) income	**$ (0.18)**	$ 0.08

Fully diluted (loss) income per share:				
(Loss) income from continuing operations	**$**	**(0.17)**	$	0.02
(Loss) income from discontinued operations, net of income taxes		**(0.01)**		0.06
Net (loss) income	**$**	**(0.18)**	$	0.08

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
March 31, 2008 and December 31, 2007
(Unaudited)
(In thousands)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	**$ 15,883**	$ 23,592
Cash and cash equivalents restricted	**1,236**	1,216
Trade receivables, less allowance of $974 and $468, respectively	**59,282**	31,371
Estimated fair value of derivative assets	**937**	
Deferred income taxes	**7,689**	7,689
Other current assets	**38,143**	30,180
Current assets of discontinued operations	**147**	797
Total current assets	**123,317**	94,845
Property and equipment, net of accumulated depreciation	**2,335,174**	2,196,264
Intangible assets, net of accumulated amortization	**162**	174
Goodwill	**6,915**	6,915
Indefinite lived intangible assets	**1,480**	1,480
Investments	**4,409**	4,143
Estimated fair value of derivative assets	**4,467**	2,043
Long-term deferred financing costs	**13,466**	14,621
Other long-term assets	**18,719**	16,382
Total assets	**$ 2,508,109**	$ 2,336,867
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	**$ 2,093**	$ 2,058
Accounts payable and accrued liabilities	**257,080**	240,827
Current liabilities of discontinued operations	**2,741**	2,760
Total current liabilities	**261,914**	245,645
Long-term debt and capital lease obligations, net of current portion	**1,163,424**	979,042
Deferred income taxes	**67,936**	73,662
Estimated fair value of derivative liabilities	**4,414**	
Other long-term liabilities	**97,322**	96,484
Long-term liabilities of discontinued operations	**520**	542
Commitments and contingencies		

Stockholders equity:		
Preferred stock, $.01 par value, 100,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value, 150,000 shares authorized, 40,841 and 41,236 shares issued and outstanding, respectively	**409**	413
Additional paid-in capital	**701,831**	721,196
Retained earnings	**223,452**	230,758
Accumulated other comprehensive loss	**(13,113)**	(10,875)
Total stockholders equity	**912,579**	941,492
Total liabilities and stockholders equity	**$ 2,508,109**	$ 2,336,867

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 Three Months Ended 31, 2008 and 2007
(Unaudited)
(In thousands)

	2008	2007
Cash Flows from Operating Activities:		
Net (loss) income	$ (7,306)	$ 3,464
Amounts to reconcile net (loss) income to net cash flows (used in) provided by operating activities:		
Loss (income) from discontinued operations, net of taxes	458	(2,807)
(Income) loss from unconsolidated companies	(236)	1,918
Impairment and other charges	12,031	
Unrealized gain on Viacom stock and CBS stock and related derivatives, net		(6,780)
(Benefit) provision for deferred income taxes	(3,441)	2,408
Depreciation and amortization	21,211	19,460
Amortization of deferred financing costs	997	7,424
Write-off of deferred financing costs		1,192
Stock-based compensation expense	2,946	2,424
Excess tax benefit from stock-based compensation	(830)	(581)
Loss (gain) on sales of assets	32	(4,376)
Changes in (net of acquisitions and divestitures):		
Trade receivables	(27,911)	(13,662)
Accounts payable and accrued liabilities	5,659	(300)
Other assets and liabilities	(9,445)	(6,562)
Net cash flows (used in) provided by operating activities continuing operations	(5,835)	3,222
Net cash flows provided by operating activities discontinued operations	7	11,374
Net cash flows (used in) provided by operating activities	(5,828)	14,596
Cash Flows from Investing Activities:		
Purchases of property and equipment	(162,442)	(134,727)
Returns of investment in unconsolidated companies		301
Proceeds from sales of assets	9	4,993
Other investing activities	(1,775)	(379)
Net cash flows used in investing activities continuing operations	(164,208)	(129,812)
Net cash flows used in investing activities discontinued operations	(122)	(1,041)
Net cash flows used in investing activities	(164,330)	(130,853)
Cash Flows from Financing Activities:		
Borrowings under credit facility	182,000	120,000
Purchases of Company s common stock	(19,999)	
Deferred financing costs paid		(3,681)

