

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1999

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 ☒ No ☐

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

Class	Outstanding as of October 31, 1999
-----	-----
Common Stock, \$.01 par value	33,028,760 shares

GAYLORD ENTERTAINMENT COMPANY

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 1999

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## PART I - FINANCIAL INFORMATION

### ITEM 1. - FINANCIAL STATEMENTS

#### GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998 (UNAUDITED)

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	1999	1998
	-----	-----
Revenues	\$ 135,711	\$ 134,904
Operating expenses:		
Operating costs	81,791	81,163
Selling, general and administrative	36,982	31,168
Restructuring charge	3,102	--
Merger costs	(1,741)	--
Depreciation and amortization	13,408	11,171
	-----	-----
Operating income	2,169	11,402
Interest expense	(4,268)	(8,116)
Interest income	2,875	6,519
Other gains and losses	404	1,811
	-----	-----
Income before provision for income taxes	1,180	11,616
Provision for income taxes	454	4,473
	-----	-----
Net income	\$ 726	\$ 7,143
	=====	=====
Net income per share	\$ 0.02	\$ 0.22
	=====	=====
Net income per share - assuming dilution	\$ 0.02	\$ 0.22
	=====	=====
Dividends per share	\$ 0.20	\$ 0.15
	=====	=====

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

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998  
(UNAUDITED)  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	1999	1998
	-----	-----
Revenues	\$ 377,212	\$ 369,888
Operating expenses:		
Operating costs	238,045	220,950
Selling, general and administrative	99,054	92,463
Restructuring charge	3,102	--
Merger costs	(1,741)	--
Depreciation and amortization	37,806	31,601
	-----	-----
Operating income	946	24,874
Interest expense	(11,286)	(22,673)
Interest income	4,269	19,463
Other gains and losses	130,672	5,173
	-----	-----

Income before provision for income taxes	124,601	26,837
Provision for income taxes	43,425	10,333
Net income	\$ 81,176	\$ 16,504
Net income per share	\$ 2.47	\$ 0.50
Net income per share - assuming dilution	\$ 2.45	\$ 0.50
Dividends per share	\$ 0.60	\$ 0.45

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 1999 AND DECEMBER 31, 1998  
(UNAUDITED)  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Sept. 30, 1999	Dec. 31, 1998
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 8,875	\$ 18,746
Trade receivables, less allowance of \$4,471 and \$5,517, respectively	98,278	94,429
Inventories	35,354	27,018
Other assets	43,770	49,009
	-----	-----
Total current assets	186,277	189,202
	-----	-----
Property and equipment, net of accumulated depreciation	603,804	586,898
Intangible assets, net of accumulated amortization	128,507	117,529
Investments	91,328	78,140
Long-term notes receivable	37,026	9,015
Other assets	39,010	31,208
	-----	-----
Total assets	\$ 1,085,952	\$ 1,011,992
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 1,125	\$ 6,269
Accounts payable and accrued liabilities	104,562	115,837
	-----	-----
Total current liabilities	105,687	122,106
	-----	-----
Long-term debt	302,201	276,712
Deferred income taxes	50,091	52,747
Other liabilities	33,315	33,039
Minority interest	2,231	2,228
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, 33,021 and 32,808 shares issued and outstanding, respectively	330	328

Additional paid-in capital	505,435	500,434
Retained earnings	89,036	26,699
Other stockholders' equity	(2,374)	(2,301)
	-----	-----
Total stockholders' equity	592,427	525,160
	-----	-----
Total liabilities and stockholders' equity	\$ 1,085,952	\$ 1,011,992
	=====	=====

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

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998  
(UNAUDITED)  
(AMOUNTS IN THOUSANDS)

	1999	1998
	-----	-----
Cash Flows from Operating Activities:		
Net income	\$ 81,176	\$ 16,504
Amounts to reconcile net income to net cash flows used in operating activities:		
Depreciation and amortization	37,806	31,601
Deferred income taxes	(2,656)	2,050
Gain on equity participation rights	(129,875)	--
Noncash interest income	--	(18,705)
Gain on sale of investments	--	(20,118)
Write-off of Z Music note receivable	--	23,616
Changes in:		
Trade receivables	(3,672)	(7,511)
Accounts payable and accrued liabilities	(9,410)	(21,305)
Other assets and liabilities	(18,101)	(14,707)
	-----	-----
Net cash flows used in operating activities	(44,732)	(8,575)
	-----	-----
Cash Flows from Investing Activities:		
Purchases of property and equipment	(46,186)	(35,941)
Proceeds from equity participation rights	130,000	--
Acquisition of businesses, net of cash acquired	(14,643)	(31,891)
Proceeds from sale of property and equipment	--	6,152
Proceeds from sale of investments	--	20,130
Investments in, advances to and distributions from affiliates	(42,535)	(10,539)
Other investing activities	3,630	(10,947)
	-----	-----
Net cash flows provided by (used in) investing activities	30,266	(63,036)
	-----	-----
Cash Flows from Financing Activities:		
Repayment of debt	(9,150)	(4,413)
Proceeds from issuance of debt	500	500
Net borrowings under revolving credit agreements	28,995	95,159
Proceeds from exercise of stock options	3,981	332
Dividends paid	(19,731)	(14,770)
	-----	-----
Net cash flows provided by financing activities	4,595	76,808
	-----	-----
Net change in cash	(9,871)	5,197
Cash, beginning of period	18,746	8,712
	-----	-----
Cash, end of period	\$ 8,875	\$ 13,909
	=====	=====

The accompanying notes are an integral part of these condensed

## GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
(AMOUNTS IN THOUSANDS)

## 1. BASIS OF PRESENTATION:

The condensed consolidated financial statements include the accounts of Gaylord Entertainment Company and subsidiaries (the "Company") and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the financial information presented not misleading. It is suggested that these condensed consolidated financial statements 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, 1998, filed with the Securities and Exchange Commission. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim period have been included. The results of operations for such interim period are not necessarily indicative of the results for the full year.

