Ryman Hospitality Properties, Inc.
Form 10-Q
November 07, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

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

Commission file number 1-13079

RYMAN HOSPITALITY PROPERTIES, INC.

(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. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	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 x No

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 October 31, 2012**
Common Stock, par value $.01	45,264,287 shares

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RYMAN HOSPITALITY PROPERTIES, INC.

FORM 10-Q

For the Quarter Ended September 30, 2012

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Part I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenues	**$ 228,129**	$ 225,232	**$ 720,273**	$ 682,745
Operating expenses:				
Operating costs	**134,822**	135,817	**409,021**	402,441
Selling, general and administrative	**44,510**	42,704	**139,162**	128,830
REIT conversion costs	**51,371**		**57,799**	
Casualty loss	**173**	162	**719**	630
Preopening costs	**1**	345	**340**	386
Depreciation and amortization	**30,701**	32,367	**93,389**	90,695
Operating income (loss)	**(33,449)**	13,837	**19,843**	59,763
Interest expense, net of amounts capitalized	**(15,136)**	(18,075)	**(43,949)**	(60,261)
Interest income	**3,081**	3,199	**9,256**	9,688
Income from unconsolidated companies		761	**109**	1,086
Other gains and (losses), net	**2,251**	(444)	**2,251**	(494)
Income (loss) before income taxes and discontinued operations	**(43,253)**	(722)	**(12,490)**	9,782
(Provision) benefit for income taxes	**16,581**	(937)	**798**	(4,769)
Income (loss) from continuing operations	**(26,672)**	(1,659)	**(11,692)**	5,013
Income (loss) from discontinued operations, net of income taxes	**(2)**	53		61
Net income (loss)	**$ (26,674)**	$ (1,606)	**$ (11,692)**	$ 5,074
Basic income (loss) per share:				
Income (loss) from continuing operations	**$ (0.57)**	$ (0.03)	**$ (0.24)**	$ 0.10
Income from discontinued operations, net of income taxes				
Net income (loss)	**$ (0.57)**	$ (0.03)	**$ (0.24)**	$ 0.10
Fully diluted income (loss) per share:				

Income (loss) from continuing operations	**$**	**(0.57)**	$	(0.03)	**$**	**(0.24)**	$	0.10
Income from discontinued operations, net of income taxes								
Net income (loss)	**$**	**(0.57)**	$	(0.03)	**$**	**(0.24)**	$	0.10
Comprehensive income (loss), net of deferred taxes of $0, $503, $0 and $4,323, respectively	**$**	**(26,674)**	$	(712)	**$**	**(11,692)**	$	12,890

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

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	**$ 24,230**	$ 44,388
Cash and cash equivalents restricted	**1,150**	1,150
Trade receivables, less allowance of $597 and $719, respectively	**60,369**	41,939
Deferred income taxes	**546**	8,641
Other current assets	**53,167**	48,538
Total current assets	**139,462**	144,656
Property and equipment, net of accumulated depreciation	**2,172,788**	2,209,127
Notes receivable, net of current portion	**137,542**	142,567
Long-term deferred financing costs	**12,572**	15,947
Other long-term assets	**46,736**	50,713
Long-term assets of discontinued operations	**346**	390
Total assets	**$ 2,509,446**	$ 2,563,400
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	**$ 99,537**	$ 755
Accounts payable and accrued liabilities	**196,245**	168,975
Current liabilities of discontinued operations	**217**	186
Total current liabilities	**295,999**	169,916
Long-term debt and capital lease obligations, net of current portion	**1,048,924**	1,073,070
Deferred income taxes	**98,345**	108,219
Other long-term liabilities	**172,052**	166,209
Long-term liabilities of discontinued operations	**451**	451
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, 45,302 and 48,428 shares issued and outstanding, respectively	**453**	484
Additional paid-in capital	**975,117**	929,904
Treasury stock of 385 shares, at cost	**(4,599)**	(4,599)
Retained earnings (accumulated deficit)	**(41,265)**	155,777
Accumulated other comprehensive loss	**(36,031)**	(36,031)
Total stockholders equity	**893,675**	1,045,535

Total liabilities and stockholders equity	**$ 2,509,446**	$ 2,563,400

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

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2012 and 2011

(Unaudited)

(In thousands)

	2012	2011
Cash Flows from Operating Activities:		
Net income (loss)	**$ (11,692)**	$ 5,074
Amounts to reconcile net income (loss) to net cash flows provided by operating activities:		
Income from discontinued operations, net of taxes		(61)
Income from unconsolidated companies	**(109)**	(1,086)
Impairment and other charges	**21,287**	
Loss on disposals of long-lived assets		189
Provision (benefit) for deferred income taxes	**(1,601)**	2,474
Depreciation and amortization	**93,389**	90,695
Amortization of deferred financing costs	**3,829**	3,896
Amortization of discount on convertible notes	**10,200**	9,389
Write-off of deferred financing costs related to refinancing of credit facility		1,681
Stock-based compensation expense	**5,108**	7,422
Changes in:		
Trade receivables	**(18,430)**	(18,078)
Interest receivable	**1,869**	2,435
Accounts payable and accrued liabilities	**29,498**	(7,325)
Other assets and liabilities	**(4,082)**	(13,800)
Net cash flows provided by operating activities continuing operations	**129,266**	82,905
Net cash flows provided by operating activities discontinued operations	**47**	16
Net cash flows provided by operating activities	**129,313**	82,921
Cash Flows from Investing Activities:		
Purchases of property and equipment	**(78,189)**	(93,844)
Collection of notes receivable	**4,480**	2,465
Other investing activities	**851**	2,202
Net cash flows used in investing activities continuing operations	**(72,858)**	(89,177)
Net cash flows used in investing activities discontinued operations		
Net cash flows used in investing activities	**(72,858)**	(89,177)
Cash Flows from Financing Activities:		
Net borrowings (repayments) under credit facility	**65,000**	(100,000)
Deferred financing costs paid	**(376)**	(10,074)
Proceeds from issuance of common stock, net of issuance cost of $ 1,131	**32,722**	
Repurchase of Company stock for retirement	**(185,400)**	
Proceeds from exercise of stock option and purchase plans	**12,005**	4,275
Other financing activities, net	**(564)**	(221)