Increase in restricted cash and cash equivalents	**(20)**	
Proceeds from exercise of stock option and purchase plans		3,029
Excess tax benefit from stock-based compensation	**830**	581
Other financing activities, net	**(362)**	(380)
Net cash flows provided by financing activities continuing operations	**162,449**	119,549
Net cash flows used in financing activities discontinued operations		(8,466)
Net cash flows provided by financing activities	**162,449**	111,083
Net change in cash and cash equivalents	**(7,709)**	(5,174)
Cash and cash equivalents unrestricted, beginning of period	**23,592**	35,356
Cash and cash equivalents unrestricted, end of period	**$ 15,883**	$ 30,182

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 its subsidiaries (the Company) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the financial information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K as of and for the year ended December 31, 2007 filed with the SEC. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim period have been included. All adjustments are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

2. INCOME PER SHARE:

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

	Three Months Ended March 31,	
(in thousands)	**2008**	**2007**
Weighted average shares outstanding	**41,246**	40,802
Effect of dilutive stock options		1,310
Weighted average shares outstanding - assuming dilution	**41,246**	42,112

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

3. COMPREHENSIVE (LOSS) INCOME:

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

	Three Months Ended March 31,	
(in thousands)	**2008**	**2007**
Net (loss) income	**$ (7,306)**	$ 3,464
Minimum pension liability, net of deferred income taxes		(81)
Foreign currency translation, net of deferred income taxes		(86)
Unrealized gain on natural gas swaps, net of deferred income taxes	**518**	487
Unrealized loss on interest rate swaps, net of deferred income taxes	**(2,756)**	
Comprehensive (loss) income	**$ (9,544)**	$ 3,784

Table of Contents

4. IMPAIRMENT AND OTHER CHARGES:

The Company entered into an Agreement of Purchase and Sale dated as of November 19, 2007 (the Purchase Agreement) with LCWW Partners, a Texas joint venture, and La Cantera Development Company, a Delaware corporation (collectively, Sellers), to acquire the assets related to the Westin La Cantera Resort, located in San Antonio, Texas (the La Cantera Resort). The Purchase Agreement also provided for the Company s purchase of approximately 90 acres of undeveloped land adjacent to the resort property.

On January 21, 2008, the Company entered into an amendment (the Amendment) with Sellers to the Purchase Agreement. The Amendment extended the closing date under the Purchase Agreement to April 30, 2008 (prior to the Amendment, the closing date was scheduled to occur no later than January 31, 2008). The Amendment also provided that the $10.0 million deposit (the Deposit) previously paid by the Company to an escrow agent under the Purchase Agreement, which was recorded in property and equipment in the accompanying consolidated balance sheet as of December 31, 2007, would be released to Sellers, and that the Deposit would be non-refundable to the Company except in connection with the voluntary and intentional default by Sellers in their obligations to be performed on the closing date.

The Amendment conditioned the closing of the transactions under the Purchase Agreement on the Company arranging financing satisfactory to the Company in its sole discretion in order to fund the transaction. On April 15, 2008, as permitted by the Amendment, the Company terminated the Purchase Agreement on the basis that it did not obtain financing satisfactory to it. Pursuant to the terms of the Purchase Agreement and the Amendment, the Company forfeited the $10.0 million deposit previously paid to Sellers. As a result, the Company recorded an impairment charge of $12.0 million to write off the deposit, as well as certain transaction-related expenses that were also capitalized in connection with the potential acquisition.

5. DISCONTINUED OPERATIONS:

The Company has reflected the following businesses as discontinued operations, consistent with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and Accounting Principles Board (APB) Opinion No. 30, *Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, and Unusual and Infrequently Occurring Events and Transactions*. The results of operations, net of taxes, and the carrying value of the assets and liabilities of these businesses have been reflected in the accompanying condensed consolidated financial statements as discontinued operations in accordance with SFAS No. 144 for all periods presented.

ResortQuest

During the third quarter of 2005, the Company committed to a plan of disposal of certain markets of its ResortQuest business that were considered to be inconsistent with the Company s long term growth strategy. The Company completed the sale of four of these markets in the fourth quarter of 2005, two of these markets in the first quarter of 2006, and the remaining two markets in the second quarter of 2006.

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

During the second quarter of 2007, the Company committed to a plan of disposal of the remainder of its ResortQuest business. On May 31, 2007, the Company completed the sale of its ResortQuest Hawaii operations through the transfer of all of its equity interests in its ResortQuest Hawaii subsidiaries (ResortQuest Hawaii) to Vacation Holdings Hawaii, Inc., an affiliated company of Interval International, for $109.1 million in cash, prior to giving effect to a purchase price adjustment based on the working capital of ResortQuest Hawaii as of the closing. The Company retained its 19.9% ownership interest in RHAC Holdings, LLC and its 18.1% ownership interest in Waipouli Holdings LLC, which ownership interests were excluded from this transaction. The Company recognized a pretax gain of $50.0 million related to the sale of ResortQuest Hawaii during 2007. Net cash proceeds from the sale of $107.7 million were used to reduce the Company s outstanding indebtedness.