## 2. INCOME PER SHARE:

The Company calculates income per share using the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". Under the standards established by SFAS No. 128, earnings per share is measured at two levels: basic earnings per share and diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding after considering the additional dilution related to stock options.

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

	THREE MONTHS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
	1999	1998	1999	1998
Weighted average shares outstanding	32,924	32,808	32,850	32,804
Effect of dilutive stock options	320	307	307	386
Weighted average shares outstanding - assuming dilution	33,244	33,115	33,157	33,190

## 3. COMPREHENSIVE INCOME:

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. SFAS No. 130 requires that changes in the amounts of certain items, including gains and losses on certain securities, be shown in the financial statements. The Company adopted the provisions of SFAS No. 130 on January 1, 1998. The Company's comprehensive income is substantially equivalent to net income for the three month and nine month periods ended September 30, 1999 and 1998.

#### 4. RESTRUCTURING CHARGE:

During the third quarter of 1999, the Company recognized a nonrecurring restructuring charge of \$3,102 related to streamlining certain of the Company's operations. The restructuring charge includes estimated costs for employee severance and termination benefits of \$2,372 and other restructuring costs of \$730. As of September 30, 1999, the Company has recorded cash charges of \$1,814 against the restructuring accrual. The remaining balance of the restructuring accrual is included in accounts payable and accrued liabilities in the condensed consolidated balance sheet.

#### 5. MERGER COSTS:

The Company recorded a charge during 1997 related to merger costs associated with the transaction with CBS Corporation ("CBS") whereby The Nashville Network, Country Music Television in the United States and Canada and related cable networks businesses were acquired by CBS. During the third quarter of 1999, the Company reversed the remaining accrual of \$1,741 related to merger costs originally recorded in 1997 based upon the settlement of the remaining contingencies associated with the merger transaction. In addition, the Company recorded nonrecurring interest income of \$1,954 related to the settlement of contingencies between the Company and CBS during the third quarter of 1999.

#### 6. SUBSEQUENT EVENT:

During October 1999, the Company sold its television station KTVT in Dallas-Ft. Worth to CBS in exchange for \$485,000 of CBS Series B convertible preferred stock and other consideration. The Company will reflect a gain from the transaction of approximately \$280,000, net of deferred taxes, during the fourth quarter of 1999. Revenues and operating income of KTVT for the nine months ended September 30, 1999 were \$34,460 and \$8,049, respectively.

#### 7. OTHER GAINS AND LOSSES:

The Company recognized a pretax gain of \$129,875 during the first quarter of 1999 related to the collection of \$130,000 in proceeds from the redemption of certain equity participation rights in cable television systems which the Company sold during 1995. The Company recognized a current provision for income taxes of \$45,456 related to the gain during the first quarter of 1999.

#### 8. LONG-TERM NOTES RECEIVABLE:

The Company owns a minority limited partnership interest in Bass Pro, L.P. ("Bass Pro"). During the first quarter of 1999, the Company advanced \$28,080 to Bass Pro under an unsecured note agreement which bears interest at 8% annually and is due in 2003. Interest under the note agreement is payable annually.

#### 9. FINANCIAL REPORTING BY BUSINESS SEGMENTS:

THREE MONTHS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
-----		-----	
1999	1998	1999	1998

	-----	-----	-----	-----
Revenues:				
Hospitality and attractions	\$ 71,864	\$ 74,846	\$ 213,583	\$ 211,886
Broadcasting and music	62,524	59,216	160,497	153,111
Cable networks	1,323	842	3,132	4,891
	-----	-----	-----	-----
Total	\$ 135,711	\$ 134,904	\$ 377,212	\$ 369,888
	=====	=====	=====	=====
Depreciation and amortization:				
Hospitality and attractions	\$ 7,605	\$ 7,373	\$ 22,881	\$ 21,103
Broadcasting and music	3,773	2,163	9,325	5,752
Cable networks	488	465	1,449	1,349
Corporate	1,542	1,170	4,151	3,397
	-----	-----	-----	-----
Total	\$ 13,408	\$ 11,171	\$ 37,806	\$ 31,601
	=====	=====	=====	=====
Operating income:				
Hospitality and attractions	\$ 10,149	\$ 12,039	\$ 23,598	\$ 30,224
Broadcasting and music	1,980	8,044	5,448	20,740
Cable networks	(1,702)	(2,251)	(6,152)	(7,922)
Corporate	(6,897)	(6,430)	(20,587)	(18,168)
Restructuring charge	(3,102)	--	(3,102)	--
Merger costs	1,741	--	1,741	--
	-----	-----	-----	-----
Total	\$ 2,169	\$ 11,402	\$ 946	\$ 24,874
	=====	=====	=====	=====