Net cash flows used in financing activities continuing operations	**(76,613)**	(106,020)
Net cash flows provided by financing activities discontinued operations		
Net cash flows used in financing activities	**(76,613)**	(106,020)
Net change in cash and cash equivalents	**(20,158)**	(112,276)
Cash and cash equivalents unrestricted, beginning of period	**44,388**	124,398
Cash and cash equivalents unrestricted, end of period	**$ 24,230**	$ 12,122

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

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION:

For financial statement presentation and reporting purposes, the Company is the successor to Gaylord Entertainment Company, formerly a Delaware corporation (the Predecessor Registrant). As more fully described in Note 3, as part of the plan to restructure the business operations of the Predecessor Registrant to facilitate its qualification as a real estate investment trust (REIT) for federal income tax purposes, the Predecessor Registrant merged with and into its wholly-owned subsidiary, Ryman Hospitality Properties, Inc. (formerly known as Granite Hotel Properties, Inc.), a Delaware corporation (the Company or Ryman), on October 1, 2012, with the Company as the surviving corporation (the Merger). At 12:01 a.m. on October 1, 2012, the effective time of the Merger, the Company succeeded to and began conducting, directly or indirectly, all of the business conducted by the Predecessor Registrant immediately prior to the Merger. The Company refers to Ryman Hospitality Properties, Inc. and to the Predecessor Registrant.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries 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, 2011. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim periods have been included. All adjustments are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year because of seasonal and short-term variations.

2. NEWLY ISSUED ACCOUNTING STANDARDS:

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, Topic 220, *Comprehensive Income*, to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In either instance, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. Portions of this ASU were deferred, and the Company adopted the required portions of this ASU in the first quarter of 2012. This adoption did not have a material impact on the Company s consolidated financial statements.

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3. REIT CONVERSION:

The Company plans to qualify as a REIT for federal income tax purposes effective as of January 1, 2013. The Company s board of directors approved a plan to restructure the Company s business operations to facilitate the qualification of the Company as a REIT for federal income tax purposes (the REIT conversion). In connection with the REIT conversion, at a special meeting of stockholders held on September 25, 2012, the Predecessor Registrant s stockholders approved the Merger and the issuance of up to 34 million shares of the Company s common stock as part of a one-time special earnings and profits distribution to distribute all of the Company s C corporation earning and profits attributable to taxable periods ending prior to January 1, 2013 as a special dividend to stockholders (the Special E&P Distribution) (as more fully described in the Company s definitive proxy statement for the special meeting of stockholders held on September 25, 2012). As discussed further in Note 16, on November 2, 2012, the Company s board of directors declared the Special E&P Distribution to be paid on December 21, 2012 to shareholders of record as of November 13, 2012.

On May 31, 2012, in connection with the REIT conversion, the Company announced its agreement to sell the Gaylord Hotels brand and rights to manage the Gaylord Opryland Resort and Convention Center (Gaylord Opryland), the Gaylord Palms Resort and Convention Center (Gaylord Palms), the Gaylord Texan Resort and Convention Center (Gaylord Texan) and the Gaylord National Resort and Convention Center (Gaylord National), which the Company refers to collectively as the Resort Hotel Properties , and each individually a Resort Hotel Property , to Marriott International, Inc. (Marriott) for $210 million in cash (the Marriott sale transaction). Effective October 1, 2012, the Marriott sale transaction closed and Marriott assumed responsibility for managing the day-to-day operations of the Resort Hotel Properties pursuant to a management agreement for each Resort Hotel Property.

On October 1, 2012, the Company received $210.0 million in cash from Marriott in exchange for rights to manage the Resort Hotel Properties (the Management Rights) and certain intellectual property (the IP Rights). The Company allocated $190.0 million of the purchase price to the Management Rights and $20.0 million to the IP Rights. The allocation was based on the Company s estimates of the fair values for the respective components. The Company estimated the fair value of each component by constructing two distinct discounted cash flow models.

For the Management Rights, a discounted cash flow model utilized estimates of the base and incentive management fees that the Company would pay to Marriott over the term of the hotel management agreements, assuming a high likelihood that automatic renewals would be triggered. The after-tax management fee estimates were based on comprehensive projections of revenues and profits for the Resort Hotel Properties for the next four years with growth rates gradually scaling down to an inflation-level assumption for the years thereafter. In selecting the discount rate, the Company relied on market-based estimates of capital costs and discount rate premiums that reflect management s assessment of a market participant s view of risks associated with the projected cash flows.

For the IP Rights, the discounted cash flow model reflects the application of a common variation referred to as the relief from royalty approach. Under this approach, fair value is estimated as the present value of future savings that would likely result due to the ownership of an asset as opposed to paying rent or royalties for its use. Key input assumptions to this model included projecting revenues for a hypothetical portfolio of new Gaylord-branded hotels that might be developed in future years and deriving a market-based royalty rate to apply for the hypothetical future use of the brand on these new properties. For the revenue forecast, the Company relied upon its development plans prior to the REIT conversion and its historical track record of large resort development, as tempered by current market conditions in the hospitality sector. Regarding the selected royalty rate, the model relied upon the Company s review of typical arm s length franchise and brand licensing agreement structures, third party databases, published studies and other qualitative factors. The selected royalty rate was applied to the estimated revenues from future Gaylord branded facilities to derive projected royalty expenses avoided. These annual cash flow savings amounts were tax-affected then discounted at a rate derived from market-based estimates of capital costs and discount rates adjusted for management s assessment of a market participant s view of risks associated with the projected cash flows.

The amount related to the Management Rights will be deferred and amortized on a straight line basis over the 65-year term of the hotel management agreements, including extensions, as a reduction in management fee expense for financial accounting purposes. The amount related to the IP Rights will be recognized into income as other gains and losses during the fourth quarter of 2012.

In addition, pursuant to additional management agreements entered into on October 1, 2012, Marriott assumed responsibility for managing the day-to-day operations of the General Jackson Showboat, Gaylord Springs Golf Links and the Wildhorse Saloon on October 1, 2012. The Company anticipates entering into a management agreement pursuant to which Marriott will assume responsibility for managing the day-to-day operations of the Radisson Hotel at Opryland effective December 1, 2012.