On June 1, 2007, the Company completed the sale of the remainder of the operations of its ResortQuest subsidiary through the transfer of all of its capital stock in its ResortQuest Mainland subsidiary (ResortQuest Mainland) to BEI-RZT Corporation, a subsidiary of Leucadia National Corporation, for $35.0 million, prior to giving effect to certain purchase price adjustments, including a purchase price adjustment based on the working capital of ResortQuest Mainland as of the closing. The purchase price was paid by the delivery of a four-year promissory note in the principal amount of $8.0 million bearing interest at the annual rate of 10%, and the balance of the purchase price was paid in cash at closing. During the third quarter of 2007, the Company and BEI - RZT Corporation reached an agreement that the Company would be required to pay approximately $8.0 million to BEI RZT Corporation pursuant to the final purchase price adjustment. The Company and BEI RZT Corporation also agreed that the four-year $8.0 million promissory note received from BEI RZT Corporation at closing would be cancelled and deemed to be satisfied and paid in full in full satisfaction of the approximately $8.0 million final purchase price adjustment described above. As a result of the final purchase price adjustments and cancellation of the note, the Company recognized a pretax loss of $59.5 million related to the sale of ResortQuest Mainland in 2007. In connection with the sale of ResortQuest Mainland, the Company recorded pre-tax restructuring charges for employee severance benefits of $0.2 million for the three months ended March 31, 2008. Net cash proceeds from the sale of $9.3 million were used to reduce the Company s outstanding indebtedness.

The following table reflects the results of operations of businesses accounted for as discontinued operations for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31,	
(in thousands)	**2008**	**2007**
Revenues:		
ResortQuest	**$**	$ 57,483
Operating (loss) income:		
ResortQuest	**$ (487)**	$ 1,734
Restructuring charges	**(178)**	
Total operating (loss) income	**(665)**	1,734
Interest expense		(1)
Interest income		146
Other gains and (losses):		
ResortQuest	**(123)**	(183)
Other	**50**	
(Loss) income before benefit for income taxes	**(738)**	1,696
Benefit for income taxes	**(280)**	(1,111)

(Loss) income from discontinued operations	**$ (458)**	$ 2,807

Table of Contents

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

(in thousands)	March 31, 2008	December 31, 2007
Current assets:		
Prepaid expenses	**$ 79**	$ 106
Other current assets	**68**	691
Total current assets	**147**	797
Total long-term assets		
Total assets	**$ 147**	$ 797
Current liabilities:		
Current portion of long-term debt	**$**	$
Accounts payable and accrued liabilities	**2,741**	2,760
Total current liabilities	**2,741**	2,760
Long-term debt		
Other long-term liabilities	**520**	542
Total long-term liabilities	**520**	542
Total liabilities	**$ 3,261**	$ 3,302

6. DEBT:

8% Senior Notes

On November 12, 2003, the Company completed its offering of $350 million in aggregate principal amount of senior notes due 2013 (the 8% Senior Notes) in an institutional private placement. The Company filed an exchange offer registration statement on Form S-4 with the SEC with respect to the 8% Senior Notes and subsequently exchanged the existing senior notes for publicly registered senior notes with the same terms after the registration statement was declared effective in April 2004. The interest rate on these notes is 8%, although the Company has entered into fixed to variable interest rate swaps with respect to $125 million principal amount of the 8% Senior Notes, which swaps result in an effective interest rate of LIBOR plus 2.95% with respect to that portion of the 8% Senior Notes. The 8% Senior Notes, which mature on November 15, 2013, bear interest semi-annually in arrears on May 15 and November 15 of each year, starting on May 15, 2004. The 8% Senior Notes are redeemable, in whole or in part by the Company, at any time on or after November 15, 2008 at a designated redemption amount, plus accrued and unpaid interest. The 8% Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all of the Company s secured debt to the extent of the assets securing such debt. The 8% Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by generally all of the Company s active domestic subsidiaries. In connection with the offering and subsequent registration of the 8% Senior Notes, the Company paid approximately $10.1 million in deferred financing costs. The net proceeds from the offering of the 8% Senior Notes, together with $22.5 million of the Company s cash on hand, were used as follows:

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

$79.2 million was placed in escrow pending consummation of the acquisition of ResortQuest by the Company. As of November 20, 2003, the $79.2 million together with $8.2 million of 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 (including additional indebtedness under the Company s senior secured delayed draw term loan facility), 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. The 6.75% Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all of the Company s secured debt to the extent of the assets securing such debt. The 6.75% Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by generally all of the Company s active domestic subsidiaries. In connection with the offering of the 6.75% Senior Notes, the Company paid approximately $4.2 million in deferred financing costs. The net proceeds from the offering of the 6.75% Senior Notes, together with cash on hand, were used to repay a senior loan that was secured by a first mortgage lien on the assets of Gaylord Opryland and to provide capital for growth of the Company s other businesses and other general corporate purposes. In addition, the 6.75% Senior Notes indenture contains certain covenants which, among other things, limit the incurrence of additional indebtedness (including additional indebtedness under the Company s senior secured delayed draw term loan facility), investments, dividends, transactions with affiliates, asset sales, capital expenditures, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The 6.75% Senior Notes are cross-defaulted to the Company s other indebtedness.

$600.0 Million Credit Facility

On March 10, 2005, the Company entered into a $600.0 million credit facility with Bank of America, N.A. acting as the administrative agent. This credit facility, which replaced a $100.0 million revolving credit facility, consisted of the following components: (a) a $300.0 million senior secured revolving credit facility, which included a $50.0 million letter of credit sublimit, and (b) a $300.0 million senior secured delayed draw term loan facility, which could be drawn in one or more advances during its term. The credit facility also included an accordion feature that allowed the Company, on a one-time basis, to increase the credit facilities by a total of up to $300.0 million, subject to securing additional commitments from existing lenders or new lending institutions. At the Company s election, the revolving loans and the term loans had an interest rate of LIBOR plus 2% or the lending banks base rate plus 1%, subject to adjustments based on the Company s financial performance. Interest on the Company s borrowings was payable quarterly, in arrears, for base rate loans and at the end of each interest rate period for LIBOR rate-based loans. Principal was payable in full at maturity. The Company was required to pay a commitment fee ranging from 0.25% to 0.50% per year of the average unused portion of the credit facility.

Table of Contents

As a result of the refinancing of the $600.0 million credit facility, which is discussed below, the Company wrote off $1.2 million in deferred financing costs during the first quarter of 2007, which is included in interest expense in the accompanying condensed consolidated statement of operations for the three months ended March 31, 2007.

$1.0 Billion Credit Facility

On March 23, 2007, the Company refinanced its $600.0 million credit facility by entering into an Amended and Restated Credit Agreement by and among the Company, certain subsidiaries of the Company party thereto, as guarantors, the lenders party thereto and Bank of America, N.A., as administrative agent. The $1.0 billion amended and restated credit facility (the $1.0 Billion Credit Facility) represents an increase of the Company s previous $600.0 million credit facility, which is discussed above.

The $1.0 Billion Credit Facility consists of the following components: (a) a $300.0 million senior secured revolving credit facility, which includes a $50.0 million letter of credit sublimit and a $30.0 million sublimit for swingline loans, and (b) a $700.0 million senior secured delayed draw term loan facility, which may be drawn on in one or more advances during its term. The $1.0 Billion Credit Facility also includes an accordion feature that will allow the Company to increase the $1.0 Billion Credit Facility by a total of up to $100.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The revolving loan, letters of credit and term loan mature on March 9, 2010. At the Company s election, the revolving loans and the term loans will bear interest at an annual rate of LIBOR plus an applicable margin ranging from 1.25% to 1.75% or the lending banks base rate plus an applicable margin ranging from 0.00% to 0.50%, subject to adjustments based on the Company s borrowing base leverage. As further discussed in Note 8, the Company has also entered into interest rate swaps with respect to $403.0 million aggregate principal amount of borrowings under the delayed draw term loan facility to convert the variable rate on these borrowings to a fixed weighted average interest rate of 2.98% plus the applicable margin on these borrowings during the term of the swap agreements. Interest on the Company s borrowings is payable quarterly, in arrears, for base rate loans and at the end of each interest rate period for LIBOR rate-based loans. Principal is payable in full at maturity. The Company is required to pay a commitment fee ranging from 0.125% to 0.35% per year of the average unused portion of the $1.0 Billion Credit Facility.

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

The $1.0 Billion Credit Facility is (i) secured by a first mortgage and lien on the real property and related personal and intellectual property of the Company s Gaylord Opryland hotel, Gaylord Texan hotel, Gaylord Palms hotel and Gaylord National hotel (which was substantially completed in April 2008, as described below) and pledges of equity interests in the entities that own such properties and (ii) guaranteed by each of the four wholly owned subsidiaries that own the four hotels. Advances are subject to a 60% borrowing base, based on the appraisal value of the hotel properties (reduced to 50% in the event a hotel property is so