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS SEGMENTS

The Company operates in the following business segments: hospitality and attractions; broadcasting and music; and cable networks. The hospitality and attractions segment primarily consists of the Opryland Hotel located in Nashville, Tennessee and the Company's Nashville-based attractions. The broadcasting and music segment includes the Company's television station prior to its disposal; radio stations; music publishing business; Word Entertainment ("Word"), the Company's contemporary Christian music company; and Pandora Investments, S.A. ("Pandora"), a Luxembourg based company which acquires, distributes and produces theatrical feature film and television programming primarily for markets outside of the United States. The cable networks segment consists primarily of CMT International, a country music video cable network operated in Latin America and the Pacific Rim. The Company's unallocated corporate expenses are reported separately.

SALE OF KTVT

During October 1999, the Company sold its television station KTVT in Dallas-Ft. Worth to CBS Corporation ("CBS") in exchange for \$485 million of CBS Series B



convertible preferred stock and other consideration (the "KTVT Transaction"). The Company will reflect a gain from the KTVT Transaction of approximately \$280 million, net of deferred taxes, during the fourth quarter of 1999.

#### GET DIGITALMEDIA

During the third quarter of 1999, the Company announced the creation of GET digitalmedia, a new division formed to initiate a focused Internet strategy, and the acquisition of a controlling equity interest in two online operations, Musicforce.com and Lightsource.com, for approximately \$15 million in cash. The parties have entered into option agreements regarding the additional equity interests in the online operations. The acquisition was financed through borrowings under a revolving credit agreement and has been accounted for using the purchase method of accounting. The Company expects that GET digitalmedia will have operating losses of \$15 million to \$20 million (excluding goodwill amortization) over the next fifteen months.

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#### RESULTS OF OPERATIONS

The following table contains unaudited selected summary financial data for the three month and nine month periods ended September 30, 1999 and 1998 (amounts in thousands). The table also shows the percentage relationships to total revenues and, in the case of segment operating income, its relationship to segment revenues.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	1999	%	1998	%	1999	%	1998	%
Revenues:								
Hospitality and attractions	\$ 71,864	52.9	\$ 74,846	55.5	\$ 213,583	56.6	\$ 211,886	57.3
Broadcasting and music	62,524	46.1	59,216	43.9	160,497	42.6	153,111	41.4
Cable networks	1,323	1.0	842	0.6	3,132	0.8	4,891	1.3
Total revenues	135,711	100.0	134,904	100.0	377,212	100.0	369,888	100.0
Operating expenses:								
Operating costs	81,791	60.2	81,163	60.1	238,045	63.1	220,950	59.7
Selling, general & administrative	36,982	27.3	31,168	23.1	99,054	26.3	92,463	25.0
Restructuring charge	3,102	2.3	--	--	3,102	0.8	--	--
Merger costs	(1,741)	(1.3)	--	--	(1,741)	(0.5)	--	--
Depreciation and amortization:								
Hospitality and attractions	7,605		7,373		22,881		21,103	
Broadcasting and music	3,773		2,163		9,325		5,752	
Cable networks	488		465		1,449		1,349	
Corporate	1,542		1,170		4,151		3,397	
Total depreciation and amortization	13,408	9.9	11,171	8.3	37,806	10.0	31,601	8.6
Total operating expenses	133,542	98.4	123,502	91.5	376,266	99.7	345,014	93.3
Operating income:								
Hospitality and attractions	10,149	14.1	12,039	16.1	23,598	11.0	30,224	14.3
Broadcasting and music	1,980	3.2	8,044	13.6	5,448	3.4	20,740	13.5
Cable networks	(1,702)	--	(2,251)	--	(6,152)	--	(7,922)	--
Corporate	(6,897)	--	(6,430)	--	(20,587)	--	(18,168)	--
Restructuring charge	(3,102)	--	--	--	(3,102)	--	--	--
Merger costs	1,741	--	--	--	1,741	--	--	--
Total operating income	\$ 2,169	1.6	\$ 11,402	8.5	\$ 946	0.3	\$ 24,874	6.7

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PERIODS ENDED SEPTEMBER 30, 1999 COMPARED TO PERIODS ENDED SEPTEMBER 30, 1998

Revenues

Total Revenues - Total revenues increased \$0.8 million, or 0.6%, to \$135.7 million in the third quarter of 1999, and increased \$7.3 million, or 2.0%, to \$377.2 million in the first nine months of 1999. The increase for the first nine months of 1999 results primarily from increased revenues in the broadcasting and music segment, principally from Word, and increases in the hospitality and attractions segment, offset in part by decreased revenues in the cable networks segment as a result of CMT International ceasing its European operations effective March 31, 1998.