The Company has segregated all costs related to these transactions from normal operations and reported these amounts as REIT conversion costs in the accompanying condensed consolidated statement of operations. Further, certain of these costs were incurred in prior periods of 2012 and have been reclassified as REIT conversion costs. During the three months and nine months ended September 30, 2012, the Company has incurred $51.4 million and $57.8 million, respectively, of various costs associated with these transactions. These costs during the three months ended September 30, 2012 include impairment charges ($21.3 million), professional fees ($14.0 million), employment and severance costs ($10.3 million), underwriting costs ($2.8 million), and various other transition costs ($3.0 million). These costs during the nine months ended September 30, 2012 include impairment charges ($21.3 million), professional fees ($20.1 million), employment and severance costs ($10.3 million), underwriting costs ($2.8 million), and various other transition costs ($3.3 million).

Upon completion of the REIT conversion, the Company will no longer view independent, large-scale development of resort and convention hotels as a means of its growth. As a result of its decision to convert to a REIT, the Company evaluated its plans and previously capitalized costs associated with potential new developments and expansions of its existing properties. As discussed above, in connection with the preparation of the financial statements included herein, the Company recorded an impairment charge of $14.0 million during the three months and nine months ended September 30, 2012 to write off previously capitalized costs associated with a potential future expansion of Gaylord Opryland and the Company s previous development project in Mesa, Arizona as a result of the Company s decision to abandon these projects. In addition, the Company will not proceed with its previously announced Aurora, Colorado development project in the form previously anticipated. The Company will reexamine how the Aurora project can be completed with minimal financial commitment, although it may not identify such opportunity. The Company also abandoned certain other projects associated with its existing assets and recorded an additional impairment charge of $7.3 million during the three months and nine months ended September 30, 2012 to write off previously capitalized costs primarily associated with information technology projects.

Including the costs noted above but excluding non-cash impairment charges, the Company currently estimates that it will incur approximately $73 million in one-time costs related to the REIT conversion. The Company also anticipates that it will incur federal income taxes associated with the receipt of the purchase price in the Marriott sale transaction and other transactions related to the REIT conversion, net of the effect of remaining net operating losses, of approximately $10 million to $20 million. In addition, the Company will be required to make the Special E&P Distribution on or before December 31, 2013 to be eligible to elect to be taxed as a REIT effective January 1, 2013.

The Merger, Marriott sale transaction, Special E&P Distribution, and other restructuring transactions are designed to enable the Company to hold its assets and business operations in a manner that will enable it to elect to be treated as a REIT for federal income tax purposes. If the Company qualifies as a REIT, it generally will not be subject to federal corporate income taxes on that portion of its capital gain or ordinary income from the Company s REIT operations that is distributed to its stockholders. This treatment would substantially eliminate the federal double taxation on earnings from REIT operations, or taxation once at the corporate level and again at the stockholder level, that generally results from investment in a regular C corporation. As further described above, to comply with certain REIT qualification requirements, the Company engaged Marriott to operate and manage its Resort Hotel Properties and will be required to engage third-party managers to operate and manage its future hotel properties, if any. Additionally, non-REIT operations, which consist of the activities of taxable REIT subsidiaries that will act as lessees of the Company s hotels, as well as the businesses within the Company s Opry and Attractions segment, will continue to be subject, as applicable, to federal corporate income taxes following the REIT conversion.

4. INCOME PER SHARE:

The weighted average number of common shares outstanding is calculated as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Weighted average shares outstanding	**46,546**	48,399	**48,073**	48,331
Effect of dilutive stock-based compensation				706
Effect of convertible notes				1,576
Weighted average shares outstanding assuming dilution	**46,546**	48,399	**48,073**	50,613

For the three months ended September 30, 2012 and 2011, and for the nine months ended September 30, 2012, the effect of dilutive stock-based compensation awards was the equivalent of approximately 694,000, 567,000, and 651,000 shares, respectively, of common stock outstanding. Because the Company had a loss from continuing operations in the three months ended September 30, 2012 and 2011 and in the nine months ended September 30, 2012, these incremental shares were excluded from the computation of dilutive earnings per share for those periods as the effect of their inclusion would have been anti-dilutive.

The Company had stock-based compensation awards outstanding with respect to approximately 817,000 and 1,735,000 shares of common stock for the three months ended September 30, 2012 and 2011, respectively, and approximately 913,000 and 1,025,000 shares of common stock for the nine months ended September 30, 2012 and 2011, respectively, that could potentially dilute earnings per share in the future but were excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2012 and 2011, respectively, as the effect of their inclusion would have been anti-dilutive.

As discussed more fully in the Company s Annual Report on Form 10-K for the year ended December 31, 2011, in 2009 the Company issued 3.75% Convertible Senior Notes due 2014 (the Convertible Notes). The Company intends to settle the face value of the Convertible Notes in cash upon conversion/maturity. Any conversion spread associated with the conversion/maturity of the Convertible Notes may be settled in cash or shares of the Company s common stock. The effect of potentially issuable shares under this conversion spread for the three months and nine months ended September 30, 2012 was the equivalent of approximately 3,957,000 and 2,688,000 shares, respectively, of common stock outstanding. Because the Company had a loss from continuing operations in the three months and nine months ended September 30, 2012, 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. The Convertible Notes are currently convertible through December 31, 2012; however, at this time, the Company has not processed any of the Convertible Notes for conversion.

In connection with the issuance of the Convertible Notes, the Company sold common stock purchase warrants to counterparties affiliated with the initial purchasers of the Convertible Notes whereby the warrant holders may purchase approximately 13.2 million shares of Company common stock at an initial price per share of $32.70,

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subject to anti-dilution adjustments. If the average closing price of the Company s stock during a reporting period exceeds this strike price, these warrants will be dilutive. The warrants may only be settled in shares of the Company s common stock. The effect of potentially issuable shares under these warrants for the three months and nine months ended September 30, 2012 was the equivalent of approximately 2,106,000 and 583,000 shares, respectively, of common stock outstanding. Because the Company had a loss from continuing operations in the three months and nine months ended September 30, 2012, 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. See Note 16 for further disclosure.

5. PROPERTY AND EQUIPMENT:

Property and equipment of continuing operations at September 30, 2012 and December 31, 2011 is recorded at cost and summarized as follows (in thousands):

	September 30, 2012	December 31, 2011
Land and land improvements	**$ 235,242**	$ 217,811
Buildings	**2,294,902**	2,272,381
Furniture, fixtures and equipment	**560,200**	533,396
Construction-in-progress	**31,680**	59,822
	3,122,024	3,083,410
Accumulated depreciation	**(949,236)**	(874,283)
Property and equipment, net	**$ 2,172,788**	$ 2,209,127

6. NOTES RECEIVABLE:

In connection with the development of Gaylord National, the Company is currently holding two issuances of bonds and receives the debt service thereon, which is payable from tax increments, hotel taxes and special hotel rental taxes generated from Gaylord National through the maturity date. The Company is recording the amortization of discount on these notes receivable as interest income over the life of the notes.

During the three months ended September 30, 2012 and 2011, the Company recorded interest income of $3.1 million and $3.2 million, respectively, on these bonds. During the nine months ended September 30, 2012 and 2011, the Company recorded interest income of $9.2 million and $9.5 million, respectively, on these bonds. The Company received payments of $15.5 million and $14.4 million during the nine months ended September 30, 2012 and 2011, respectively, relating to these notes receivable.

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7. DEBT:

The Company s debt and capital lease obligations related to continuing operations at September 30, 2012 and December 31, 2011 consisted of (in thousands):

	September 30, 2012	December 31, 2011
$925 Million Credit Facility, interest at LIBOR plus 2.25% or bank s base rate plus 1.25%, maturing August 1, 2015	**$ 665,000**	$ 600,000
Convertible Senior Notes, interest at 3.75%, maturing October 1, 2014, net of unamortized discount of $ 30,554 and $ 40,754	**329,446**	319,246
Senior Notes, interest at 6.75%, maturing November 15, 2014	**152,180**	152,180
Capital lease obligations	**1,835**	2,399
Total debt	**1,148,461**	1,073,825
Less amounts due within one year	**(99,537)**	(755)
Total long-term debt	**$ 1,048,924**	$ 1,073,070

The above increase in amounts due within one year results from the Convertible Notes meeting a condition for convertibility as of September 30, 2012, but not as of December 31, 2011. As of September 30, 2012, the Company was in compliance with all of its covenants related to its debt.

$925 Million Credit Facility

On October 1, 2012, in connection with the Merger, the Company entered into a Second Amendment to Third Amended and Restated Credit Agreement (the Amendment) by and among the Company, as parent guarantor, RHP Hotel Properties, LP (a wholly-owned subsidiary of the Company), as borrower, certain subsidiaries of the Company party thereto, as guarantors, Bank of America, N.A, as administrative agent and the other lenders party thereto, which amends the Third Amended and Restated Credit Agreement dated as of August 1, 2011, among the Company, as borrower, certain subsidiaries of the Company party thereto, as guarantors, Bank of America, N.A., as administrative agent and the other lenders party thereto (the $925 million credit facility). Under the Amendment, the required lenders have agreed that the REIT conversion, including, but not limited to, the Merger and the Marriott sale transaction will not constitute a default under the $925 million credit facility. The amendment, among other things, (i) permits dividends to the extent permitted by the indenture for the Company s 6.75% senior notes, and, if such indenture is terminated, to the extent necessary for the Company to maintain REIT status, (ii) allows the Company s subsidiaries to lease its hotel properties, and (iii) updates the facility generally to permit the Company to restructure and operate its business as a REIT.

Convertible Senior Notes

In 2009, the Company issued $360.0 million of the Convertible Notes. The Convertible Notes are convertible, under certain circumstances as described in the Company s Annual Report on Form 10-K for the year ended December 31, 2011, at the holder s option, into shares of the Company s common stock, at an initial conversion rate of 36.6972 shares of common stock per $1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately $27.25 per share. The Company may elect, at its option, to deliver shares of its common stock, cash or a combination of cash and shares of its common stock in satisfaction of its obligations upon conversion of the Convertible Notes. See Note 16 for further disclosure.

Based on the Company s stock price during the three months ended September 30, 2012, a condition permitting conversion (as defined in the indenture governing the Convertible Notes) had been satisfied, and thus the Convertible Notes are currently convertible through December 31, 2012. At this time, the Company has not processed any of the Convertible Notes for conversion. Based on the Company s borrowing capacity under its $925 million credit facility as of September 30, 2012, $230.6 million of the Convertible Notes has been classified as long-term debt in the accompanying condensed consolidated balance sheet as of September 30, 2012.

Concurrently with the offering of the Convertible Notes, the Company entered into convertible note hedge transactions with respect to its common stock (the Purchased Options) with counterparties affiliated with the initial purchasers of the Convertible Notes, for purposes of reducing the potential dilutive effect upon conversion of the Convertible Notes. The initial strike price of the Purchased Options is $27.25 per share of the Company s common stock (the same as the initial conversion price of the Convertible Notes) and is subject to certain customary adjustments. The Purchased Options entitle the Company to purchase, subject to anti-dilution adjustments substantially similar to those contained in the indenture under which the Convertible Notes were issued, approximately 13.2 million shares of Company common stock. The Company may settle the Purchased Options in shares, cash or a combination of cash and shares, at the Company s option. See Note 16 for further disclosure.

Separately and concurrently with entering into the Purchased Options, the Company also entered into warrant transactions whereby it sold warrants to each of the hedge counterparties entitling them to acquire up to approximately 13.2 million shares of common stock at an initial exercise price of $32.70 per share, subject to anti-dilution adjustments. The warrants may be settled only in shares of the Company s common stock. See Note 16 for further disclosure.

8. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and commodity price risk. From time to time, interest rate swaps may be entered into to manage interest rate risk associated with portions of the Company s variable rate borrowings. From time to time, natural gas price swaps may be entered into to manage the price risk associated with forecasted purchases of natural gas and electricity used by the Company s hotels. The Company designates its interest rate swaps as cash flow hedges of variable rate borrowings and its natural gas price swaps as cash flow hedges of forecasted purchases of natural gas and electricity. All of the Company s derivatives are held for hedging purposes. The Company does not engage in speculative transactions, nor does it hold or issue financial instruments for trading purposes. All of the counterparties to the Company s derivative agreements are financial institutions with at least investment grade credit ratings.

Cash Flow Hedging Strategy

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

At September 30, 2012 and December 31, 2011, the Company had no variable to fixed interest rate swap contracts. The interest rate swap agreement previously utilized by the Company until its expiration on July 25, 2011 effectively modified the Company s exposure to interest rate risk by converting $500.0 million, or 71%, of the Company s variable rate debt outstanding under the term loan portion of the Company s former $1.0 billion credit facility to a weighted average fixed rate of 3.94% plus the applicable margin on these borrowings, thus reducing the impact of interest rate changes on future interest expense. This agreement involved the receipt of variable rate amounts in exchange for fixed rate interest payments through July 25, 2011, without an exchange of the underlying principal amount. The critical terms of the swap agreements matched the critical terms of the borrowings under the term loan portion of the $1.0 billion credit facility. Therefore, the Company designated these interest rate swap agreements as cash flow hedges. As the terms of these derivatives matched the terms of the underlying hedged items, there was no gain (loss) from ineffectiveness recognized in income on derivatives.