Hospitality and Attractions - Revenues in the hospitality and attractions segment decreased \$3.0 million, or 4.0%, to \$71.9 million in the third quarter of 1999, and increased \$1.7 million, or 0.8%, to \$213.6 million in the first nine months of 1999. Opryland Hotel revenues increased \$1.0 million, or 0.6%, to \$161.3 million in the first nine months of 1999. The hotel's occupancy rate increased to 76.6% in the first nine months of 1999 compared to 76.3% in the first nine months of 1998. The hotel sold 580,800 rooms in the first nine months of 1999 compared to 578,400 rooms sold in the same period of 1998, reflecting a 0.4% increase from 1998. The hotel's average guest room rate decreased to \$136.17 in the first nine months of 1999 from \$140.06 in the first nine months of 1998. The increase for the first nine months of 1999 is also due to a \$2.2 million increase in revenues from the Wildhorse Saloon in Orlando, Florida, which opened in April 1998. These increases are partially offset by decreases related to the Company's investment in Bass Pro, L.P. of \$0.6 million and decreased revenues from the Company's General Jackson showboat of \$0.8 million.

Broadcasting and Music - Revenues in the broadcasting and music segment increased \$3.3 million, or 5.6%, to \$62.5 million in the third quarter of 1999, and increased \$7.4 million, or 4.8%, to \$160.5 million in the first nine months of 1999. The increase for the first nine months of 1999 is primarily due to an increase in revenues of Word of \$7.4 million due to an increase in sales of distributed products and Pandora, which was acquired in July 1998, of \$1.6 million. This increase is partially offset by a decrease in KTVT's revenues of \$3.3 million in the first nine months of 1999. The decrease in KTVT revenues is primarily due to higher revenues in 1998 related to the carriage of the 1998 Winter Olympics. Revenues for KTVT for the first nine months of 1999 were \$34.5 million.

Cable Networks - Revenues in the cable networks segment increased \$0.5 million, or 57.1%, to \$1.3 million in the third quarter of 1999, and decreased \$1.8 million, or 36.0%, to \$3.1 million in the first nine months of 1999. The decrease for the first nine months of 1999 is primarily the result of CMT International ceasing its European operations effective March 31, 1998.

Operating Expenses

Total Operating Expenses - Total operating expenses increased \$10.0 million, or 8.1%, to \$133.5 million in the third quarter of 1999, and increased \$31.3 million, or 9.1%, to \$376.3 million in the first nine months of 1999. Operating costs, as a percentage of revenues, increased to 63.1% during the first nine months of 1999 as compared to 59.7% during the first nine months of 1998, as discussed below. Selling, general and administrative expenses, as a percentage of revenues, increased to 26.3% during the first nine months of 1999 as compared to 25.0% during the first nine months of 1998.

Operating Costs - Operating costs increased \$0.6 million, or 0.8%, to \$81.8 million in the third quarter of 1999, and increased \$17.1 million, or 7.7%, to

\$238.0 million in the first nine months of 1999. The increase in the first nine months of 1999 is primarily attributable to increased operating costs of Word of \$6.9 million related to increased revenues of lower-margin distributed products and increased costs associated with the start-up of Word's warehouse. Operating costs of the Wildhorse Saloon locations increased \$3.3 million in the first nine months of 1999 related to increased revenues and the opening of the Orlando, Florida location in April 1998. Additionally, the operating costs of Pandora, which was acquired in July 1998, increased \$1.4 million in the first nine months of 1999. Costs associated with the growth strategy of CMT International and Z Music increased operating costs of the cable networks segment by \$1.0 million in the first nine months of 1999. The operating costs of KTVT increased \$0.9 million during the first nine months of 1999.

**Selling, General and Administrative** - Selling, general and administrative expenses increased \$5.8 million, or 18.7%, to \$37.0 million in the third quarter of 1999, and increased \$6.6 million, or 7.1%, to \$99.1 million in the first nine months of 1999. The increase in the first nine months of 1999 is primarily attributable to higher selling, general and administrative expenses of Word of \$5.5 million related primarily to promotion and selling costs. Development efforts of the Opryland Hospitality Group increased selling, general and administrative expenses \$1.3 million during the first nine months of 1999. Corporate general and administrative expenses increased \$1.4 million during the first nine months of 1999. Additionally, the selling, general and administrative expenses of Pandora, which was acquired in July 1998, increased \$1.1 million in the first nine months of 1999. These increases are partially offset by the 1998 recognition of a valuation reserve of \$3.4 million on a long-term note receivable from Z Music, Inc.

**Restructuring Charge** - During the third quarter of 1999, the Company recognized a nonrecurring restructuring charge of \$3.1 million related to streamlining certain of the Company's operations. The restructuring charge includes estimated costs for employee severance and termination benefits of \$2.4 million and other restructuring costs of \$0.7 million. As of September 30, 1999, the Company has recorded cash charges of \$1.8 million against the restructuring accrual. The remaining balance of the restructuring accrual is included in accounts payable and accrued liabilities in the condensed consolidated balance sheet.

**Merger Costs** - The Company recorded a charge during 1997 related to merger costs associated with the transaction with CBS whereby The Nashville Network, Country Music Television in the United States and Canada and related cable networks businesses were acquired by CBS. During the third quarter of 1999, the Company reversed the remaining accrual of \$1.7 million related to merger costs originally recorded in 1997, based upon the settlement of the remaining contingencies associated with the merger transaction.

**Depreciation and Amortization** - Depreciation and amortization increased \$2.2 million, or 20.0%, to \$13.4 million in the third quarter of 1999, and increased \$6.2 million, or 19.6%, to \$37.8 million in the first nine months of 1999. The increase is primarily attributable to the depreciation expense of acquisitions and capital expenditures made in 1998. Depreciation and amortization for KTVT for the first nine months of 1999 was \$2.1 million.

#### Operating Income

**Total Operating Income** - Total operating income decreased \$9.2 million to \$2.2 million in the third quarter of 1999, and decreased \$23.9 million to \$0.9 million in the first nine months of 1999. Operating income in the hospitality and attractions segment decreased \$6.6 million during the first nine months of 1999 as a result of lower earnings from the Company's attractions-related properties and increased development expenses associated with the Opryland Hospitality Group. Broadcasting and music segment operating income decreased \$15.3 million during the first nine months of 1999 primarily due to a decrease at KTVT and Word as well as the operating losses of GET digitalmedia. The operating income of KTVT for the first nine months of 1999 was \$8.0 million. Operating losses of the cable networks segment decreased \$1.8 million during the first nine months of 1999 primarily as a result of CMT International ceasing its

European operations effective March 31, 1998. Total corporate operating expenses increased \$2.4 million during the first nine months of 1999 as a result of increased administrative costs.

#### Interest Expense

Interest expense decreased \$3.8 million to \$4.3 million in the third quarter of 1999, and decreased \$11.4 million to \$11.3 million in the first nine months of 1999. The decrease in the first nine months of 1999 is primarily attributable to lower average borrowing levels and lower weighted average interest rates during the first nine months of 1999 than in the first nine months of 1998. The Company's weighted average interest rate on its borrowings was 6.1% in the first nine months of 1999 compared to 6.7% in the first nine months of 1998.

#### Interest Income

Interest income decreased \$3.6 million to \$2.9 million in the third quarter of 1999, and decreased \$15.2 million to \$4.3 million in the first nine months of 1999. The decrease in the first nine months of 1999 primarily relates to the December 1998 collection of a long-term note receivable which originated from the sale of the Company's cable television systems in 1995. This decrease was partially offset by nonrecurring interest income of \$2.0 million related to the settlement of contingencies between the Company and CBS during the third quarter of 1999.

#### Other Gains and Losses

During the first quarter of 1999, the Company recognized a pretax gain of \$129.9 million related to the collection of \$130 million in proceeds from the redemption of certain equity participation rights in cable television systems which the Company sold during 1995.

#### Income Taxes

The provision for income taxes decreased \$4.0 million to \$0.5 million in the third quarter of 1999, and increased \$33.1 million to \$43.4 million in the first nine months of 1999. The effective tax rate on income before provision for income taxes was 34.9% for the first nine months of 1999 compared to 38.5% for the first nine months of 1998. The Company recognized a current provision for income taxes of \$45.5 million related to the non-recurring gain from the equity participation rights discussed above.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has an unsecured revolving loan (the "Revolver") which provides for borrowings of up to \$600 million until its maturity in July 2002. At October 31, 1999, the Company had approximately \$306 million in available borrowing capacity under the Revolver. The terms and conditions of the Revolver require the Company to maintain certain financial ratios and minimum stockholders' equity levels and subject the Company to limitations on, among other things, mergers and sales of assets, additional indebtedness, capital expenditures, investments, acquisitions, liens, and transactions with affiliates.

As a result of the KTVT Transaction and new hotel construction, the Company anticipated that it would not be in compliance with certain covenants under the Revolver. The Company has obtained a waiver regarding these covenants. The waiver expires at the earlier of February 4, 2000 or upon the occurrence of certain other events. The Company is currently negotiating with its lenders regarding its future financing structure.

The \$130 million proceeds from the equity participation rights were used to reduce outstanding indebtedness under the Revolver. Acquisitions and operating losses of GET digitalmedia, the Company's new Internet division, currently projected to be approximately \$35 million, will be financed through borrowings under the Revolver.

The Company currently projects capital expenditures of approximately \$100 million for 1999, of which \$46 million had been spent as of September 30, 1999. The Company's management believes that the net cash flows from operations, together with the amount expected to be available for borrowing under the Company's debt structure, will be sufficient to satisfy anticipated future cash requirements of the Company on both a short-term and long-term basis.

#### YEAR 2000

Without programming modifications or embedded technology replacements, certain computer systems (hardware, software and equipment) will not operate properly when using the two digits used in date calculations for the year 2000. These computer systems interpret the "00" used in date calculations to represent the year 1900. During 1996, the Company formed an internal task force responsible for assessing, testing and correcting the Company's information technology and systems risks associated with the year 2000. The task force has completed its assessment of the Company's systems, has identified the Company's hardware, software and equipment that will not operate properly in the year 2000, and has taken the appropriate action to ensure compliance. In certain instances, hardware, software and equipment that will not operate properly in the year 2000 has been replaced.

As of October 31, 1999, the task force has determined and confirmed through testing that substantially all of the Company's systems, in certain circumstances following programming changes or replacements, will operate properly in the year 2000, except that certain purchased systems which have been warranted by the vendor to work properly in the year 2000 are currently in the testing process. The Company anticipates the testing of these purchased systems to be completed in November 1999.

The Company has requested written documentation from vendors and suppliers with whom the Company has a material relationship regarding their ability to operate properly in the year 2000. In many cases, the Company has developed contingency plans related to significant vendors and suppliers that have not confirmed their year 2000 readiness. There can be no assurance that the Company's significant vendors and suppliers will have remedied their year 2000 issues in a timely manner. The failure of a significant supplier to remedy its year 2000 issues could have a material adverse effect on the Company's operations, financial position or liquidity. The Company will continue to monitor its significant vendors and suppliers to mitigate its risks.

Based upon the Company's current estimates, the costs of the Company's year 2000 remediation efforts are between \$7 million and \$9 million. Included in the Company's cost estimates are the costs of replacing hardware and software of approximately \$6 million, which are capitalized and amortized over their estimated useful lives. Certain software replacements included in these cost estimates were planned prior to the assessment of the year 2000 issue and were accelerated as part of the Company's year 2000 remediation effort. The remaining costs are expensed as incurred. These projected costs are based upon management's best estimates, which were derived utilizing numerous assumptions of future events. There can be no guarantee, however, that these cost estimates will be achieved and actual results could differ materially.

Management's estimate of the Company's most reasonably likely worst case scenario involves the potential lack of year 2000 readiness of certain of the Company's significant vendors and suppliers, as a result of which the Company will be required to implement its contingency plans.

Management does not currently believe that the costs of assessment, remediation or replacement of the Company's systems, or the potential failure of third parties' systems, will have a material adverse effect on the Company's business, financial condition, results of operations or liquidity.

#### SEASONALITY

Certain of the Company's operations are subject to seasonal fluctuation. The

first calendar quarter is the weakest quarter for most television and radio broadcasters, including the Company, as advertising revenues are lower in the post-Christmas period. Revenues in the music business are typically weakest in the first calendar quarter following the Christmas buying season.

#### FORWARD-LOOKING STATEMENTS / RISK FACTORS

This report contains certain forward-looking statements regarding, among other things, the anticipated financial and operating results of the Company. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions investors that future financial and operating results may differ materially from those projected in forward-looking statements made by, or on behalf of, the Company. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. The Company's future operating results depend on a number of factors which were derived utilizing numerous assumptions and other important factors that, if altered, could cause actual results to differ materially from those projected in forward-looking statements. These factors, many of which are beyond the Company's control, include growth in the popularity of country music and country lifestyles; growth in the popularity of Christian music and family values lifestyles; the ability to control costs relating to the development of the Opry Mills retail complex; the ability to integrate acquired operations into the Company's businesses; the ability of the Company to implement successfully its focused Internet strategy; the ability of the Opryland Hospitality Group to successfully develop hotel properties in other markets; the advertising market in the United States in general and in the Company's Nashville radio markets in particular; the perceived attractiveness of Nashville, Tennessee and the Company's properties as convention and tourist destinations; consumer tastes and preferences for the Company's programming and other entertainment offerings; competition; the impact of weather on construction schedules; the ability of the Company to avoid operational problems associated with year 2000 compliance; and consolidation in the broadcasting and cable distribution industries.

In addition, investors are cautioned not to place undue reliance on forward-looking statements contained in this report because they speak only as of the date hereof. The Company undertakes no obligation to release publicly any modifications or revisions to forward-looking statements contained in this report to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

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#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Based on the Company's overall market interest rate and foreign currency exchange rate exposure at September 30, 1999, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates or fluctuation in foreign currency exchange rates on the Company's financial position, results of operations or cash flows would not be material.

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Part II - Other Information

Item 1. LEGAL PROCEEDINGS

Inapplicable

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Inapplicable

Item 3. DEFAULTS UPON SENIOR SECURITIES

Inapplicable

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

Inapplicable

Item 5. OTHER INFORMATION

Inapplicable

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Index to Exhibits following the Signatures page.

(b) No reports on Form 8-K were filed during the quarter ended September 30, 1999.

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SIGNATURES

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

GAYLORD ENTERTAINMENT COMPANY

Date: November 15, 1999

By: /s/ Joseph B. Crace

-----  
Joseph B. Crace  
Executive Vice President, Chief Operating  
Officer, and Chief Financial Officer

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INDEX TO EXHIBITS

4 Fourth Amendment to Credit Agreement, dated as of October 8, 1999, among the Registrant, the banks named therein, and NationsBank, N.A. (successor by merger to NationsBank of Texas, N.A.) as Administrative

Lender

27 Financial Data Schedule (for SEC use only)



## FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Fourth Amendment"), dated as of October 8, 1999, is entered into among GAYLORD ENTERTAINMENT COMPANY, a Delaware corporation ("Borrower"), the banks listed on the signature pages hereof (collectively, "Lenders"), and BANK OF AMERICA, N.A. (formerly known as NationsBank, N.A., successor by merger to NationsBank of Texas, N.A.), as Administrative Lender (in said capacity, "Administrative Lender").

## BACKGROUND

A. Borrower, Lenders and Administrative Lender are parties to that certain Credit Agreement, dated as of August 19, 1997, as amended by that certain First Amendment to Credit Agreement, dated as of September 30, 1997, that certain Second Amendment to Credit Agreement, dated as of March 24, 1998, and that certain Third Amendment to Credit Agreement, dated as of March 22, 1999, but effective as of December 31, 1998 (said Credit Agreement, as amended, the "Credit Agreement"; the terms defined in the Credit Agreement and not otherwise defined herein shall be used herein as defined in the Credit Agreement).

B. Borrower, Lenders and Administrative Lender desire to amend the Credit Agreement and waive an anticipated Event of Default that would occur pursuant to (a) Section 4.5 of the Credit Agreement as a result of the CBS Stock Transaction (as defined in Section 1(a) of this Fourth Amendment) and (b) Section 4.3 of the Credit Agreement as a result of exceeding the permitted Capital Expenditures for the 1999 fiscal year.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, Borrower, Lenders and Administrative Lender covenant and agree as follows:

## 1. AMENDMENTS TO CREDIT AGREEMENT.

(a) The defined term "CBS Stock Transaction" is hereby added to Section 1.1 of the Credit Agreement in proper alphabetical order to read as follows:

"CBS Stock Transaction" means the acquisition by CBS of KTVT in exchange for CBS preferred stock which is convertible into 10,141,691 shares of CBS common stock, among other consideration, which will occur on or about October 12, 1999.

(b) Section 4.4 of the Credit Agreement is hereby amended to read as follows:

"4.4 Net Worth. Borrower shall not permit Net Worth to be less than an amount equal to the sum of (i) 90% of Net Worth on December 31, 1997, plus (ii) 50% of the cumulative Net Income from and including January 1, 1998 (but excluding from the calculation of cumulative Net Income (a) the effect, if any, of any fiscal quarter (or any portion of a fiscal quarter not yet ended) for which Net Income was a negative number and (b) the amount of any gain incurred as a result of the CBS Stock Transaction), plus (iii) 75% of the Net Proceeds received by Borrower or any of its Subsidiaries from any Equity Issuance occurring on and after January 1, 1998, plus (iv) any increase in stockholders' equity of Borrower pursuant to the conversion or exchange of preferred Capital Stock of Borrower into common Capital Stock of Borrower, plus (v) an amount equal to 75% of the net worth of any Person that becomes a Subsidiary of Borrower or substantially all of the assets of which are acquired by Borrower or any of its Subsidiaries to the extent the purchase price therefor is paid in Capital Stock of Borrower or any of

its Subsidiaries, plus (vi) an amount equal to the gain incurred by the Borrower as a result of the CBS Stock Transaction."

2. WAIVER. Subject to satisfaction of the conditions of effectiveness set forth in Section 4 of this Fourth Amendment and the termination of the waiver as provided herein, the Lenders hereby waive the anticipated Event of Default with respect to (a) Section 4.5 of the Credit Agreement which would occur as a result of the CBS Stock Transaction and (b) Section 4.3 of the Credit Agreement which would occur as a result of exceeding the permitted Capital Expenditures for the fiscal year 1999. The waiver provided herein does not affect any other covenant or provision of the Credit Agreement. The waiver provided in this Section 2 shall terminate automatically without any action by the Administrative Lender, the Lenders or any other Person and be of no further force or effect upon the earliest to occur of (a) February 4, 2000, (b) the sale, disposition, pledge or other encumbrance, or the agreement to sell, dispose or pledge or otherwise encumber, of all or any of the capital stock acquired by the Borrower in the CBS Stock Transaction (or any stock obtained in exchange or conversion of such stock), (c) the making by the Borrower and its Subsidiaries of additional Investments after October 12, 1999 (excluding any appreciation of Investments existing on October 12, 1999) in an aggregate amount in excess of \$20,000,000, or (d) a determination that the aggregate Capital Expenditures for fiscal year 1999 are in excess of \$125,000,000. Upon the termination of the waiver, and notwithstanding anything in the Credit Agreement to the contrary, an Event of Default shall automatically occur under the Credit Agreement whether or not the Borrower is in compliance with Section 4.5 of the Credit Agreement at such time.

3. REPRESENTATIONS AND WARRANTIES TRUE; NO EVENT OF DEFAULT. By its execution and delivery hereof, Borrower represents and warrants that after giving effect to the amendments contemplated by the foregoing Section 1 and the waiver contemplated by the foregoing Section 2:

(a) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof as though made on and as of such

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date, except to the extent that any such representation or warranty relates expressly to a specified date or is no longer correct because of a change in circumstances permitted by the Loan Documents;

(b) no event has occurred and is continuing which constitutes a Default or Event of Default;

(c) Borrower has full power and authority to execute and deliver this Fourth Amendment and the Credit Agreement, as amended hereby, and this Fourth Amendment and the Credit Agreement, as amended hereby, constitute the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable debtor relief laws and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and except as rights to indemnity may be limited by federal or state securities laws;

(d) neither the execution, delivery and performance of this Fourth Amendment or the Credit Agreement, as amended by this Fourth Amendment, will contravene or conflict with any Law to which Borrower or any of its Subsidiaries is subject or any indenture, agreement or other instrument to which Borrower or any of its Subsidiaries or any of their respective property is subject; and

(e) no authorization, approval, consent, or other action by, notice to, or filing with, any Tribunal or other Person, is required for the execution, delivery or performance by Borrower of this Fourth Amendment or the acknowledgment of this Fourth Amendment by any Guarantor.

4. CONDITIONS OF EFFECTIVENESS. This Fourth Amendment shall be effective as of October 8, 1999, subject to the following:

(a) Administrative Lender shall have received counterparts of this Fourth Amendment executed by Determining Lenders;

(b) Administrative Lender shall have received counterparts of this Fourth Amendment executed by Borrower and acknowledged by each Guarantor; and

(c) Administrative Lender shall have received, in form and substance satisfactory to Administrative Lender and its counsel, such other documents, certificates and instruments as Administrative Lender reasonably shall require.

5. GUARANTOR ACKNOWLEDGMENT. By signing below, each of the Guarantors (i) acknowledges, consents and agrees to the execution and delivery of this Fourth Amendment, (ii) acknowledges and agrees that its obligations in respect of its Guaranty are not released, diminished, waived, modified, impaired or affected in any manner by this Fourth Amendment or any of the provisions contemplated herein, (iii) ratifies and confirms its obligations under its Guaranty,

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and (iv) acknowledges and agrees that it has no claims or offsets against, or defenses or counterclaims to, its Guaranty.

6. REFERENCE TO THE CREDIT AGREEMENT.

(a) Upon the effectiveness of this Fourth Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", or words of like import shall mean and be a reference to the Credit Agreement, as amended or modified by this Fourth Amendment.

(b) The Credit Agreement, as amended or modified by this Fourth Amendment, and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

7. COSTS, EXPENSES AND TAXES. Borrower agrees to pay on demand all costs and expenses of the Administrative Lender in connection with the preparation, reproduction, execution and delivery of this Fourth Amendment and the other instruments and documents to be delivered hereunder (including the reasonable fees and out-of-pocket expenses of counsel for the Administrative Lender with respect thereto and with respect to advising the Lenders as to their rights and responsibilities under the Credit Agreement, as amended by this Fourth Amendment).

8. EXECUTION IN COUNTERPARTS. This Fourth Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

9. GOVERNING LAW: BINDING EFFECT. This Fourth Amendment shall be governed by and construed in accordance with the laws of the State of Texas and shall be binding upon Borrower and each Lender and their respective successors and assigns.

10. HEADINGS. Section headings in this Fourth Amendment are included herein for convenience of reference only and shall not constitute a part of this Fourth Amendment for any other purpose.

11. ENTIRE AGREEMENT. THE CREDIT AGREEMENT, AS AMENDED BY THIS FOURTH AMENDMENT, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment to be effective as of the date first above written.

GAYLORD ENTERTAINMENT COMPANY

By: /s/ Joseph B. Crace

-----  
Name: Joseph B. Crace  
Title: Executive Vice President  
Chief Operating Officer  
Chief Financial Officer

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BANK OF AMERICA, N.A., as a  
Lender, Swing Line Bank,  
Issuing Bank and as  
Administrative Lender

By: /s/ Suzanne B. Smith

-----  
Name: Suzanne B. Smith  
Title: Principal

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THE BANK OF NEW YORK

By: /s/ Cynthia L. Rogers

-----  
Name: Cynthia L. Rogers  
Title: Vice President

- 7 -

SUNTRUST BANK, NASHVILLE, N.A.

By: /s/ Tracy L. Elliott

-----  
Name: Tracy L. Elliott

Title: Senior Vice President

- 8 -

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Robert Ivosevich

-----  
Name: Robert Ivosevich

Title: Senior Vice President

- 9 -

WELLS FARGO BANK (TEXAS), NATIONAL  
ASSOCIATION

By: /s/ Craig T. Scheef

-----  
Name: Craig T. Scheef

Title: Vice President

- 10 -

FIRST UNION NATIONAL BANK

By: /s/ Carol S. Geraghty

-----  
Name: Carol S. Geraghty

Title: Vice President

- 11 -

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THE INDUSTRIAL BANK OF JAPAN, LIMITED,  
ATLANTA AGENCY

By: /s/ Minami Miura

-----  
Name: Minami Miura  
Title: Vice President

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COMERICA BANK

By: /s/ Kristine L. Vigliotti

-----  
Name: Kristine L. Vigliotti  
Title: Assistant Vice President

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GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Karl Kieffer

-----  
Name: Karl Kieffer  
Title: Duly Authorized Signatory

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THE BANK OF NOVA SCOTIA

By: /s/ Vincent J. Fitzgerald, Jr.

-----  
Name: Vincent J. Fitzgerald, Jr.  
Title: Authorized Signatory

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WACHOVIA BANK, N.A.

By: /s/ Kenneth Washington

-----  
Name: Kenneth Washington  
Title: Vice President

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BANK ONE, OKLAHOMA, NATIONAL  
ASSOCIATION

By: /s/ Audrey J. Strutman

-----  
Name: Audrey J. Strutman  
Title: Senior Vice President

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ACKNOWLEDGED AND AGREED:

IDEA ENTERTAINMENT, INC.

By: /s/ Joseph B. Crace

-----  
Name: Joseph B. Crace  
Title: Vice President

GAYLORD BROADCASTING COMPANY, L.P.

By: Gaylord Communications, Inc.,  
its General Partner

By: /s/ Joseph B. Crace

-----  
Name: Joseph B. Crace  
Title: Vice President

OPRYLAND ATTRACTIONS, INC.

By: /s/ Joseph B. Crace

-----  
Name: Joseph B. Crace  
Title: Vice President

OLH, G.P.

By: Opryland Hospitality, Inc.

By: /s/ Joseph B. Crace

-----  
Name: Joseph B. Crace  
Title: Vice President

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ACUFF-ROSE MUSIC PUBLISHING, INC.  
(formerly known as OPRYLAND MUSIC  
GROUP, INC.)

By: /s/ Joseph B. Crace

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Name: Joseph B. Crace  
Title: Vice President

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