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At September 30, 2012 and December 31, 2011, the Company had no variable to fixed natural gas price swap contracts. The Company previously entered into natural gas price swap contracts to manage the price risk associated with a portion of the Company s forecasted purchases of natural gas and electricity used by the Company s hotels. The objective of the hedge was to reduce the variability of cash flows associated with the forecasted purchases of these commodities.

The effect of derivative instruments on the statement of operations for the respective periods is as follows (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivative (Effective Portion) Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Location of Amount Reclassified from Accumulated OCI into Income	Amount Reclassified from Accumulated OCI into Income Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
Interest rate swaps	$	$ (20)	Interest expense, net of amounts capitalized	$	$ 1,549
Natural gas swaps		(249)	Operating Costs		124
Total	**$**	$ (269)	**Total**	**$**	$ 1,673

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivative (Effective Portion) Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Location of Amount Reclassified from Accumulated OCI into Income	Amount Reclassified from Accumulated OCI into Income Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest rate swaps	$	$ (447)	Interest expense, net of amounts capitalized	$	$ 12,674
Natural gas swaps		(458)	Operating Costs		339
Total	**$**	$ (905)	**Total**	**$**	$ 13,013

9. STOCK PLANS:

In addition to grants of stock options to its directors and employees, the Company s Amended and Restated 2006 Omnibus Incentive Plan (the Plan) permits the award of restricted stock and restricted stock units. The fair value of restricted stock and restricted stock units with time-based vesting or performance conditions is determined based on the market price of the Company s stock at the date of grant. The Company generally records compensation expense equal to the fair value of each restricted stock award granted over the vesting period.

During the nine months ended September 30, 2012, the Company granted 311,230 restricted stock units with time-based vesting and a weighted-average grant-date fair value of $30.23 per award. Additionally, the Company granted 104,500 restricted stock units to certain members of its management team which may vest in 2015 based on the level of performance during the performance period and subject to continued employment. The number of awards that will ultimately vest is based on the Company s total shareholder return over the three-year performance period ended December 31, 2014 relative to the total shareholder return of the Russell 2000 Index during the same period. The weighted-average grant date fair value of $39.88 per award was determined using a Monte Carlo simulation model, which assumed a risk-free rate of 0.54%, an expected life of 3.0 years and historical volatilities that ranged from 15% to 238%. As these awards include a market condition, the Company records compensation expense for these awards based on the grant date fair value of the award recognized ratably over the measurement period.

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In connection with the termination of certain employee positions as a result of the REIT conversion discussed in Note 3, during the three months and nine months ended September 30, 2012, the Company cancelled approximately 167,500 stock options with a weighted average exercise price of $22.02 and approximately 401,000 restricted stock units with a weighted average grant date fair value of $29.76 per award. During the three months and nine months ended September 30, 2012, the Company reversed approximately $2.1 million in compensation costs as a result of these cancellations.

At September 30, 2012 and December 31, 2011, 1,705,034 and 2,532,484 stock options, respectively, were outstanding. Restricted stock units of 458,461 shares were outstanding at September 30, 2012 and restricted stock and restricted stock units of 633,647 shares were outstanding at December 31, 2011.

The compensation cost (benefit) that has been charged against pre-tax income (loss) for all of the Company s stock-based compensation plans, including the reversal of compensation costs discussed above, was $(0.2) million and $2.6 million for the three months ended September 30, 2012 and 2011, respectively, and $5.1 million and $7.4 million for the nine months ended September 30, 2012 and 2011, respectively.

10. RETIREMENT AND POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS:

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Interest cost	**$ 1,086**	$ 1,208	**$ 3,260**	$ 3,625
Expected return on plan assets	**(1,173)**	(1,333)	**(3,519)**	(4,000)
Amortization of net actuarial loss	**1,170**	619	**3,510**	1,857
Total net periodic pension expense	**$ 1,083**	$ 494	**$ 3,251**	$ 1,482

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Service cost	**$ 14**	$ 14	**$ 43**	$ 43
Interest cost	**254**	257	**761**	772
Amortization of net actuarial loss	**176**		**528**	
Amortization of prior service credit	**(109)**		**(326)**	
Amortization of curtailment gain	**(21)**	(61)	**(65)**	(183)
Total net postretirement benefit expense	**$ 314**	$ 210	**$ 941**	$ 632

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11. INCOME TAXES:

The Company s effective tax rate as applied to pre-tax loss was 38% and (130)% for the three months ended September 30, 2012 and 2011, respectively. The change in the Company s effective tax rate for these periods was due primarily to changes in federal and state valuation allowances during each period, as well as the effect of the change in the estimated annual effective rate as applied to prior quarters income during the 2011 period, partially offset by the effect of permanent tax adjustments related to nondeductible transaction costs associated with the Marriott sale transaction in the 2012 period.

The Company s effective tax rate as applied to pre-tax income (loss) was 6% and 49% for the nine months ended September 30, 2012 and 2011, respectively. The decrease in the Company s effective tax rate for the 2012 period was due primarily to increases in permanent tax adjustments related to nondeductible transaction costs associated with the Marriott sale transaction and compensation adjustments, partially offset by changes in the Company s federal and state valuation allowance.

Under FASB Accounting Standards Codification 740-270, *Income Taxes Interim Reporting*, each interim period is considered an integral part of the annual period and tax expense is measured using an estimated annual effective rate. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on evaluation of possible future events and transactions and may be subject to subsequent refinement or revision. For the nine months ended September 30, 2011, the Company used the annual effective tax rate based on estimated ordinary income for the year ended December 31, 2011. However, for the nine months ended September 30, 2012, the Company determined that its ordinary income for the year ending December 31, 2012 cannot be reliably estimated because the expected amount of income from operations, combined with significant permanent differences (i.e. nondeductible transaction costs), are such that a minor change in estimated ordinary income for 2012 could result in a material change in the estimated annual effective tax rate. As a result, the Company has determined that the actual effective tax rate for the nine months ending September 30, 2012 is the best estimate of the annual effective rate.

As of September 30, 2012 and December 31, 2011, the Company had $13.9 million and $14.1 million of unrecognized tax benefits, respectively, of which $7.4 million would affect the Company s effective tax rate if recognized. These liabilities are recorded in other long-term liabilities in the accompanying condensed consolidated balance sheets. The Company estimates the overall decrease in unrecognized tax benefits in the next twelve months will be approximately $13.1 million, mainly due to the expiration of various statutes of limitations. As of September 30, 2012 and December 31, 2011, the Company had accrued $2.4 million and $2.1 million, respectively, of interest and $0.1 million of penalties related to uncertain tax positions.

12. COMMITMENTS AND CONTINGENCIES:

The Company has been informed that the Dollywood Company is no longer interested in pursuing the previously announced 50/50 joint venture to develop a family entertainment zone adjacent to Gaylord Opryland on land the Company currently owns. The Company had an immaterial amount of capitalized costs associated with this endeavor, which were written off during the three months and nine months ended September 30, 2012.

Through joint venture arrangements with two private real estate funds, the Company previously invested in two joint ventures which were formed to own and operate hotels in Hawaii. As part of the joint venture arrangements, the Company entered into contribution agreements with the majority owners, which owners had guaranteed certain recourse liabilities under third-party loans to the joint ventures. The guarantees of the joint venture loans guaranteed each of the subsidiaries obligations under its third party 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 the subsidiaries, or (ii) in the event of bankruptcy or reorganization proceedings of the subsidiaries. The Company agreed that, in the event a majority owner is required to make any payments pursuant to the terms of these guarantees of joint venture loans, it will contribute

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to the majority owner an amount based on its proportional commitment in the applicable joint venture. The Company estimates that the maximum potential amount for which the Company could be liable under the contribution agreements is $16.9 million, which represents its pro rata share of the $86.4 million of total debt that is subject to the guarantees. As of September 30, 2012, the Company had not recorded any liability in the condensed consolidated balance sheet associated with the contribution agreements.

The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of claims relating to workers compensation, employee medical benefits and general liability for which it is self-insured.

The Company has entered into employment agreements with certain officers, which provide for severance payments upon certain events, including certain terminations in connection with a change of control.

The Company, in the ordinary course of business, is involved in certain legal actions and claims on a variety of 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.

13. STOCKHOLDERS EQUITY:

Stock Repurchases

On August 6, 2012, the Company entered into a repurchase agreement with TRT Holdings, Inc. (TRT Holdings) pursuant to which the Company repurchased 5.0 million shares of its common stock, concurrently with the execution and delivery of the repurchase agreement, at a total cost of $185.4 million. The repurchased stock was cancelled by the Company and has been reflected as a reduction of retained earnings in the accompanying condensed consolidated balance sheet. The Company funded the purchase price for the share repurchase with borrowings under its $925 million credit facility. The Company obtained consents and amendments of the required lenders under the $925 million credit facility in order to accommodate this repurchase.

Common Stock Issuance

On August 23, 2012, the Company sold 846,469 shares (the Option Shares) of the Company s common stock upon the exercise of the underwriter s option granted pursuant to an underwriting agreement among the Company, TRT Holdings, and Deutsche Bank Securities, Inc. (the Underwriter) in connection with the secondary public offering of shares of the Company s common stock by TRT Holdings. The Option Shares were sold at a price to the public of $40.00 per share. The Company s total net proceeds from the sale of the Option Shares, after offering expenses, were approximately $32.7 million.

14. FAIR VALUE MEASUREMENTS:

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

As of September 30, 2012 and December 31, 2011, the Company held certain assets that are required to be measured at fair value on a recurring basis. These included investments held in conjunction with the Company s non-qualified contributory deferred compensation plan.

The investments held by the Company in connection with its deferred compensation plan consist of mutual funds traded in an active market. The Company determined the fair value of these mutual funds based on the net asset

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value per unit of the funds or the portfolio, which is based upon quoted market prices in an active market. Therefore, the Company has categorized these investments as Level 1. The Company has consistently applied these valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of investments it holds.

The Company had no liabilities required to be measured at fair value at September 30, 2012 and December 31, 2011. The Company s assets measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011, were as follows (in thousands):

	September 30, 2012	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Deferred compensation plan investments	$ 16,415	$ 16,415	$	$
Total assets measured at fair value	$ 16,415	$ 16,415	$	$

	December 31, 2011	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Deferred compensation plan investments	$ 13,892	$ 13,892	$	$
Total assets measured at fair value	$ 13,892	$ 13,892	$	$

The remainder of the assets and liabilities held by the Company at September 30, 2012 are not required to be measured at fair value. The carrying value of certain of these assets and liabilities do not approximate fair value, as described below.

As further discussed in Note 6 and the Company s Annual Report on Form 10-K for the year ended December 31, 2011, in connection with the development of Gaylord National, the Company received two bonds (a Series A Bond and a Series B Bond) from Prince George s County, Maryland which had aggregate carrying values of $88.9 million and $57.5 million, respectively, as of September 30, 2012. The maturity dates of the Series A Bond and the Series B Bond are July 1, 2034 and September 1, 2037, respectively. Based upon current market interest rates of notes receivable with comparable market ratings and current expectations about the timing of debt service payments under the notes, which the Company considers as Level 3, the fair value of the Series A Bond, which has the senior claim to the cash flows supporting these bonds, approximated carrying value as of September 30, 2012 and the fair value of the Series B Bond was approximately $38 million as of September 30, 2012. While the fair value of the Series B Bond decreased to less than its carrying value during 2011 due to a change in the timing of the debt service payments, the Company has the intent and ability to hold this bond to maturity and expects to receive all debt service payments due under the note. Therefore, the Company does not consider the Series B Bond to be other than temporarily impaired as of September 30, 2012.

The Company has outstanding $360.0 million in aggregate principal amount of Convertible Notes that accrue interest at a fixed rate of 3.75%. The carrying value of these notes on September 30, 2012 was $329.4 million, net of discount. The fair value of the Convertible Notes, based upon the present value of cash flows discounted at current market interest rates, which the Company considers as Level 2, was approximately $341 million as of September 30, 2012.

The Company has outstanding $152.2 million in aggregate principal amount of senior notes due 2014 that accrue interest at a fixed rate of 6.75% (the Senior Notes). The fair value of these notes, based upon quoted market prices, which the Company considers as Level 1, was $152.2 million as of September 30, 2012.

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The carrying amount of short-term financial instruments held by the Company (cash, short-term investments, trade receivables, accounts payable and accrued liabilities) approximates fair value due to the short maturity of those instruments. The concentration of credit risk on trade receivables is minimized by the large and diverse nature of the customer base for the Resort Hotel Properties.

15. FINANCIAL REPORTING BY BUSINESS SEGMENTS:

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

Hospitality, which includes Gaylord Opryland, Gaylord Palms, Gaylord Texan, Gaylord National and the Radisson Hotel at Opryland, as managed by the Company prior to October 1, 2012;

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

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

The following information from continuing operations is derived directly from the segments internal financial reports used for corporate management purposes (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenues:				
Hospitality	**$ 207,941**	$ 207,092	**$ 667,036**	$ 634,607
Opry and Attractions	**20,166**	18,108	**53,154**	48,044
Corporate and Other	**22**	32	**83**	94
Total	**$ 228,129**	$ 225,232	**$ 720,273**	$ 682,745
Depreciation and amortization:				
Hospitality	**$ 26,095**	$ 28,388	**$ 80,977**	$ 78,954
Opry and Attractions	**1,262**	1,296	**3,825**	3,968
Corporate and Other	**3,344**	2,683	**8,587**	7,773
Total	**$ 30,701**	$ 32,367	**$ 93,389**	$ 90,695
Operating income (loss):				
Hospitality	**$ 27,948**	$ 25,437	**$ 114,407**	$ 96,604
Opry and Attractions	**4,687**	3,498	**10,280**	6,721
Corporate and Other	**(14,539)**	(14,591)	**(45,986)**	(42,546)
REIT conversion costs	**(51,371)**		**(57,799)**	
Casualty loss	**(173)**	(162)	**(719)**	(630)
Preopening costs	**(1)**	(345)	**(340)**	(386)
Total operating income (loss)	**(33,449)**	13,837	**19,843**	59,763
Interest expense, net of amounts capitalized	**(15,136)**	(18,075)	**(43,949)**	(60,261)
Interest income	**3,081**	3,199	**9,256**	9,688
Income from unconsolidated companies		761	**109**	1,086

Other gains and (losses), net		**2,251**		(444)	**2,251**	(494)
Income (loss) before income taxes and discontinued operations	**$**	**(43,253)**	$	(722)	**$ (12,490)**	$ 9,782

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16. SUBSEQUENT EVENTS:

On November 2, 2012, the Company s board of directors declared the Special E&P Distribution as a special dividend to stockholders in the amount of $6.84 per share of common stock, aggregating approximately $309.7 million, to be paid on December 21, 2012 to stockholders of record as of November 13, 2012 in the form described as follows. The Company will limit the total amount of cash payable in the Special E&P Distribution to a maximum of 20% of the total value of the Special E&P Distribution. The balance of the Special E&P Distribution will be in the form of shares of the Company s common stock. If the total amount of cash elected by the Company s stockholders exceeds 20% of the total value of the Special E&P Distribution, then, in general, the available cash will be prorated among those stockholders that elect to receive cash. The details and consequences of the Special E&P Distribution will be described in the election form and accompanying materials that will be mailed to stockholders in connection with the Special E&P Distribution.

As a result of the Special E&P Distribution, pursuant to anti-dilution provisions included in the indenture under which the Convertible Notes were issued, on November 8, 2012, the conversion rate of the Convertible Notes will be adjusted to 44.4492 shares of common stock per $1,000 principal amount of the Convertible Notes, which is equivalent to a conversion price of $22.50 per share. In addition, in accordance with customary anti-dilution provisions, the strike price of the Purchased Options will be adjusted to $22.50 per share of the Company s common stock, which will enable the Company to purchase approximately 16.0 million shares of Company common stock. Further, the exercise price of the common stock purchase warrants discussed in Note 4 and Note 7 will be adjusted in a similar manner.

17. INFORMATION CONCERNING GUARANTOR AND NON-GUARANTOR SUBSIDIARIES:

Not all of the Company s subsidiaries have guaranteed the Company s Convertible Notes and the Senior Notes. The Company s Convertible Notes and Senior Notes are guaranteed on a senior unsecured basis by generally most of the Company s significant active domestic subsidiaries (the Guarantors). Certain discontinued operations and inactive subsidiaries and new subsidiaries (the Non-Guarantors) do not guarantee the Company s Convertible Notes and Senior Notes. The Guarantors are 100% owned, and the guarantees are full and unconditional and joint and several.

Prior to July 1, 2012, Gaylord Springs was owned by a guarantor subsidiary and was included in the balance sheet, results of operations and cash flows of the guarantors as of June 30, 2012 and for the three months and six months ended June 30, 2012. Effective September 2012, the Company realigned certain of its operations in connection with the REIT conversion, and Gaylord Springs is now owned by a non-guarantor subsidiary. Therefore, the Company has classified the balance sheet, results of operations and cash flows of these operations as of September 30, 2012 and for the three months and nine months ended September 30, 2012 with the Non-Guarantors in the consolidating financial information presented below.

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

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations and Comprehensive Income

For the Three Months Ended September 30, 2012

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ (6,321)	$ 227,012	$ 1,168	$ 6,270	$ 228,129
Operating expenses:					
Operating costs		134,085	795	(58)	134,822
Selling, general and administrative	5,406	38,852	252		44,510
REIT conversion costs	22,046	29,311	14		51,371
Casualty loss	45	128			173
Preopening costs		1			1
Management fees		(6,321)	(7)	6,328	
Depreciation and amortization	851	29,698	152		30,701
Operating income (loss)	(34,669)	1,258	(38)		(33,449)
Interest expense, net of amounts capitalized	(15,299)	(29,005)	(962)	30,130	(15,136)
Interest income	24,952	4,027	4,232	(30,130)	3,081
Other gains and (losses), net		2,251			2,251
Income (loss) before income taxes and discontinued operations	(25,016)	(21,469)	3,232		(43,253)
Benefit for income taxes	8,276	5,853	2,452		16,581
Equity in subsidiaries losses, net	(9,934)			9,934	
Income (loss) from continuing operations	(26,674)	(15,616)	5,684	9,934	(26,672)
Loss from discontinued operations, net of taxes			(2)		(2)
Net income (loss)	$ (26,674)	$ (15,616)	$ 5,682	$ 9,934	$ (26,674)
Comprehensive income (loss)	$ (26,674)	$ (15,616)	$ 5,682	$ 9,934	$ (26,674)

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations and Comprehensive Income

For the Three Months Ended September 30, 2011

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ 1,525	$ 225,227	$	$ (1,520)	$ 225,232
Operating expenses:					
Operating costs		135,817			135,817
Selling, general and administrative	4,417	38,287			42,704
Casualty loss	100	62			162
Preopening costs	41	304			345
Management fees		1,520		(1,520)	
Depreciation and amortization	944	31,423			32,367
Operating income (loss)	(3,977)	17,814			13,837
Interest expense, net of amounts capitalized	(18,317)	(30,244)	(103)	30,589	(18,075)
Interest income	26,055	3,716	4,017	(30,589)	3,199
Income from unconsolidated companies		761			761
Other gains and (losses), net		(444)			(444)
Income (loss) before income taxes and discontinued operations	3,761	(8,397)	3,914		(722)
(Provision) benefit for income taxes	(1,702)	2,925	(2,160)		(937)
Equity in subsidiaries losses, net	(3,665)			3,665	
Income (loss) from continuing operations	(1,606)	(5,472)	1,754	3,665	(1,659)
Income from discontinued operations, net of taxes		1	52		53
Net income (loss)	$ (1,606)	$ (5,471)	$ 1,806	$ 3,665	$ (1,606)
Comprehensive income (loss)	$ (712)	$ (5,471)	$ 1,806	$ 3,665	$ (712)

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations and Comprehensive Income

For the Nine Months Ended September 30, 2012

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ 5,778	$ 717,212	$ 3,201	$ (5,918)	$ 720,273
Operating expenses:					
Operating costs		406,689	2,390	(58)	409,021
Selling, general and administrative	16,443	122,061	761	(103)	139,162
REIT conversion costs	27,426	30,359	14		57,799
Casualty loss	321	398			719
Preopening costs	22	318			340
Management fees		5,637	120	(5,757)	
Depreciation and amortization	2,377	90,566	446		93,389
Operating income (loss)	(40,811)	61,184	(530)		19,843
Interest expense, net of amounts capitalized	(44,593)	(86,820)	(2,829)	90,293	(43,949)
Interest income	75,413	11,692	12,444	(90,293)	9,256
Income from unconsolidated companies		109			109
Other gains and (losses), net		2,251			2,251
Income (loss) before income taxes and discontinued operations	(9,991)	(11,584)	9,085		(12,490)
(Provision) benefit for income taxes	637	750	(589)		798
Equity in subsidiaries losses, net	(2,338)			2,338	
Income (loss) from continuing operations	(11,692)	(10,834)	8,496	2,338	(11,692)
Income from discontinued operations, net of taxes					
Net income (loss)	$ (11,692)	$ (10,834)	$ 8,496	$ 2,338	$ (11,692)
Comprehensive income (loss)	$ (11,692)	$ (10,834)	$ 8,496	$ 2,338	$ (11,692)

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations and Comprehensive Income

For the Nine Months Ended September 30, 2011

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ 4,461	$ 682,756	$	$ (4,472)	$ 682,745
Operating expenses:					
Operating costs		402,469		(28)	402,441
Selling, general and administrative	12,759	116,071			128,830
Casualty loss	148	482			630
Preopening costs	41	345			386
Management fees		4,444		(4,444)	
Depreciation and amortization	2,973	87,722			90,695
Operating income (loss)	(11,460)	71,223			59,763
Interest expense, net of amounts capitalized	(60,838)	(90,770)	(303)	91,650	(60,261)
Interest income	78,129	11,441	11,768	(91,650)	9,688
Income from unconsolidated companies		1,086			1,086
Other gains and (losses), net		(494)			(494)
Income (loss) before income taxes and discontinued operations	5,831	(7,514)	11,465		9,782
(Provision) benefit for income taxes	(2,542)	2,526	(4,753)		(4,769)
Equity in subsidiaries earnings, net	1,785			(1,785)	
Income (loss) from continuing operations	5,074	(4,988)	6,712	(1,785)	5,013
Income from discontinued operations, net of taxes		23	38		61
Net income (loss)	$ 5,074	$ (4,965)	$ 6,750	$ (1,785)	$ 5,074
Comprehensive income (loss)	$ 12,890	$ (4,965)	$ 6,750	$ (1,785)	$ 12,890

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheet

September 30, 2012

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents unrestricted	$ 17,841	$ 6,365	$ 24	$	$ 24,230
Cash and cash equivalents restricted	1,150				1,150
Trade receivables, net		60,338	31		60,369
Deferred income taxes	2,389	(1,976)	133		546
Other current assets	2,781	50,236	276	(126)	53,167
Intercompany receivables, net	1,726,957		249,370	(1,976,327)	
Total current assets	1,751,118	114,963	249,834	(1,976,453)	139,462
Property and equipment, net of accumulated depreciation	48,022	2,114,129	10,637		2,172,788
Notes receivable, net of current portion		137,542			137,542
Long-term deferred financing costs	12,572				12,572
Other long-term assets	658,400	352,751		(964,415)	46,736
Long-term assets of discontinued operations			346		346
Total assets	$ 2,470,112	$ 2,719,385	$ 260,817	$ (2,940,868)	$ 2,509,446
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Current portion of long-term debt and capital lease obligations	$ 98,825	$ 712	$	$	$ 99,537
Accounts payable and accrued liabilities	52,225	143,880	557	(417)	196,245
Intercompany payables, net		1,886,481	89,846	(1,976,327)	
Current liabilities of discontinued operations			217		217
Total current liabilities	151,050	2,031,073	90,620	(1,976,744)	295,999
Long-term debt and capital lease obligations, net of current portion	1,047,801	1,123			1,048,924
Deferred income taxes	(31,439)	129,432	352		98,345
Other long-term liabilities	84,031	87,733	(3)	291	172,052
Long-term liabilities of discontinued operations			451		451
Commitments and contingencies					
Stockholders equity:					
Preferred stock					
Common stock	453	2,388	1	(2,389)	453
Additional paid-in capital	975,117	1,081,067	(40,129)	(1,040,938)	975,117
Treasury stock	(4,599)				(4,599)
Retained earnings	283,729	(613,431)	209,525	78,912	(41,265)
Accumulated other comprehensive loss	(36,031)				(36,031)
Total stockholders equity	1,218,669	470,024	169,397	(964,415)	893,675
Total liabilities and stockholders equity	$ 2,470,112	$ 2,719,385	$ 260,817	$ (2,940,868)	$ 2,509,446

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheet

December 31, 2011

(in thousands)	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated