# 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, 2001

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<br>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 [X] 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, 2001 |
|---|---|
| Common Stock, $.01 par value | 33,758,291 shares |

GAYLORD ENTERTAINMENT COMPANY

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2001

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PART I - FINANCIAL INFORMATION
ITEM 1. - FINANCIAL STATEMENTS

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(UNAUDITED)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | 2001 | 2000 |
|---|---|---|
| Revenues | $ 75,130 | $ 83,028 |
| Operating expenses: | | |
| Operating costs | 50,452 | 54,382 |
| Selling, general and administrative | 18,323 | 27,185 |
| Preopening costs | 3,153 | 1,369 |
| Depreciation and amortization | 10,321 | 11,596 |
| Operating loss | (7,119) | (11,504) |
| Interest expense, net of amounts capitalized | (9,039) | (6,554) |
| Interest income | 1,309 | 1,185 |
| Unrealized loss on Viacom stock | (189,802) | -- |
| Unrealized gain on derivatives | 168,300 | -- |
| Other gains and losses | (204) | 384 |
| Loss from continuing operations before income taxes | (36,555) | (16,489) |
| Benefit for income taxes | (12,066) | (4,990) |
| Loss from continuing operations | (24,489) | (11,499) |
| Loss from discontinued operations, net of taxes | (20,672) | (7,551) |
| Net loss | $ (45,161) | $(19,050) |
| Loss per share: | | |
| Loss from continuing operations | $ (0.73) | $ (0.34) |
| Loss from discontinued operations | (0.62) | (0.23) |
| Net loss | $ (1.35) | $ (0.57) |
| Loss per share - assuming dilution: | | |
| Loss from continuing operations | $ (0.73) | $ (0.34) |
| Loss from discontinued operations | (0.62) | (0.23) |
| Net loss | $ (1.35) | $ (0.57) |

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

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(UNAUDITED)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | 2001 | 2000 |
|---|---|---|
| Revenues | $ 237,296 | $ 248,970 |
| Operating expenses: | | |
| Operating costs | 158,724 | 167,677 |
| Selling, general and administrative | 55,520 | 73,181 |
| Preopening costs | 7,461 | 4,098 |
| Impairment and other charges | 11,388 | -- |
| Restructuring charges | (2,304) | -- |
| Depreciation and amortization | 31,017 | 34,493 |
| Operating loss | (24,510) | (30,479) |
| Interest expense, net of amounts capitalized | (29,957) | (19,147) |
| Interest income | 4,550 | 3,107 |
| Unrealized loss on Viacom stock | (105,397) | -- |
| Unrealized gain on derivatives | 141,219 | -- |
| Other gains and losses | 6,205 | 59 |
| Loss from continuing operations before income taxes | (7,890) | (46,460) |
| Benefit for income taxes | (2,605) | (15,332) |
| Loss from continuing operations | (5,285) | (31,128) |
| Loss from discontinued operations, net of taxes | (31,219) | (17,206) |
| Cumulative effect of accounting change, net of taxes | 11,909 | -- |
| Net loss | $ (24,595) | $ (48,334) |
| Loss per share: | | |
| Loss from continuing operations | $ (0.16) | $ (0.93) |
| Loss from discontinued operations | (0.93) | (0.52) |
| Cumulative effect of accounting change | 0.36 | -- |
| Net loss | $ (0.73) | $ (1.45) |
| Loss per share - assuming dilution: | | |
| Loss from continuing operations | $ (0.16) | $ (0.93) |
| Loss from discontinued operations | (0.93) | (0.52) |
| Cumulative effect of accounting change | 0.36 | -- |
| Net loss | $ (0.73) | $ (1.45) |

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

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2001 AND DECEMBER 31, 2000
(UNAUDITED)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | SEPTEMBER 30, 2001 | DECEMBER 31, 2000 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents - unrestricted | $ 40,868 | $ 28,091 |
| Cash and cash equivalents - restricted | 25,432 | 12,667 |
| Trade receivables, less allowance of $3,421 and $3,449, respectively | 30,036 | 23,302 |
| Inventories | 3,764 | 4,572 |
| Deferred financing costs | 26,865 | 29,674 |
| Other current assets | 14,708 | 36,058 |
| Current assets of discontinued operations | 48,500 | 81,289 |
| Total current assets | 190,173 | 215,653 |
| Property and equipment, net of accumulated depreciation | 933,295 | 763,937 |
| Intangible assets, net of accumulated amortization | 20,365 | 21,838 |
| Investments | 455,686 | 597,213 |
| Long-term notes receivable, net | 18,794 | 18,830 |
| Fair value of derivative assets | 206,160 | -- |
| Long-term deferred financing costs | 139,921 | 144,998 |
| Other long-term assets | 35,763 | 41,905 |
| Long-term assets of discontinued operations | 73,267 | 135,179 |
| Total assets | $ 2,073,424 | $ 1,939,553 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 8,004 | $ 175,500 |
| Accounts payable and accrued liabilities | 108,246 | 112,274 |
| Current liabilities of discontinued operations | 20,092 | 40,949 |
| Total current liabilities | 136,342 | 328,723 |
| Secured forward exchange contract | 613,054 | 613,054 |
| Long-term debt, net of current portion | 362,994 | -- |
| Deferred income taxes | 180,662 | 204,805 |
| Fair value of derivative liabilities | 46,619 | -- |
| Other liabilities | 38,805 | 43,009 |
| Long-term liabilities of discontinued operations | 4,487 | 20,551 |
| Minority interest | 1,746 | 1,546 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, 100,000 shares authorized, no shares issued or outstanding | -- | -- |
| Common stock, $.01 par value, 100,000 shares authorized, 33,707 and 33,411 shares issued and outstanding, respectively | 337 | 334 |
| Additional paid-in capital | 519,349 | 513,599 |
| Retained earnings | 172,963 | 197,558 |
| Unrealized gain on investments | -- | 17,957 |
| Other stockholders' equity | (3,934) | (1,583) |
| Total stockholders' equity | 688,715 | 727,865 |
| Total liabilities and stockholders' equity | $ 2,073,424 | $ 1,939,553 |

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, 2001 AND 2000
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

| | 2001 | 2000 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net loss | $ (24,595) | $ (48,334) |
| Amounts to reconcile net loss to net cash flows provided by (used in) operating activities: | | |
| Loss on discontinued operations, net | 31,219 | 17,206 |
| Impairment and other charges | 11,388 | -- |
| Cumulative effect of accounting change, net | (11,909) | -- |
| Unrealized gain on derivatives | (141,219) | -- |
| Unrealized loss on Viacom stock | 105,397 | -- |
| Depreciation and amortization | 31,017 | 34,493 |
| Deferred income taxes | (3,705) | (1,201) |
| Amortization of deferred financing costs | 26,895 | 11,367 |
| Changes in (net of acquisitions and divestitures): | | |
| Trade receivables | (6,734) | (7,324) |
| Accounts payable and accrued liabilities | (5,465) | (1,104) |
| Income tax receivable | 23,868 | (5,851) |
| Other assets and liabilities | (3,187) | 6,506 |
| Net cash flows provided by operating activities - continuing operations | 32,970 | 5,758 |
| Net cash flows used in operating activities - discontinued operations | (9,413) | (22,743) |
| Net cash flows provided by (used in) operating activities | 23,557 | (16,985) |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | (203,345) | (146,231) |
| Acquisition of businesses, net of cash acquired | -- | (11,620) |
| Investments in, advances to and distributions from affiliates, net | 2,247 | (5,708) |
| Other investing activities | (3,009) | (4,895) |
| Net cash flows used in investing activities - continuing operations | (204,107) | (168,454) |
| Net cash flows provided by (used in) investing activities - discontinued operations | 18,182 | (19,668) |
| Net cash flows used in investing activities | (185,925) | (188,122) |
| Cash Flows from Financing Activities: | | |
| Repayment of long-term debt | (239,502) | (500) |
| Proceeds from issuance of long-term debt | 435,000 | 500 |
| Net repayments under revolving credit agreements | -- | (294,000) |
| Cash proceeds from secured forward exchange contract | -- | 613,054 |
| Deferred financing costs paid | (19,581) | (106,717) |
| Increase in restricted cash | (12,765) | (3,960) |
| Proceeds from exercise of stock option and purchase plans | 2,084 | 2,067 |
| Net cash flows provided by financing activities - continuing operations | 165,236 | 210,444 |
| Net cash flows provided by financing activities - discontinued operations | 3,250 | 9,019 |
| Net cash flows provided by financing activities | 168,486 | 219,463 |
| Net change in cash | 6,118 | 14,356 |
| Decrease in cash balance - discontinued operations | 6,659 | 5,747 |
| Cash, beginning of period | 28,091 | 10,955 |
| Cash, end of period | $ 40,868 | $ 31,058 |

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

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, 2000, filed with the Securities and Exchange Commission. Effective October 1, 2000, the Company adopted the provisions of Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" and certain related authoritative literature. Accordingly, the Company classified certain amounts as revenues that historically, in accordance with industry practice, were reported as a reduction to operating expenses. To comply with the new requirements, the Company reclassified $5,346 and $16,736 from operating expenses to revenues for the three months and nine months ended September 30, 2000, respectively. 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.

During the third quarter of 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company adopted the provisions of SFAS No. 144 during the third quarter of 2001 as further described in Note 4.

2. INCOME PER SHARE:

The Company calculates income per share using SFAS No. 128, "Earnings per Share". The weighted average number of common shares outstanding is calculated as follows:

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Weighted average shares outstanding | 33,558 | 33,405 | 33,501 | 33,369 |
| Effect of dilutive stock options | -- | -- | -- | -- |
| Weighted average shares outstanding - assuming dilution | 33,558 | 33,405 | 33,501 | 33,369 |

For the three months ended September 30, 2001 and 2000, the Company's effect of dilutive stock options was the equivalent of 123 shares and 109 shares, respectively, of common stock outstanding. For the nine months ended September 30, 2001 and 2000, the Company's effect of dilutive stock options was the equivalent of 128 shares and 136 shares, respectively, of common stock outstanding. These incremental shares were excluded from the computation of diluted earnings per share as the effect of their inclusion would be anti-dilutive.

3. COMPREHENSIVE INCOME:

Comprehensive income is as follows:

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Net loss | $(45,161) | $(19,050) | $(24,595) | $(48,334) |
| Unrealized loss on investments | -- | (65,127) | (17,957) | (2,907) |
| Unrealized loss on interest rate hedges | (466) | -- | (572) | -- |
| Foreign currency translation | 301 | (190) | 788 | (788) |
| Comprehensive loss | $(45,326) | $(84,367) | $(42,336) | $(52,029) |

4. DISCONTINUED OPERATIONS:

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions for the disposal of a segment of a business of Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the requirements of SFAS No. 121 for the recognition and measurement of an impairment loss and broadens the presentation of discontinued operations to include a component of an entity (rather than a segment of a business). The Company adopted the provisions of SFAS No. 144 during the third quarter of 2001. Accordingly, SFAS No. 144 required the Company to restate the Company's results of operations and cash flows of the first and second quarters of 2001 to reflect adoption of this new accounting standard as of January 1, 2001.

As a result of the adoption of SFAS No. 144, the Company has reflected the following businesses as discontinued operations: Word Entertainment ("Word"), the Company's contemporary Christian music company; the Company's international cable networks; the businesses sold to affiliates of The Oklahoma Publishing Company ("OPUBCO") in March 2001 consisting of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company; and the Company's water taxis sold in the second quarter of 2001. The results of operations of these businesses, including any gain or loss on disposal, have been reflected as discontinued operations, net of taxes, in the accompanying condensed consolidated statements of operations. The assets and liabilities of these businesses are reflected as discontinued operations in the accompanying condensed consolidated balance sheets.

During the third quarter of 2001, the Company committed to a plan to sell Word. The Company expects to dispose of Word in the next twelve months. As a result of the decision to sell Word, the Company reduced the carrying value of Word to its estimated fair value by recognizing a pretax charge of $29,000 in discontinued operations during the third quarter of 2001. The estimated fair value of Word's net assets was determined based upon ongoing negotiations with potential buyers. Word's assets, liabilities and results of operations have been reflected in the accompanying condensed consolidated financial statements as discontinued operations in accordance with SFAS No. 144 for all periods presented. During the third quarter of 2001, the Company completed the disposal of Word's operations in the United Kingdom and recognized a pretax loss of $722, which is included in discontinued operations in the accompanying condensed consolidated statements of operations.

On June 1, 2001, the Company adopted a formal plan to dispose of its international cable networks. The Company anticipates completing the disposal within the next nine months. The operating results of the international cable networks are reflected as discontinued operations, net of taxes, in the accompanying condensed consolidated statements of operations. The assets and liabilities of the international cable networks are presented as discontinued operations in the accompanying condensed consolidated balance sheets. Prior to the adoption of SFAS No. 144, the international cable networks were accounted for as discontinued operations under APB Opinion No. 30, which required the deferral of the losses produced by the international cable networks subsequent to June 1, 2001. The adoption of SFAS No. 144 required the Company to restate the second quarter of 2001 and recognize these deferred losses, excluding depreciation and amortization, of $410, net of income taxes.

During March 2001, the Company sold five businesses: Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company, to affiliates of OPUBCO for $22,000 in cash and the assumption of debt of $19,318. During the first quarter of 2001, the Company recognized a pretax loss of $1,673 related to the sale in discontinued operations in the accompanying condensed consolidated statement of operations. The operating results of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company are reflected as discontinued operations, net of taxes, in the accompanying condensed consolidated statements of operations until the date of sale. OPUBCO owns a minority interest in the Company. Four of the Company's directors are also directors of OPUBCO and voting trustees of a voting trust that controls OPUBCO. Additionally, those four directors collectively own a significant ownership interest in the Company.

During the second quarter of 2001, the Company sold its water taxi operations and recognized a pretax loss of $212, which is reflected as discontinued operations in the accompanying condensed consolidated statements of operations. The water taxi operations prior to disposal have been accounted for as discontinued operations in the accompanying condensed consolidated financial statements.

The results of operations of businesses accounted for as discontinued operations are as follows:

| | THREE MONTHS ENDED SEPTEMBER 30, 2001 | THREE MONTHS ENDED SEPTEMBER 30, 2000 | NINE MONTHS ENDED SEPTEMBER 30, 2001 | NINE MONTHS ENDED SEPTEMBER 30, 2000 |
|---|---|---|---|---|
| REVENUES: | | | | |
| Word Entertainment | $ 33,322 | $ 36,753 | $ 87,184 | $ 99,346 |
| International cable networks | 1,264 | 1,260 | 3,815 | 3,785 |
| Businesses sold to OPUBCO | -- | 9,526 | 2,195 | 24,199 |
| Water taxis | -- | 209 | 9 | 318 |
| Total revenues of discontinued operations | $ 34,586 | $ 47,748 | $ 93,203 | $ 127,648 |
| OPERATING INCOME (LOSS): | | | | |
| Word Entertainment | $ 367 | $ (3,158) | $ (6,263) | $ (9,832) |
| International cable networks | (1,280) | (2,837) | (5,463) | (8,122) |
| Businesses sold to OPUBCO | -- | (2,263) | (1,459) | (4,604) |
| Water taxis | -- | 60 | (112) | (63) |
| Total operating loss of discontinued operations | $ (913) | $ (8,198) | $(13,297) | $ (22,621) |
| PRETAX INCOME (LOSS): | | | | |
| Word Entertainment | $(29,327) | $ (5,664) | $(36,179) | $ (12,339) |
| International cable networks | (1,526) | (3,014) | (6,731) | (8,586) |
| Businesses sold to OPUBCO | -- | (2,323) | (3,361) | (4,692) |
| Water taxis | -- | 60 | (324) | (63) |
| Total pretax loss of discontinued operations | (30,853) | (10,941) | (46,595) | (25,680) |
| Benefit for income taxes | (10,181) | (3,390) | (15,376) | (8,474) |
| LOSS FROM DISCONTINUED OPERATIONS, NET OF TAXES | $(20,672) | $ (7,551) | $(31,219) | $ (17,206) |

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

| | SEPTEMBER 30, 2001 | DECEMBER 31, 2000 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 1,102 | $ 7,761 |
| Trade receivables, less allowance of $1,703 and $5,003, respectively | 27,848 | 43,567 |
| Inventories | 8,572 | 12,321 |
| Prepaid expenses | 10,010 | 12,589 |
| Other current assets | 968 | 5,051 |
| Total current assets | 48,500 | 81,289 |
| Property and equipment, net of accumulated depreciation | 17,204 | 15,023 |
| Intangible assets, net of accumulated amortization | 30,280 | 81,954 |
| Music and film catalogs | 10,696 | 26,237 |
| Other long-term assets | 15,087 | 11,965 |
| Total long-term assets | 73,267 | 135,179 |
| Total assets | $121,767 | $216,468 |
| Current liabilities: | | |
| Current portion of long-term debt | $ 1,378 | $ 1,378 |
| Accounts payable and accrued expenses | 18,714 | 39,571 |
| Total current liabilities | 20,092 | 40,949 |
| Long-term debt, net of current portion | 4,483 | 20,551 |
| Other long-term liabilities | 4 | -- |
| Total long-term liabilities | 4,487 | 20,551 |
| Total liabilities | $ 24,579 | $ 61,500 |

5. IMPAIRMENT AND OTHER CHARGES:

During the second quarter of 2001, the Company recorded pretax impairment and other charges of $11,388. These charges include an investment in an IMAX movie of $5,669, a minority investment in a technology business of $4,576 and an investment in idle real estate of $1,143. The Company began production of an IMAX movie during 2000 that will portray the history of country music. After encountering a number of operational issues that created significant cost overruns, the carrying value of the IMAX film asset was reassessed during the second quarter of 2001 resulting in the $5,669 impairment charge. During 2000, the Company made a minority investment in a technology start-up business. During 2001, the unfavorable environment for technology businesses created difficulty for this business to obtain adequate capital to execute its business plan. During the second quarter of 2001, the Company was notified that this technology business had been unsuccessful in arranging financing. As such, the Company reassessed the investment's realizability and reflected an impairment charge of $4,576 during the second quarter of 2001. The impairment charge related to idle real estate of $1,143 recorded during the second quarter of 2001 was based upon certain third-party offers received during the second quarter of 2001 for such property.

6. DEBT:

Subsequent to September 30, 2001, the Company entered into a three-year delayed-draw senior term loan ("Term Loan") of up to $210,000 with Deutsche Banc Alex Brown Inc., Salomon Smith Barney, Inc. and CIBC World Markets Corp. (collectively the "Lenders"). Proceeds of the Term Loan will be used to finance the completion of the Gaylord Palms resort, formerly known as the Opryland Hotel Florida, and general operating purposes. The Term Loan is primarily secured by the Company's ground lease interest in the Gaylord Palms resort.

At the Company's option, amounts outstanding under the Term Loan bear interest at the prime interest rate plus 2.125% or the Eurodollar rate plus 3.375%. The Term Loan contains provisions that allow the Lenders to syndicate the Term Loan, which could result in a change to the terms and structure of the Term Loan, including an increase in interest rates. In addition, the Company is required to pay a commitment fee equal to 0.375% per year of the average unused portion of the Term Loan. Borrowings under the Term Loan are limited to an amount equal to 50% of the total costs incurred related to the construction of the Gaylord Palms resort. The maximum amount available under the Term Loan reduces to $150,000 in April 2003, to $100,000 in October 2003, and to $50,000 in April 2004, with full repayment due in October 2004. Excess cash flows, as defined, generated by the Gaylord Palms resort are required to be used to reduce outstanding borrowings under the Term Loan until the borrowing capacity is reduced to $85,000. Additionally, the Term Loan requires the net proceeds from all asset sales by the Company to be used to reduce outstanding borrowings until the borrowing capacity under the Term Loan has been reduced to $60,000. Debt repayments under the Term Loan reduce the borrowing capacity and are not eligible to be re-borrowed. The Company borrowed $100,000 during October 2001 under the Term Loan and was required to escrow certain amounts in a completion reserve account for the Gaylord Palms resort. The Term Loan requires the Company to maintain certain escrowed cash balances, comply with certain financial covenants, and imposes limitations related to the payment of dividends, the incurrence of debt, the guaranty of liens, and the sale of assets, as well as other customary covenants and restrictions.

During 2000, the Company entered into a six-month $200,000 interim loan agreement (the "Interim Loan") with Merrill Lynch Mortgage Capital, Inc. During the first quarter of 2001, the Company increased the borrowing capacity under the Interim Loan to $250,000.

During March 2001, the Company, through special purpose entities, entered into two loan agreements, a $275,000 senior loan (the "Senior Loan") and a $100,000 mezzanine loan (the "Mezzanine Loan") (collectively, the "Nashville Hotel Loans") with affiliates of Merrill Lynch & Company acting as principal. The Company used $235,000 of the proceeds from the Senior Loan to refinance the Interim Loan. The Senior Loan is secured by a first mortgage lien on the assets of the Gaylord Opryland resort and is due in 2004. Amounts outstanding under the Senior Loan bear interest at a blended rate of one-month LIBOR plus 0.9%. The Mezzanine Loan, secured by the equity interest in the wholly-owned subsidiary owner of the Gaylord Opryland resort, is due in 2004 and bears interest at one-month LIBOR plus 6.0%. For the nine month period ended September 30, 2001, the weighted average interest rates on the Senior Loan and Mezzanine Loan were 6.8% and 12.6%, respectively. At the Company's option, the Nashville Hotel Loans may be extended for two additional one-year terms beyond their scheduled maturities, subject to the Company meeting certain financial ratios and other criteria. The Senior Loan requires monthly principal payments of $667 during its three-year term. The Nashville Hotel Loans require monthly interest payments. The terms of the Senior Loan and the Mezzanine Loan require the purchase of interest rate hedges in notional amounts equal to the outstanding balances of the Senior Loan and the Mezzanine Loan in order to protect against adverse changes in one-month LIBOR. Pursuant to these agreements, the Company has purchased instruments which cap its exposure to one-month LIBOR at 7.5%. At closing, the Company was required to escrow certain amounts, including $20,000 related to future capital expenditures of the Gaylord Opryland resort. The net proceeds from the Nashville Hotel Loans, after the refinancing of the Interim Loan, required escrows and fees, were approximately $97,600. At September 30, 2001, the unamortized balance of the deferred financing costs related to the Nashville Hotel Loans was $15,033.

The Nashville Hotel Loans require that the Company maintain certain escrowed cash balances and certain financial covenants, and imposes limits on transactions with affiliates and indebtedness. At September 30, 2001, the Company was in compliance with the covenants that would create an event of default under the Nashville Hotel Loans. However, the operating performance of the Gaylord Opryland resort as of September 30, 2001 has triggered certain cash management restrictions in the Nashville Hotel Loans in which all excess cash flows, as defined, will be escrowed. The Company is currently discussing alternatives to the excess cash flow escrow requirement with the lenders of the Nashville Hotel Loans. There can be no assurance that the Company will be released from the excess cash flow escrow requirement or that the Company will remain in compliance with covenants that would create an event of default under the Nashville Hotel Loans.

Additional financing is required to fund the Company's construction commitments related to its hotel development projects and to fund its operating losses. There is no assurance that financing will be secured with terms that are acceptable to the Company. If the Company is unable to secure additional long-term financing, capital expenditures will be curtailed to ensure adequate liquidity to fund the Company's operations. Currently, the Company's management believes that the net cash flows from operations, together with the amount expected to be available from the Company's financing arrangements, will be sufficient to satisfy anticipated future cash requirements, including its projected capital expenditures, on both a short-term and long-term basis.

7. DERIVATIVE FINANCIAL INSTRUMENTS:

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective, as amended, for fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires all derivatives to be recognized in the statement of financial position and to be measured at fair value. During 2000, the Company entered into a seven-year secured forward exchange contract with respect to 10,938 shares of its Viacom stock investment. Under SFAS No. 133, components of the secured forward exchange contract are considered derivatives. The Company adopted the provisions of SFAS No. 133 on January 1, 2001 and recorded a gain of $11,909, net of taxes of $6,413, as a cumulative effect of an accounting change in the accompanying condensed consolidated statements of operations, to record the derivatives associated with the secured forward exchange contract at fair value as of January 1, 2001. For the three months and nine months ended September 30, 2001, the Company recorded pretax gains of $168,300 and $141,219, respectively, related to the increase in fair value of the derivatives associated with the secured forward exchange contract. Additionally, the Company recorded a nonrecurring pretax gain of $29,391 on January 1, 2001, related to reclassifying its investment in Viacom stock from available-for-sale to trading as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". For the three month and nine month periods ended September 30, 2001, the Company recorded pretax losses of $189,802 and $134,788, respectively, related to the decrease in fair value of the Viacom stock subsequent to January 1, 2001.

8. RESTRUCTURING CHARGES:

During the fourth quarter of 2000, the Company recognized pretax restructuring charges of $16,426 related to exiting certain lines of business and implementing a new strategic plan. The restructuring charges consisted of contract termination costs of $9,987 to exit specific activities and employee severance and related costs of $6,439. During the second quarter of 2001, the Company negotiated reductions in certain contract termination costs, which allowed the reversal of $2,304 of the restructuring charges originally recorded during the fourth quarter of 2000. As of September 30, 2001, the Company has recorded cash charges of $9,596 against the restructuring accrual. The remaining balance of the restructuring accrual at September 30, 2001 of $4,526 is included in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheet.

During October 2001, the Company announced a restructuring of its corporate organization to streamline operations and remove duplicative costs. The Company is reducing management layers and creating a more cross-functional leadership team focused on supporting the Company's core branded businesses in hospitality, attractions and entertainment. As a result of this restructuring, the Company expects to record a pretax restructuring charge in the range of approximately $5,000 to $8,000 during the fourth quarter of 2001.

9. SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash paid for interest for the three months and nine months ended September 30, 2001 and 2000 was comprised of:

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Debt interest paid | $ 5,759 | $ 368 | $ 17,755 | $ 12,193 |
| Deferred financing costs paid | (19) | 62 | 19,581 | 106,717 |
| Capitalized interest | (4,913) | (1,527) | (13,220) | (3,503) |
| | $ 827 | $ (1,097) | $ 24,116 | $ 115,407 |

10. NEWLY ISSUED ACCOUNTING STANDARDS:

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 141 supercedes APB Opinion No. 16, "Business Combinations" and requires the use of the purchase method of accounting for all business combinations prospectively. SFAS No. 141 also provides guidance on recognition of intangible assets apart from goodwill. SFAS No. 142 supercedes APB Opinion No. 17, "Intangible Assets" and changes the accounting for goodwill and intangible assets. Under SFAS No. 142, goodwill and intangible assets with indefinite useful lives will not be amortized but will be tested for impairment annually and whenever events or circumstances occur indicating that these intangible assets may be impaired. The Company will adopt the provisions of SFAS No. 141 and SFAS No. 142 on January 1, 2002 and is currently assessing the impact the adoption of the new standards will have on its financial statements. However, the Company anticipates that a substantial amount of its intangible assets will no longer be amortized beginning January 1, 2002 with the adoption of the new standards.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 amends accounting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires companies to record the fair value of the liability for an asset retirement obligation in the period in which the liability is incurred. The Company will adopt the provisions of SFAS No. 143 on January 1, 2003 and is currently assessing the impact of SFAS No. 143 on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company adopted the provisions of SFAS No. 144 during the third quarter of 2001.

11. FINANCIAL REPORTING BY BUSINESS SEGMENTS:

The Company is organized and managed based upon its products and services. The following information is derived from the Company's internal financial reports used for corporate management purposes, excluding discontinued operations.

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Revenues: | | | | |
| Hospitality and attractions | $ 58,774 | $ 61,997 | $ 175,676 | $ 186,195 |
| Music, media and entertainment | 16,332 | 21,031 | 61,547 | 62,775 |
| Corporate and other | 24 | -- | 73 | -- |
| Total | $ 75,130 | $ 83,028 | $ 237,296 | $ 248,970 |
| Depreciation and amortization: | | | | |
| Hospitality and attractions | $ 6,897 | $ 6,544 | $ 20,565 | $ 19,878 |
| Music, media and entertainment | 1,826 | 3,923 | 5,664 | 10,414 |
| Corporate and other | 1,598 | 1,129 | 4,788 | 4,201 |
| Total | $ 10,321 | $ 11,596 | $ 31,017 | $ 34,493 |
| Operating income (loss): | | | | |
| Hospitality and attractions | $ 5,883 | $ 11,233 | $ 19,857 | $ 31,825 |
| Music, media and entertainment | (924) | (12,524) | (1,771) | (31,730) |
| Corporate and other | (8,925) | (8,844) | (26,051) | (26,476) |
| Preopening costs | (3,153) | (1,369) | (7,461) | (4,098) |
| Impairment and other charges | -- | -- | (11,388) | -- |
| Restructuring charges | -- | -- | 2,304 | -- |
| Total | $ (7,119) | $(11,504) | $ (24,510) | $ (30,479) |

ITEM 2.

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

### BUSINESS SEGMENTS

The Company is managed using the following three business segments: hospitality and attractions; music, media and entertainment; and corporate and other. The hospitality and attractions segment primarily consists of the Gaylord Opryland resort in Nashville, Tennessee; the Gaylord Palms resort in Florida, which is scheduled to open in February 2002; the Gaylord Opryland Texas resort, which is under construction in Grapevine, Texas; as well as the General Jackson Showboat and various other tourist attractions located in Nashville, Tennessee. The Gaylord Opryland resort is owned and operated by Opryland Hotel Nashville, LLC, a wholly-owned Delaware special purpose entity. The music, media and entertainment segment primarily consists of the Grand Ole Opry; the Wildhorse Saloon in Nashville; Acuff-Rose Music Publishing; Corporate Magic, Inc., a company specializing in the production of creative events in the corporate entertainment marketplace; and three radio stations in Nashville, Tennessee. The Company's unallocated corporate expenses are reported separately.

### TERRORIST ATTACKS

As a result of the September 11, 2001 terrorist attacks, the hospitality industry has struggled with low occupancy rates, which resulted from decreased travel. Specifically, the Company received numerous group cancellations as a result of the terrorist attacks, the majority of which were for bookings in the months of September and October, 2001. However, many of these groups have rescheduled for dates in the next twelve months. Bookings for the Gaylord Opryland resort and the Gaylord Palms resort slowed during the month of September 2001, but the Company did not experience any significant cancellations of 2002 bookings as a result of the September 11th terrorist attacks. Even though the occupancy rates at the Gaylord Opryland resort declined significantly immediately following the terrorist attacks, the Company does not believe the reduced occupancy levels will be representative of the remainder of 2001.

As a result of the new economic environment following the September 11, 2001 terrorist attacks, the Company has elected a strategy of capital conservation. As a result, the Company is extending the construction period for the Gaylord Opryland Texas resort in Grapevine, Texas for up to nine months and reducing its construction spending in the short term. The Gaylord Opryland Texas resort, originally scheduled to open in August 2003, is now scheduled to open by June 2004.

### STRATEGIC DIRECTION

During the second quarter of 2001, the Company hired a new Chairman of the Board of Directors and a new Chief Executive Officer. Under its new management, the Company is currently reassessing its long-term strategy to return to profitability. As a part of this reassessment, the Company intends to divest of certain businesses which produce low returns and are not part of its core strategy.

As part of its revised strategy, the Company has adopted plans to dispose of its international cable networks and Word Entertainment ("Word"), the Company's contemporary Christian music company. The Company is accounting for its international cable networks and Word as discontinued operations as further discussed below.

During October 2001, the Company announced a restructuring of its corporate organization to streamline operations and remove duplicative costs. The Company is reducing management layers and creating a more cross-functional leadership team focused on supporting the Company's core branded businesses in hospitality, attractions and entertainment. As a result of this restructuring, the Company expects to record a pretax restructuring charge in the range of approximately $5 million to $8 million during the fourth quarter of 2001.

In October 2001, the Company announced a re-branding of the Opryland Hotels under the new brand of "Gaylord Hotels". Opryland Hotel Nashville was renamed the Gaylord Opryland, the Opryland Hotel Florida located near Orlando was renamed the Gaylord Palms, and the Opryland Texas Hotel was renamed the Gaylord Opryland Texas.

DISCONTINUED OPERATIONS

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions for the disposal of a segment of a business of Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the requirements of SFAS No. 121 for the recognition and measurement of an impairment loss and broadens the presentation of discontinued operations to include a component of an entity (rather than a segment of a business). The Company adopted the provisions of SFAS No. 144 during the third quarter of 2001. Accordingly, SFAS No. 144 required the Company to restate the Company's results of operations and cash flows of the first and second quarters of 2001 to reflect adoption of this new accounting standard as of January 1, 2001.

As a result of the adoption of SFAS No. 144, the Company has reflected the following businesses as discontinued operations: Word, the Company's contemporary Christian music company; the Company's international cable networks; the businesses sold to affiliates of The Oklahoma Publishing Company ("OPUBCO") in March 2001 consisting of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company; and the Company's water taxis sold in the second quarter of 2001.

2000 DIVESTITURES

As part of the Company's strategic assessment completed during the fourth quarter of 2000, the Company closed Gaylord Digital in the fourth quarter of 2000. Gaylord Digital was formed to initiate a focused Internet strategy through the acquisition of a number of websites and investments in technology start-up businesses. Also during 2000, the Company divested the Wildhorse Saloon near Orlando, the KOA Campground located near the Gaylord Opryland resort and ceased plans to develop a country music record label.

The combined operating results for the three month and nine month periods ended September 30 of the businesses divested during 2000 consisting of: Gaylord Digital, Wildhorse Saloon near Orlando, KOA Campground and country music record label development costs ("2000 Divested Businesses") were, in thousands:

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Revenues | $ -- | $ 2,624 | $ -- | $ 8,062 |
| Operating loss | $ -- | $(10,869) | $ -- | $(27,824) |

RESULTS OF OPERATIONS

The following table contains unaudited selected summary financial data from continuing operations for the three month and nine month periods ended September 30, 2001 and 2000 (amounts in thousands). Effective October 1, 2000, the Company adopted the provisions of Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" and certain related authoritative literature. Accordingly, the Company classified certain amounts as revenues that historically, in accordance with industry practice, were reported as a reduction to operating expenses. To comply with the new requirements, the Company reclassified $5.3 million and $16.7 million from operating expenses to revenues for the three months and nine months ended September 30, 2000, respectively. The table also shows the percentage relationships to total revenues and, in the case of segment operating income (loss), its relationship to segment revenues.

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2001 | % | 2000 | % | 2001 | % | 2000 | % |
| Revenues: | | | | | | | | |
| Hospitality and attractions | $ 58,774 | 78.2 | $ 61,997 | 74.7 | $175,676 | 74.0 | $186,195 | 74.8 |
| Music, media and entertainment | 16,332 | 21.8 | 21,031 | 25.3 | 61,547 | 26.0 | 62,775 | 25.2 |
| Corporate and other | 24 | - | - | - | 73 | - | - | - |
| Total revenues | 75,130 | 100.0 | 83,028 | 100.0 | 237,296 | 100.0 | 248,970 | 100.0 |
| Operating expenses: | | | | | | | | |
| Operating costs | 50,452 | 67.2 | 54,382 | 65.5 | 158,724 | 66.9 | 167,677 | 67.3 |
| Selling, general & administrative | 18,323 | 24.4 | 27,185 | 32.7 | 55,520 | 23.4 | 73,181 | 29.4 |
| Preopening costs | 3,153 | 4.2 | 1,369 | 1.7 | 7,461 | 3.1 | 4,098 | 1.6 |
| Impairment and other charges | - | - | - | - | 11,388 | 4.8 | - | - |
| Restructuring charges | - | - | - | - | (2,304) | (1.0) | - | - |
| Depreciation and amortization: | | | | | | | | |
| Hospitality and attractions | 6,897 | | 6,544 | | 20,565 | | 19,878 | |
| Music, media and entertainment | 1,826 | | 3,923 | | 5,664 | | 10,414 | |
| Corporate and other | 1,598 | | 1,129 | | 4,788 | | 4,201 | |
| Total depreciation and amortization | 10,321 | 13.7 | 11,596 | 14.0 | 31,017 | 13.1 | 34,493 | 13.9 |
| Total operating expenses | 82,249 | 109.5 | 94,532 | 113.9 | 261,806 | 110.3 | 279,449 | 112.2 |
| Operating income (loss): | | | | | | | | |
| Hospitality and attractions | 5,883 | 10.0 | 11,233 | 18.1 | 19,857 | 11.3 | 31,825 | 17.1 |
| Music, media and entertainment | (924) | (5.7) | (12,524) | (59.6) | (1,771) | (2.9) | (31,730) | (50.5) |
| Corporate and other | (8,925) | - | (8,844) | - | (26,051) | - | (26,476) | - |
| Preopening costs | (3,153) | - | (1,369) | - | (7,461) | - | (4,098) | - |
| Impairment and other charges | - | - | - | - | (11,388) | - | - | - |
| Restructuring charges | - | - | - | - | 2,304 | - | - | - |
| Total operating income (loss) | $ (7,119) | (9.5) | $ (11,504) | (13.9) | $(24,510) | (10.3) | $(30,479) | (12.2) |

PERIODS ENDED SEPTEMBER 30, 2001 COMPARED TO PERIODS ENDED SEPTEMBER 30, 2000

Revenues

Total revenues decreased $7.9 million, or 9.5%, to $75.1 million in the third quarter of 2001, and decreased $11.7 million, or 4.7%, to $237.3 million in the first nine months of 2001. Excluding the revenues of the 2000 Divested Businesses from 2000, revenues decreased $5.3 million, or 6.6%, in the third quarter of 2001, and decreased $3.6 million, or 1.5%, in the first nine months of 2001 as discussed below.

Revenues in the hospitality and attractions segment decreased $3.2 million, or 5.2%, to $58.8 million in the third quarter of 2001, and decreased $10.5 million, or 5.6%, to $175.7 million in the first nine months of 2001. In the first nine months of 2001, the Gaylord Opryland resort's revenues decreased $8.0 million, or 4.8%, to $159.2 million. This decrease was primarily attributable to the impact of a softer economy and decreased occupancy levels in the weeks following the September 11th terrorist attacks. The collection of a $2.2 million cancellation fee in the second quarter of 2000 also adversely affects comparisons with the prior year period. The Gaylord Opryland resort's occupancy rate decreased to 69.6% in the first nine months of 2001 compared to 74.8% in the first nine months of 2000. The Gaylord Opryland resort sold 526,100 room nights in the first nine months of 2001 compared to 567,600 room nights sold in the same period of 2000, reflecting a 7.3% decrease from 2000. Revenue per available room (RevPAR) for the Gaylord Opryland resort decreased 8.0% to $97.34 for the first nine months of 2001 compared to $105.77 in the first nine months of 2000. The Gaylord Opryland resort's average daily rate decreased to $139.80 in the first nine months of 2001 from $141.43 in the first nine months of 2000. Revenues from the General Jackson Showboat decreased $1.0 million, or 11.8%, in the first nine months of 2001 due to the softer economy and slower tourism in Nashville, Tennessee.

Revenues in the music, media and entertainment segment decreased $4.7 million, or 22.3%, to $16.3 million in the third quarter of 2001, and decreased $1.2 million, or 2.0%, to $61.5 million in the first nine months of 2001. Excluding the revenues of the 2000 Divested Businesses from 2000, revenues in the music, media and entertainment segment decreased $2.4 million, or 13.0%, in the third quarter of 2001, and increased $6.0 million, or 10.8%, in the first nine months of 2001. Revenues of Corporate Magic increased $7.0 million in the first nine months of 2001 as compared to 2000 revenues. Revenues of the Grand Ole Opry increased $1.2 million in the first nine months of 2001 as compared to the same period in 2000. These increases in revenues were partially offset by decreased revenues of the Company's radio stations, which decreased $1.5 million in the first nine months of 2001 as a result of a weak advertising market and significant competition within the broadcasting industry.

Operating Expenses

Total operating expenses decreased $12.3 million, or 13.0%, to $82.2 million in the third quarter of 2001, and decreased $17.6 million, or 6.3%, to $261.8 million in the first nine months of 2001. Operating costs, as a percentage of revenues, decreased to 66.9% during the first nine months of 2001 as compared to 67.3% during the first nine months of 2000. Selling, general and administrative expenses, as a percentage of revenues, decreased to 23.4% during the first nine months of 2001 as compared to 29.4% during the first nine months of 2000.

Operating costs decreased $3.9 million, or 7.2%, to $50.5 million in the third quarter of 2001, and decreased $9.0 million, or 5.3%, to $158.7 million in the first nine months of 2001. Excluding the operating costs of the 2000 Divested Businesses from 2000, operating costs increased $0.8 million, or 1.6%, in the third quarter of 2001, and increased $5.3 million, or 3.4%, in the first nine months of 2001. The operating costs of Corporate Magic increased $7.1 million in the first nine months of 2001 as compared to 2000 related to increased revenues. Operating costs of the Acuff Theater, a venue for concerts and theatrical performances, decreased $1.1 million in the first nine months of 2001 as compared to 2000 due to a decrease in the number of performances.

Selling, general and administrative expenses decreased $8.9 million, or 32.6%, to $18.3 million in the third quarter of 2001, and decreased $17.7 million, or 24.1%, to $55.5 million in the first nine months of 2001.

Excluding the selling, general and administrative expenses of the 2000 Divested Businesses from 2000, selling, general and administrative expenses decreased $2.4 million, or 11.4%, for the third quarter of 2001 and decreased $1.7 million, or 3.0%, for the first nine months of 2001. The decrease in the first nine months of 2001 is primarily attributable to nonrecurring bad debt expense recognized in 2000 of $1.8 million.

Preopening costs increased $1.8 million, or 130.3%, to $3.2 million in the third quarter of 2001, and increased $3.4 million, or 82.1%, to $7.5 million in the first nine months of 2001. Preopening costs are related to the Company's hotel development projects.

During the second quarter of 2001, the Company recorded pretax impairment and other charges of $11.4 million. These charges include an investment in an IMAX movie of $5.7 million, a minority investment in a technology business of $4.6 million and an investment in idle real estate of $1.1 million. The Company began production of an IMAX movie during 2000 that will portray the history of country music. After encountering a number of operational issues that created significant cost overruns, the carrying value of the IMAX film asset was reassessed during the second quarter of 2001 resulting in the $5.7 million impairment charge. During 2000, the Company made a minority investment in a technology start-up business. During 2001, the unfavorable environment for technology businesses created difficulty for this business to obtain adequate capital to execute its business plan. During the second quarter of 2001, the Company was notified that this technology business had been unsuccessful in arranging financing. As such, the Company reassessed the investment's realizability and reflected an impairment charge of $4.6 million during the second quarter of 2001. The impairment charge related to idle real estate of $1.1 million recorded during the second quarter of 2001 was based upon certain third-party offers received during the second quarter of 2001 for such property.

During the fourth quarter of 2000, the Company recognized pretax restructuring charges of $16.4 million related to exiting certain lines of business and implementing a new strategic plan. The restructuring charges consisted of contract termination costs of $10.0 million to exit specific activities and employee severance and related costs of $6.4 million. During the second quarter of 2001, the Company negotiated reductions in certain contract termination costs, which allowed the reversal of $2.3 million of the restructuring charges originally recorded during the fourth quarter of 2000.

Depreciation and amortization decreased $1.3 million, or 11.0%, to $10.3 million in the third quarter of 2001, and decreased $3.5 million, or 10.1%, to $31.0 million in the first nine months of 2001. Excluding the depreciation and amortization of the 2000 Divested Businesses from 2000, depreciation and amortization increased $1.0 million, or 10.6%, in the third quarter of 2001 and increased $2.2 million, or 7.7%, in the first nine months of 2001. The increase in the first nine months of 2001 is primarily attributable to the depreciation expense of capital expenditures and the amortization expense of intangible assets, primarily goodwill, associated with acquisitions.

Operating Income (Loss)

Total operating loss decreased $4.4 million to an operating loss of $7.1 million in the third quarter of 2001, and decreased $6.0 million to an operating loss of $24.5 million in the first nine months of 2001. Operating income in the hospitality and attractions segment decreased $12.0 million during the first nine months of 2001 as a result of decreased operating income of the Gaylord Opryland resort. Music, media and entertainment segment operating loss decreased $30.0 million during the first nine months of 2001 primarily due to the effects of the 2000 Divested Businesses. Excluding the operating results of the 2000 Divested Businesses from 2000, the operating loss of the music, media and entertainment segment decreased $2.1 million during the first nine months of 2001. Operating loss of the corporate and other segment decreased $0.4 million during the first nine months of 2001.

Interest Expense

Interest expense, including the amortization of deferred financing costs, increased $2.5 million to $9.0 million in the third quarter of 2001, and increased $10.8 million to $30.0 million in the first nine months of 2001. The increases are primarily attributable to higher average borrowing levels, including the secured

forward exchange contract, higher average interest rates and the amortization of deferred financing costs. The increase in the first nine months of 2001 was partially offset by increased capitalized interest related to new hotel construction of $9.7 million. The Company's weighted average interest rate on its borrowings, including amortization of the deferred financing costs related to the secured forward exchange contract, was 6.6% in the first nine months of 2001 as compared to 6.0% in the first nine months of 2000.

Interest Income

Interest income increased $0.1 million to $1.3 million in the third quarter of 2001 as compared to the same period in 2000, and increased $1.4 million to $4.6 million in the first nine months of 2001 as compared to the first nine months of 2000. The increase in the first nine months of 2001 primarily relates to an increase in invested cash balances.

Unrealized Gain (Loss) on Viacom Stock and Derivatives

Effective January 1, 2001, the Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, and reclassified its investment in Viacom stock from available-for-sale to trading. During 2000, the Company entered into a seven-year secured forward exchange contract with respect to 10.9 million shares of its Viacom stock investment. Under SFAS No. 133, components of the secured forward exchange contract are considered derivatives. The Company recorded a $29.4 million nonrecurring pretax gain on January 1, 2001 to record the initial reclassification of its Viacom stock investment. In addition, the Company recorded a pretax loss of $134.8 million related to the decrease in the fair value of the Viacom stock investment during the first nine months of 2001. In accordance with SFAS No. 133, the Company recorded a pretax gain of $141.2 million related to the increase in the fair value during the first nine months of 2001 of the derivatives associated with the secured forward exchange contract.

Other Gains and Losses

The indemnification period related to the 1999 disposal of television station KTVT ended during the second quarter of 2001, which allowed the Company to recognize a non-operating pretax gain of $4.6 million related to the settlement of the remaining contingencies in the second quarter of 2001.

Income Taxes

The benefit for income taxes increased $7.1 million to $12.1 million in the third quarter of 2001 and decreased $12.7 million to $2.6 million in the first nine months of 2001. The effective tax rate on loss before benefit for income taxes was 33.0% for the first nine months of 2001 compared to 33.0% for the first nine months of 2000.

Discontinued Operations

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions for the disposal of a segment of a business of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the requirements of SFAS No. 121 for the recognition and measurement of an impairment loss and broadens the presentation of discontinued operations to include a component of an entity (rather than a segment of a business). The Company adopted the provisions of SFAS No. 144 during the third quarter of 2001. Accordingly, SFAS No. 144 required the Company to restate the Company's results of operations and cash flows for the first and second quarters of 2001 to reflect adoption of this new accounting standard as of January 1, 2001.

As a result of the adoption of SFAS No. 144, the Company has reflected the following businesses as discontinued operations: Word; the Company's international cable networks; the businesses sold to affiliates

of OPUBCO in March 2001 consisting of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company; and the Company's water taxis sold in the second quarter of 2001. The results of operations of these businesses, including any gain or loss on disposal, have been reflected as discontinued operations, net of taxes, in the condensed consolidated statements of operations. The assets and liabilities of these businesses are reflected as discontinued operations in the accompanying condensed consolidated balance sheets.

During the third quarter of 2001, the Company committed to a plan to sell Word. The Company expects to dispose of Word in the next twelve months. As a result of the decision to sell Word, the Company reduced the carrying value of Word to its estimated fair value by recognizing a pretax charge of $29 million in discontinued operations during the third quarter of 2001. The estimated fair value of Word's net assets was determined based upon ongoing negotiations with potential buyers. Word's assets, liabilities and results of operations have been reflected in the condensed consolidated financial statements as discontinued operations in accordance with SFAS No. 144 for all periods presented. During the third quarter of 2001, the Company completed the disposal of Word's operations in the United Kingdom and recognized a pretax loss of $0.7 million, which is included in discontinued operations in the accompanying condensed consolidated statements of operations.

On June 1, 2001, the Company adopted a formal plan to dispose of its international cable networks. The Company anticipates completing the disposal within the next nine months. The operating results of the international cable networks are reflected as discontinued operations, net of taxes, in the accompanying condensed consolidated statements of operations. The assets and liabilities of the international cable networks are presented as discontinued operations in the accompanying condensed consolidated balance sheets. Prior to the adoption of SFAS No. 144, the international cable networks were accounted for as discontinued operations under APB Opinion No. 30, which required the deferral of the losses produced by the international cable networks subsequent to June 1, 2001. The adoption of SFAS No. 144 required the Company to restate the second quarter of 2001 and recognize these deferred losses, excluding depreciation and amortization, of $0.4 million, net of income taxes.

During March 2001, the Company sold five businesses: Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company, to affiliates of OPUBCO for $22 million in cash and the assumption of debt of $19.3 million. During the first quarter of 2001, the Company recognized a pretax loss of $1.7 million related to the sale in discontinued operations in the accompanying condensed consolidated statement of operations. The operating results of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company are reflected as discontinued operations, net of taxes, in the accompanying condensed consolidated statements of operations until the date of sale. OPUBCO owns a minority interest in the Company. Four of the Company's directors are also directors of OPUBCO and voting trustees of a voting trust that controls OPUBCO. Additionally, those four directors collectively own a significant ownership interest in the Company.

During the second quarter of 2001, the Company sold its water taxi operations and recognized a pretax loss of $0.2 million, which is reflected as discontinued operations in the accompanying condensed consolidated statements of operations. The water taxi operations prior to disposal have been accounted for as discontinued operations in the accompanying condensed consolidated financial statements.

The results of operations of businesses accounted for as discontinued operations are as follows, in thousands:

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Revenues: | | | | |
| Word Entertainment | $ 33,322 | $ 36,753 | $ 87,184 | $ 99,346 |
| International cable networks | 1,264 | 1,260 | 3,815 | 3,785 |
| Businesses sold to OPUBCO | -- | 9,526 | 2,195 | 24,199 |
| Water taxis | -- | 209 | 9 | 318 |
| Total revenues of discontinued operations | $ 34,586 | $ 47,748 | $ 93,203 | $ 127,648 |
| OPERATING INCOME (LOSS): | | | | |
| Word Entertainment | $ 367 | $ (3,158) | $ (6,263) | $ (9,832) |
| International cable networks | (1,280) | (2,837) | (5,463) | (8,122) |
| Businesses sold to OPUBCO | -- | (2,263) | (1,459) | (4,604) |
| Water taxis | -- | 60 | (112) | (63) |
| Total operating loss of discontinued operations | $ (913) | $ (8,198) | $(13,297) | $ (22,621) |
| PRETAX INCOME (LOSS): | | | | |
| Word Entertainment | $(29,327) | $ (5,664) | $(36,179) | $ (12,339) |
| International cable networks | (1,526) | (3,014) | (6,731) | (8,586) |
| Businesses sold to OPUBCO | -- | (2,323) | (3,361) | (4,692) |
| Water taxis | -- | 60 | (324) | (63) |
| Total pretax loss of discontinued operations | (30,853) | (10,941) | (46,595) | (25,680) |
| Benefit for income taxes | (10,181) | (3,390) | (15,376) | (8,474) |
| LOSS FROM DISCONTINUED OPERATIONS, NET OF TAXES | $(20,672) | $ (7,551) | $(31,219) | $ (17,206) |

Cumulative Effect of Accounting Change

Effective January 1, 2001, the Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. During 2000, the Company entered into a seven-year secured forward exchange contract with respect to 10.9 million shares of its Viacom stock investment. Under SFAS No. 133, components of the secured forward exchange contract are considered derivatives. On January 1, 2001, the Company recorded a gain of $11.9 million, net of deferred taxes of $6.4 million, as a cumulative effect of an accounting change to record the derivatives associated with the secured forward exchange contract at fair value as of January 1, 2001.

LIQUIDITY AND CAPITAL RESOURCES

During October 2001, the Company entered into a three-year delayed-draw senior term loan ("Term Loan") of up to $210 million with Deutsche Banc Alex Brown Inc., Salomon Smith Barney, Inc. and CIBC World Markets Corp. (collectively the "Lenders"). Proceeds of the Term Loan will be used to finance the completion of the Gaylord Palms resort, formerly known as the Opryland Hotel Florida, and general operating purposes. The Term Loan is primarily secured by the Company's ground lease interest in the Gaylord Palms resort. At the Company's option, amounts outstanding under the Term Loan bear interest at the prime interest rate plus 2.125% or the Eurodollar rate plus 3.375%. The Term Loan contains provisions that allow the Lenders to syndicate the Term Loan, which could result in a change to the terms and structure of the Term Loan, including an increase in interest rates. In addition, the Company is required to pay a

commitment fee equal to 0.375% per year of the average unused portion of the Term Loan. Borrowings under the Term Loan are limited to an amount equal to 50% of the total costs incurred related to the construction of the Gaylord Palms resort. The maximum amount available under the Term Loan reduces to $150 million in April 2003, to $100 million in October 2003, and to $50 million in April 2004, with full repayment due in October 2004. Excess cash flows, as defined, generated by the Gaylord Palms resort are required to be used to reduce outstanding borrowings under the Term Loan until the borrowing capacity is reduced to $85 million. Additionally, the Term Loan requires the net proceeds from all asset sales by the Company to be used to reduce outstanding borrowings until the borrowing capacity under the Term Loan has been reduced to $60 million. Debt repayments under the Term Loan reduce the borrowing capacity and are not eligible to be re-borrowed. The Company borrowed $100 million during October 2001 under the Term Loan and was required to escrow certain amounts in a completion reserve account for the Gaylord Palms resort. The Term Loan requires the Company to maintain certain escrowed cash balances, comply with certain financial covenants, and imposes limitations related to the payment of dividends, the incurrence of debt, the guaranty of liens, and the sale of assets, as well as other customary covenants and restrictions.

During the three months ended March 31, 2001, the Company, through special purpose entities, entered into two loan agreements, a $275 million senior loan (the "Senior Loan") and a $100 million mezzanine loan (the "Mezzanine Loan") (collectively, the "Nashville Hotel Loans") with affiliates of Merrill Lynch & Company acting as principal. The Senior Loan is secured by a first mortgage lien on the assets of the Gaylord Opryland resort and is due in 2004. Amounts outstanding under the Senior Loan bear interest at a blended rate of one-month LIBOR plus 0.9%. The Mezzanine Loan, secured by the equity interest in the wholly-owned subsidiary owner of the Gaylord Opryland resort, is due in 2004 and bears interest at one-month LIBOR plus 6.0%. For the nine month period ended September 30, 2001, the weighted average interest rates on the Senior Loan and Mezzanine Loan were 6.8% and 12.6%, respectively. At the Company's option, the Nashville Hotel Loans may be extended for two additional one-year terms beyond their scheduled maturities, subject to the Company meeting certain financial ratios and other criteria. The Senior Loan requires monthly principal payments of approximately $0.7 million during its three-year term. The Nashville Hotel Loans require monthly interest payments. The terms of the Senior Loan and the Mezzanine Loan require the purchase of interest rate hedges in notional amounts equal to the outstanding balances of the Senior Loan and the Mezzanine Loan in order to protect against adverse changes in one-month LIBOR. Pursuant to these agreements, the Company has purchased instruments which cap its exposure to one-month LIBOR at 7.5%. The Company used $235 million of the proceeds from the Senior Loan to refinance its six-month interim loan (the "Interim Loan"). At closing, the Company was required to escrow certain amounts, including $20 million related to future capital expenditures of the Gaylord Opryland resort. The net proceeds from the Nashville Hotel Loans, after the refinancing of the Interim Loan, required escrows and fees, were approximately $98 million. At September 30, 2001, the unamortized balance of the deferred financing costs related to the Nashville Hotel Loans was $15.0 million.

The Nashville Hotel Loans require that the Company maintain certain escrowed cash balances and certain financial covenants, and imposes limits on transactions with affiliates and indebtedness. At September 30, 2001, the Company was in compliance with the covenants that would create an event of default under the Nashville Hotel Loans. However, the operating performance of the Gaylord Opryland resort as of September 30, 2001 has triggered certain cash management restrictions in the Nashville Hotel Loans in which all excess cash flows, as defined, will be escrowed. The Company is currently discussing alternatives to the excess cash flow escrow requirement with the lenders of the Nashville Hotel Loans. There can be no assurance that the Company will be released from the excess cash flow escrow requirement or that the Company will remain in compliance with covenants that would create an event of default under the Nashville Hotel Loans.

While the Company has available the balance of the net proceeds from the Term Loan, its unrestricted cash, and the net cash flows from operations to fund its cash requirements, additional long-term financing is required to fund the Company's construction commitments related to its hotel development projects and to fund its anticipated operating losses. While there is no assurance that any further financing will be secured, the Company believes it will secure acceptable funding. However, if the Company is unable to obtain any part of the additional financing it is seeking, or the timing of such financing is significantly delayed, it would require the curtailment of development capital expenditures to ensure adequate liquidity to fund the Company's operations. As previously discussed, the Company is extending the construction period for the

Gaylord Opryland Texas resort in Grapevine, Texas for up to nine months and reducing its construction spending in the short term. The Gaylord Opryland Texas resort, originally scheduled to open in August 2003, is now scheduled to open by June 2004.

The Company currently projects capital expenditures for 2001 of approximately $300 million, which includes approximately $260 million related to the Company's new hotel construction in Florida and Texas. The Company's capital expenditures from continuing operations for the nine months ended September 30, 2001 were $203.3 million.

SEASONALITY

Certain of the Company's operations are subject to seasonal fluctuation. Revenues in the music business are typically weakest in the first calendar quarter following the Christmas buying season.

NEWLY ISSUED ACCOUNTING STANDARDS

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 141 supercedes APB Opinion No. 16, "Business Combinations" and requires the use of the purchase method of accounting for all business combinations prospectively. SFAS No. 141 also provides guidance on recognition of intangible assets apart from goodwill. SFAS No. 142 supercedes APB Opinion No. 17, "Intangible Assets" and changes the accounting for goodwill and intangible assets. Under SFAS No. 142, goodwill and intangible assets with indefinite useful lives will not be amortized but will be tested for impairment annually and whenever events or circumstances occur indicating that these intangible assets may be impaired. The Company will adopt SFAS No. 141 and SFAS No. 142 on January 1, 2002 and is currently assessing the impact the adoption of the new standards will have on its financial statements. However, the Company anticipates that a substantial amount of its intangible assets will no longer be amortized beginning January 1, 2002 with the adoption of the new standards.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 amends accounting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires companies to record the fair value of the liability for an asset retirement obligation in the period in which the liability is incurred. The Company will adopt SFAS No. 143 on January 1, 2003 and is currently assessing the impact of SFAS No. 143 on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company adopted the provisions of SFAS No. 144 during the third quarter of 2001.

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 included 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 anticipated in forward-looking statements. These factors, many of which are beyond the Company's control, include the effect on travel and tourism of the recent terrorist attacks in the United States, the level of popularity of country and Christian music; the advertising market in the United States in general and in the Company's local radio markets in particular; the perceived attractiveness of Nashville, Tennessee and the Company's properties as a convention and tourist destination; the ability of the Company to successfully finance, develop and operate hotel properties in other markets; consumer tastes and preferences for the Company's programming and other entertainment offerings;

competition; the impact of weather on construction schedules; the Company's ability to obtain long-term financing on acceptable terms; the ability of the Company to successfully complete the proposed divestitures described herein; and the Company's ability to attract and retain management personnel for its various operations.

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.

Readers are also referred to the Risk Factors included in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K for the twelve months ended December 31, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Based upon the Company's overall market risk exposures at September 30, 2001, the Company believes that the effects of changes in the stock price of Viacom, Inc. common stock, changes in fair value of derivatives and changes in interest rates on the Company's consolidated financial position, results of operations or cash flows could be material as further discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, filed with the Securities and Exchange Commission. However, the Company believes that fluctuations in foreign currency exchange rates on the Company's consolidated financial position, results of operations or cash flows will not be material.

## 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

On September 4, 2001, the Company appointed David C. Kloeppel as its Chief Financial Officer and Executive Vice President. Prior to joining the Company, Mr. Kloeppel worked in the Mergers and Acquisition Department at Deutsche Bank in New York. Kloeppel earned an MBA from Vanderbilt University's Owen Graduate School of Management, graduating with highest honors. He received his bachelor of science degree from Vanderbilt University, majoring in economics. Mr. Kloeppel entered into an employment agreement with the Company providing for a four-year term as Executive Vice President and Chief Financial Officer of the Company. The agreement provides for a base salary, stock options vesting over four years, shares of restricted stock with restrictions being removed over four years, and incentive cash bonus compensation for Mr. Kloeppel based upon the Company's attainment of prescribed performance targets. The agreement also provides for the accelerated vesting of stock options and removal of limitations on restricted stock if the executive's employment is terminated in certain circumstances, including upon a change of control. In addition, if Edward L. Gaylord or his affiliates consummate a "going private" transaction, all of the executive's stock options would vest and all restrictions from the restricted shares would be removed.

### 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, 2001.

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 14, 2001

By: /s/ David C. Kloeppel

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

INDEX TO EXHIBITS

10.1 Executive Employment Agreement dated as of September 4, 2001 between the Registrant and David C. Kloeppel.

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS AGREEMENT, dated as of September 4, 2001, by and between GAYLORD ENTERTAINMENT COMPANY, a Delaware corporation having its corporate headquarters at One Gaylord Drive, Nashville, Tennessee 37214 ("the Company") and DAVID C. KLOEPPEL, a resident of New York, New York ("Executive").

WITNESSETH:

WHEREAS, the Company desires to employ Executive as its Executive Vice President and Chief Financial Officer, and Executive desires to serve in such capacity pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

AGREEMENT

1. EMPLOYMENT; TERM; PLACE OF EMPLOYMENT. The Company hereby employs Executive, and Executive hereby accepts employment with the Company upon the terms and conditions contained in this Agreement. The term of Executive's employment hereunder shall commence on September 4, 2001 (the "Effective Date") and shall continue for a period of four (4) years from and after the Effective Date (the "Employment Period"). For purposes of this Agreement, a "Contract Year" shall mean a one year period commencing on the Effective Date or any anniversary thereof. Executive shall render services at the offices established by the Company in the greater Nashville metropolitan area; provided that Executive agrees to travel on temporary trips to such other places as may be required to perform Executive's duties hereunder.

2. DUTIES; TITLE.

(a) Description of Duties.

(i) During the Employment Period, Executive shall serve the Company as its Executive Vice President and Chief Financial Officer and report directly to the President and Chief Executive Officer ("CEO"). Executive shall supervise the financial conduct of the business and affairs of the Company, its subsidiaries and respective divisions, supervise the development function for the Company, and perform such other duties as the CEO shall determine.

(ii) Executive shall faithfully perform the duties required of his office. Subject to Section 2(b), Executive shall devote all of his business time and effort to the performance of his duties to the Company.

(b) Other Activities. Notwithstanding anything to the contrary contained in Section 2(a), Executive shall be permitted to engage in the following activities, provided that such activities do not materially interfere or conflict with Executive's duties and responsibilities to the Company:

(i) Executive may serve on the governing boards of, or otherwise participate in, a reasonable number of trade associations and charitable organizations, whose purposes are not inconsistent with the activities and the image of the Company;

(ii) Executive may engage in a reasonable amount of charitable activities and community affairs; and

(iii) Subject to the prior approval of the Board of Directors, Executive may serve on the board of directors of one or more business corporations, provided also that they do not compete, directly or indirectly, with the Company.

(c) Other Policies. Executive shall be subject to and shall comply with all codes of conduct, personnel policies and procedures applicable to senior executives of the Company, including, without limitation, policies regarding sexual harassment, conflicts of interest and insider trading.

3. CASH COMPENSATION.

(a) Signing Bonus. The Company shall pay Executive a signing bonus in the amount of $350,000 (the "Signing Bonus"). The Signing Bonus shall be payable on or before September 25, 2001.

(b) Base Salary. During the initial Contract Year, the Company shall pay to Executive an annual salary of $400,000. Executive's annual salary shall be increased in each subsequent Contract Year by a percentage equal to the annual percentage increase, if any, generally granted to other senior executives, such percentage to be determined from time to time by the Human Resources Committee of the Board of Directors (such annual salary, together with any increases under this subsection (b), being herein referred to as the "Base Salary").

(c) Annual Cash Bonus.

(i) 2001 Calendar Year Bonus. For the 2001 calendar year, Executive shall be entitled to receive a guaranteed cash bonus of $100,000.00 (the "Guaranteed Cash Bonus"). The Guaranteed Cash Bonus shall be paid to Executive in a single lump sum on or before February 28, 2002.

(ii) 2002, 2003, 2004 and 2005 Calendar Year Bonus. For the 2002, 2003 and 2004 calendar years, and for the 2005 partial year, Executive shall be eligible for an annual cash bonus equal to a target of 60% of Executive's Base Salary (the "Year-End Bonus") to be paid to him in each calendar year and shall be determined based on the achievement of certain goals and Company performance criteria as established by the CEO and approved by the Board's Human Resources Committee. The maximum Year-End Bonus payable to the Executive is 150% of Executive's Base Salary. The Year-End Bonus for each calendar year shall be paid to Executive on or before the end of February 28th of the immediately succeeding year.

(d) Withholding. The Base Salary, the Guaranteed Cash Bonus, and each Year-End Bonus shall be subject to applicable withholding and shall be payable in accordance with the Company's payroll practices.

4. EQUITY COMPENSATION.

(a) Stock Option Grant. Subject to the vesting schedule provided herein, the Company hereby grants to Executive options to purchase 200,000 shares of common stock of the Company ("Company Common Stock") (the "Stock Options"). The Stock Options shall (i) be granted pursuant to the Company's 1997 Stock Option and Incentive Plan as may hereinafter be further amended (the "Omnibus Plan"); (ii) be subject to the terms of a stock option agreement between the Company and Executive in the form prescribed for Company executives generally and attached hereto as Exhibit A; (iii) vest in 50,000 share increments on the first through the fourth anniversaries of the Effective Date (each a "Vesting Date"); provided, however, Executive must be employed by the Company on each such anniversary date for such particular share increment to vest; (iv) be exercisable at the closing price of the Company Common Stock as reported in the Wall Street Journal for the trading day immediately preceding the Effective Date; and (v) have a term of ten years from the Effective Date (the "Stock Option Term").

(b) Restricted Stock Grant. The Company hereby grants to Executive 25,000 restricted shares of Company Common Stock (the "Restricted Stock Grant"). The restrictions on the Restricted Stock Grant shares shall terminate in 6,250 share increments on the first through the fourth anniversaries of the Effective Date; provided, however, Executive must be employed by the Company on each such anniversary date for the restrictions on the particular share increment to be terminated. The Restricted Stock Grant is hereby granted pursuant to the Company's Omnibus Plan as may hereafter be further amended, and shall otherwise be subject to the terms of a restricted stock grant agreement between the Company and Executive in the form prescribed for Company executives generally, which form is attached hereto as Exhibit B. If a restriction terminates as to a 6,250 share increment, the Company shall deliver such shares to Executive.

5. BENEFITS; EXPENSES; ETC.

(a) Expenses. During the Employment Period, the Company shall reimburse Executive, in accordance with the Company's policies and procedures, for all reasonable expenses incurred by Executive, including reimbursement for his reasonable first class travel expenses in connection with the performance of his duties for the Company.

(b) Vehicle Allowance. During the Employment Period, Executive shall be entitled to receive from the Company a vehicle allowance of $600 per month, subject to future increases as may be granted to senior executives.

(c) Vacation. During the Employment Period, Executive shall be entitled to four (4) weeks vacation during each Contract Year.

(d) Relocation Benefits. Executive will receive relocation benefits under the Company's relocation policy for top level executive officers as more fully described on Exhibit C.

(e) Company Plans. During the Employment Period, Executive shall be entitled to participate in and enjoy the benefits of (i) the Company Health Insurance Plan, (ii) the Company 401(k) Savings Plan, (iii) the Company Supplemental Deferred Compensation ("SUDCOMP") Plan, and (iv) any health, life, disability, retirement, pension, group insurance, or other similar plan or plans which may be in effect or instituted by the Company for the benefit of senior executives generally, upon such terms as may be therein provided. A summary of such benefits as in effect on the date hereof has been provided to Executive, the receipt of which is hereby acknowledged.

(f) Attorney's Fees. Executive shall be entitled to reimbursement for reasonable attorney's fees and expenses incurred by Executive in the review and negotiation of this Agreement, upon submission of documentation evidencing such fees and expenses.

6. TERMINATION. Executive's employment hereunder may be terminated prior to the expiration of the Employment Period as follows:

(a) Termination by Death. Upon the death of Executive ("Death"), Executive's employment shall automatically terminate as of the date of Death.

(b) Termination by Company for Permanent Disability. At the option of the Company, Executive's employment may be terminated by written notice to Executive or his personal representative in the event of the Permanent Disability of Executive. As used herein, the term "Permanent Disability" shall mean a physical or mental incapacity or disability which renders Executive unable substantially to render the services required hereunder for a period of ninety (90) consecutive days or one hundred eighty (180) days during any twelve (12) month period as determined in good faith by the Company.

(c) Termination by Company for Cause. At the option of the Company, Executive's employment may be terminated by written notice to Executive upon the occurrence of any one or more of the following events (each, a "Cause"):

(i) any action by Executive constituting fraud, self-dealing, embezzlement, or dishonesty in the course of his employment hereunder;

(ii) any conviction of Executive of a crime involving moral turpitude;

(iii) failure of Executive after reasonable notice promptly to comply with any valid and legal directive of the CEO;

(iv) a material breach by Executive of any of his obligations under this Agreement and failure to cure such breach within ten (10) days of his receipt of written notice thereof from the Company; or

(v) a failure by Executive to perform adequately his responsibilities under this Agreement as demonstrated by objective and verifiable evidence showing that the business operations under Executive's control have been materially harmed as a result of Executive's gross negligence or willful misconduct.

(d) Termination by Executive for Good Reason. At the option of Executive, Executive may terminate his employment by written notice to Company given within a reasonable time after the occurrence of the following circumstances ("Good Reason"), unless the Company cures the same within thirty (30) days of such notice:

(i) Any adverse change by Company in the Executive's position or title described in Section 2 hereof, whether or not any such change has been approved by a majority of the members of the Board;

(ii) The assignment to Executive, over his reasonable objection, of any duties materially inconsistent with his status as Executive Vice President and Chief Financial Officer or a substantial adverse alteration in the nature of his responsibilities;

(iii) A reduction by Company in his annual base salary of $400,000 as the same may be increased from time to time pursuant to Section 3(b) hereof;

(iv) Company's requiring Executive to be based anywhere other than the Company's headquarters in Nashville, Tennessee except for required travel on the Company's business;

(v) The failure by Company, without Executive's consent, to pay to him any portion of his current compensation, except pursuant to this Agreement or pursuant to a compensation deferral elected by Executive;

(vi) Except as permitted by this Agreement, the failure by Company to continue in effect any compensation plan (or substitute or alternative plan) in which Executive is entitled to participate which is material to Executive's total compensation, or the failure by the Company to continue Executive's participation therein on a basis that is materially as favorable both in terms of the amount of benefits provided and the level of Executive's participation relative to other participants at Executive's grade level; or

(vii) The failure by Company to continue to provide Executive with benefits substantially similar to those enjoyed by senior executives under the Company's pension and deferred compensation plans, and the life insurance, medical, health and accident, and disability plans in which Executive is entitled to participate, except as required by law, or the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive, or the failure by the Company to provide Executive with the number of paid vacation days to which Executive is entitled; or

(viii) A material breach by the Company of any of its obligations under this Agreement.

(e) Termination by Company Without Cause. At the option of the Company Executive's employment may be terminated by written notice to Executive at any time ("Without Cause").

7. EFFECT OF TERMINATION.

(a) Effect Generally. If Executive's employment is terminated prior to the fourth anniversary of the Effective Date, the Company shall not have any liability or obligation to Executive other than as specifically set forth in Section 6, Section 7 and Section 8 hereof. Upon the termination of Executive's employment for any reason, he shall, upon the request of the Company, resign from all corporate offices held by Executive.

(b) Effect of Termination by Death. Upon the termination of Executive's employment as a result of Death, Executive's estate shall be entitled to receive an amount equal to: (i) accrued but unpaid Base Salary through the date of termination; (ii) a pro rata portion of Executive's Annual Bonus, if any, for the year in which termination occurs, (iii) any unpaid portion of the Signing Bonus or Annual Bonuses for prior calendar years, accrued and unpaid vacation pay, unreimbursed expenses incurred pursuant to Section 5(a), (b), (d) or (f), and any other benefits owed to Executive pursuant to any written employee benefit plan or policy of the Company, excluding benefits payable pursuant to any plan beneficiary pursuant to a contractual beneficiary designation by Executive, (iv) the portion of the Restricted Stock Grant that is free from restrictions as of the date of death and the acceleration and immediate release of all restrictions from all Restricted Stock Grants that are subject to restrictions as of the date of death, (v) Executive's vested Stock Options as of the date of death, the vesting and exercise of which is governed by the Omnibus Plan; and (vi) all of Executive's Stock Options, which pursuant to the Omnibus Plan are accelerated as of the termination date (date of death) and are exercisable until the expiration of the Stock Option Term.

(c) Effect of Termination for Permanent Disability. Upon the termination of Executive's employment hereunder as a result of Permanent Disability, Executive shall be entitled to receive an amount equal to: (i) accrued but unpaid Base Salary through the date of termination; (ii) a pro rata portion of Executive's Annual Bonus, if any, for the year in which termination occurs, (iii) any unpaid portion of the Signing Bonus or an Annual Bonus for prior calendar years, long-term disability benefits available to executives of the Company, accrued and unpaid vacation pay, unreimbursed expenses incurred pursuant to Section 5(a), (b),or (d), or (f) and any other benefits owed to Executive pursuant to any written employee benefit plan or policy of the Company; (iv) the portion of the Restricted Stock Grant that is free from restrictions as of the termination date; (v) Executive's vested Stock Options as of the date of termination, the vesting of which is governed by the Omnibus Plan; and (vi) all of Executive's Stock Options, which pursuant to the Omnibus Plan are accelerated as of the termination date and are exercisable until the expiration of the Stock Option Term. Payments to Executive hereunder shall be reduced by any payments received by Executive under any worker's compensation or similar law.

(d) Effect of Termination by the Company for Cause or by Executive Without Good Reason. Upon the termination of Executive's employment by the Company for Cause or by Executive for any reason other than Good Reason, Executive shall be entitled to receive an amount equal to: (i) accrued but unpaid Base Salary through the date of termination, (ii) any unpaid Annual Bonus for prior calendar years, accrued but unpaid vacation pay, unreimbursed expenses incurred pursuant to Section 5(a), (b),or (d), or (f) and any other benefits owed to Executive pursuant to any written employee benefit plan or policy of the

Company; (iii) to the extent Executive's termination occurs after the expiration of one (1) year from the Effective Date, any unpaid portion of the Signing Bonus and (iv) the portion of the Restricted Stock Grant that is free from restrictions as of the termination date. All Stock Options, to the extent not theretofore exercised, shall terminate on the date of termination of employment under this Section 7(d). Executive shall also forfeit any right to an Annual Bonus for the calendar year in which Executive's termination occurs. In addition, if such termination occurs within one (1) year after the Effective Date, Executive will forfeit any unpaid portion of his Signing Bonus and must repay to the Company any portion of the Signing Bonus paid to Executive. To satisfy Executive's obligation to repay the Signing Bonus, the Company shall be entitled to offset any amounts owed to Executive pursuant to this subparagraph.

(e) Effect of Termination by the Company Without Cause or by Executive for Good Reason. Upon the termination of Executive's employment hereunder by the Company Without Cause or by Executive for Good Reason, Executive shall be entitled to: (i) the payment of two (2) times Executive's Base Salary for the year in which such termination shall occur; (ii) payment of two (2) times Executive's Annual Bonus for the preceding year, (iii) any unpaid portion of the Signing Bonus or any Annual Bonus for prior calendar years, accrued and unpaid vacation pay, unreimbursed expenses incurred pursuant to Section 5(a), (b),or (d), or (f) and any other benefits owed to Executive pursuant to any written employee benefit plan or policy of the Company; (iv) the portion of the Restricted Stock Grant that is free from restrictions as of the date of termination and the acceleration and immediate release of all restrictions from up to 12,500 shares of the Restricted Stock Grant that are subject to restrictions as of the date of termination, and (v) the vested portion of Executive's Stock Options, and the acceleration and immediate vesting of up to 100,000 of Executive's unvested Stock Options. Executive shall have two (2) years from the date of such termination Without Cause or by Executive for Good Reason to exercise all vested Stock Options.

8. CHANGE OF CONTROL.

(a) Definition. A "Change of Control" shall be deemed to have taken place if:

(i) any person or entity, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, other than the Company, a wholly-owned subsidiary thereof, Edward L. Gaylord or any member of his immediate family or any trusts or other entities controlled by Edward L. Gaylord or any member of his immediate family, or any employee benefit plan of the Company or any of its subsidiaries becomes the beneficial owner of Company securities having 50% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of the issuance of securities initiated by the Company in the ordinary course of business);

(ii) any person or entity, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of Company securities having greater voting power than the Company securities held by Edward L. Gaylord, any member of his immediate family, and any trusts or other entities controlled by Edward L. Gaylord or any member of his immediate family.

(iii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the holders of all the Company's securities entitled to vote generally in the election of directors of the Company immediately prior to such transaction constitute, following such transaction, less than a majority of the combined voting power of the then-outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of the directors of the Company or such other corporation or entity after such transactions; or

(iv) the Company sells all or substantially all of the assets of the Company.

(b) Effect of Change of Control. In the event that within one (1) year following a Change of Control, the Company terminates Executive Without Cause or Executive terminates employment for Good Reason, Executive shall be entitled to: (i) the payment of two (2) times Executive's Base Salary for the year in which such termination shall occur; (ii) the payment of two (2) times Executive's Annual Bonus for the preceding year; (iii) any unpaid portion of the Signing Bonus or any Annual Bonus for prior calendar years, accrued and unpaid vacation pay, unreimbursed expenses incurred pursuant to Section 5(a), (b),or (d), or (f) and any other benefits owed to Executive pursuant to any written employee benefit plan or policy of the Company; (iv) the portion of the Restricted Stock Grant that is free from restrictions as of the date of termination and the acceleration and immediate release of all restrictions from all Restricted Stock Grants that are subject to restrictions as of the date of termination; and (v) the vested portion of Executive's Stock Options and the acceleration and immediate vesting of any unvested portion of Executive's Stock Options. Executive shall have two (2) years from the date of such termination to exercise all vested Stock Options.

(c) Going Private Transaction. Notwithstanding the foregoing, if Edward L. Gaylord or any member of his immediate family or any trusts or other entities controlled by Edward L. Gaylord or any member of his immediate family initiates any Rule 13e-3 transaction, as that term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934 (the "Rule 13e-3 Transaction"), and all conditions precedent to the Company's obligation to consummate the Rule 13e-3 Transaction shall have been satisfied, all unvested Stock Options shall vest and all restrictions shall be removed from the Restricted Stock Grant shares. Provided, however, that if the Rule 13e-3 Transaction is not thereafter consummated, the acceleration of Stock Option vesting and removal of Restricted Stock Grant restrictions shall be deemed to be null and void.

9. EXCISE TAX REIMBURSEMENT. In connection with or arising out of a Change in Control of the Company, in the event Executive shall be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax") in respect of any payment or distribution by the Company or any other person or entity to or for Executive's benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, or whether prior to or following any termination of Executive other than Termination for Cause or By Executive without Good Reason (a "Payment"), the Company shall pay to Executive an additional amount. The additional amount (the "Gross-Up Payment") shall be equal to the Excise Tax, together with any federal, state and local income tax, employment tax and any other taxes associated with this payment such that Executive incurs no out-of-pocket expenses associated with the Excise Tax. Provided, however, nothing in this Section shall obligate the Company to pay Executive for any federal, state or local

income taxes imposed upon Executive by virtue of a Payment. For purposes of determining whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax the following will apply:

(a) Determination of Parachute Payments. Any payments or benefits received or to be received by Executive in connection with a Change in Control of the Company or his termination of employment other than by the Company for Cause or by Executive Without Good Reason shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to Executive such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax; and

(b) Valuation of Benefits and Determination of Tax Rates. The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Section 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the date of termination of his employment, net of the applicable reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(c) Repayment of Gross-Up by Executive and Possible Additional Gross-Up by Company. In the event that the amount of Excise Tax attributable to Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Executive's employment, he shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (including the portion of the Gross-Up Payment attributable to the Excise Tax, employment tax and federal (and state and local) income tax imposed on the Gross-Up Payment being repaid by Executive if such repayment results in a reduction in Excise Tax and/or a federal (and state and local) income tax deduction) plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax attributable to Payments is determined to exceed the amount taken into account hereunder at the time of the termination of Executive's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment in respect of such excess (plus any interest and/or penalties payable by Executive with respect to such excess) at the time that the amount of such excess is finally determined.

10. EXECUTIVE COVENANTS.

(a) General. Executive and the Company understand and agree that the purpose of the provisions of this Section 10 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of his labor. Executive hereby acknowledges that the post-employment restrictions set forth in this Section 10 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of his employment with the Company. Therefore, subject to the limitations of reasonableness imposed by law upon restrictions set forth herein, Executive shall be subject to the restrictions set forth in this Section 10.

(b) Definitions. The following capitalized terms used in this Section 10 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms: "Confidential Information" means any confidential or proprietary information possessed by the Company without limitation, any confidential "know-how," customer lists, details of client and consultant contracts, current and anticipated customer requirements, pricing policies, price lists, market studies, business plans, operational methods, marketing plans or strategies, product development techniques or plans, computer software programs (including object code and source code), data and documentation, data base technologies, systems, structures and architectures, inventions and ideas, past, current and planned research and development, compilations, devices, methods, techniques, processes, financial information and data, business acquisition plans, new personnel acquisition plans and any other information that would constitute a trade secret under the common law or statutory law of the State of Tennessee.

"Person" means any individual or any corporation, partnership, joint venture, association or other entity or enterprise.

"Protected Employees" means employees of the Company or its affiliated companies who are employed by the Company or its affiliated companies at any time within six (6) months prior to the date of termination of Executive for any reason whatsoever or any earlier date (during the Restricted Period) of an alleged breach of the Restrictive Covenants by Executive.

"Restricted Period" means the period of Executive's employment by the Company plus a period extending two (2) years from the date of termination of employment; provided, however, the Restricted Period shall be extended for a period equal to the time during which Executive is in breach of his obligations to the Company under this Section 10.

"Restrictive Covenants" means the restrictive covenants contained in Section 10(c) hereof:

(c) Restrictive Covenants.

(i) Restriction on Disclosure and Use of Confidential Information. Executive understands and agrees that the Confidential Information constitutes a valuable asset of the Company and its affiliated entities, and may not be converted to

Executive's own use or converted by Executive for the use of any other Person. Accordingly, Executive hereby agrees that Executive shall not, directly or indirectly, at any time during the Restricted Period or thereafter, reveal, divulge or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, at any time during the Restricted Period or thereafter, directly or indirectly, use or make use of any Confidential Information in connection with any business activity other than that of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices,

(ii) Non-solicitation of Protected Employees. Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to Executive's own use or converted by Executive for the use of any other Person. Accordingly, Executive hereby agrees that during the Restricted Period Executive shall not directly or indirectly on Executive's own behalf or on behalf of any Person solicit any Protected Employee to terminate his or her employment with the Company.

(iii) Non-interference with Company Opportunities. Executive understands and agrees that all business opportunities with which he is involved during his employment with the Company constitute valuable assets of the Company and its affiliated entities, and may not be converted to Executive's own use or converted by Executive for the use of any other Person. Accordingly, Executive hereby agrees that during the Restricted Period or thereafter, Executive shall not directly or indirectly on Executive's own behalf or on behalf of any Person, interfere with, solicit, pursue, or in any way make use of any such business opportunities.

(d) Exceptions from Disclosure Restrictions. Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing or using Confidential Information that: (i) is or becomes generally available to the public other than as a result of an unauthorized disclosure by Executive or his agent; (ii) becomes available to Executive in a manner that is not in contravention of applicable law from a source (other than the Company or its affiliated entities or one of its or their officers, employees, agents or representatives) that is not known by Executive, after reasonable investigation, to be bound by a confidential relationship with the Company or its affiliated entities or by a confidentiality or other similar agreement; or (iii) is required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, court order or legal process, Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Executive.

(e) Enforcement of the Restrictive Covenants.

(i) Rights and Remedies upon Breach. In the event Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants and to have the

Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. The rights referred to herein shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity.

(ii) Severability of Covenant. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in all respects. If any court determines that any Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

11. COOPERATION IN FUTURE MATTERS. Executive hereby agrees that, for a period of three (3) years following the date of his termination, he shall cooperate with the Company's reasonable requests relating to matters that pertain to Executive's employment by the Company, including, without limitation, providing information of limited consultation as to such matters, participating in legal proceedings, investigations or audits on behalf of the Company, or otherwise making himself reasonably available to the Company for other related purposes. Any such cooperation shall be performed at times scheduled taking into consideration Executive's other commitments, and Executive shall be compensated (except for cooperation in connection with legal proceedings) at a reasonable hourly or per diem rate to be agreed by the parties to the extent such cooperation is required on more than an occasional and limited basis. Executive shall also be reimbursed for all reasonable out of pocket expenses. Executive shall not be required to perform such cooperation to the extent it conflicts with any requirements of exclusivity of service for another employer or otherwise, nor in any manner that in the good faith belief of Executive would conflict with his rights under or ability to enforce this Agreement.

12. INDEMNIFICATION. The Company shall indemnify Executive and hold him harmless from and against any and all costs, expenses, losses, claims, damages, obligations or liabilities (including actual attorneys fees and expenses) arising out of any acts or failures to act by the Company, its directors, employees or agents that occurred prior to the Effective Date, or arising out of or relating to any acts, or omissions to act, made by Executive on behalf of or in the course of performing services for the Company to the fullest extent permitted by the Bylaws of the Company, or, if greater, as permitted by applicable law, as the same shall be in effect from time to time. If any claim, action, suit or proceeding is brought, or any claim relating thereto is made, against Executive with respect to which indemnity may be sought against the Company pursuant to this Section, Executive shall notify the Company in writing thereof, and the Company shall have the right to participate in, and to the extent that it shall wish, in its discretion, assume and control the defense thereof, with counsel satisfactory to Executive.

13. EXECUTIVE'S REPRESENTATIONS AND WARRANTIES. Executive represents and warrants that he is free to enter into this Agreement and, as of the Effective Date, that he is not subject to any conflicting obligation or any disability which shall prevent or hinder Executive's execution of this Agreement or the performance of his obligations hereunder; that no lawsuits or claims are pending or, to Executive's knowledge, threatened against Executive; and that he has never been subject to bankruptcy, insolvency, or similar proceedings, has never been convicted of a felony or a crime involving moral turpitude, and has never been subject to an investigation or proceeding by or before the Securities and Exchange Commission or any state securities commission. The Company shall

have the authority to conduct an independent investigation into the background of Executive and Executive agrees to fully cooperate in any such investigation. The Company shall notify Executive if it intends to conduct such an investigation.

14. NOTICES. Any and all notices or other communications required or permitted to be given under any of the provisions of this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or mailed by first class registered mail, return receipt requested, or by commercial courier or delivery service, or by facsimile or electronic mail, addressed to the parties at the addresses set forth below (or at such other address as any party may specify by notice to all other parties given as aforesaid):

(a) if to the Company, to:

Gaylord Entertainment Company
One Gaylord Drive
Nashville, Tennessee 37214
Attention: President
Facsimile Number: (615) 316-6010

(b) if to Executive, to:

David C. Kloeppel
c/o Gaylord Entertainment Company
One Gaylord Drive
Nashville, TN 37214

with a copy to:

David Mason
Debevoise & Plimpton
919 Third Avenue
New York, NY 10022
Facsimile Number: (212) 909-6836

and/or to such other persons and addresses as any party shall have specified in writing to the other by notice as aforesaid.

15. MISCELLANEOUS.

(a) Entire Agreement. This writing and the Exhibits hereto constitute the entire agreement of the parties with respect to the subject matter hereof and may not be modified, amended, or terminated except by a written agreement signed by all of the parties hereto. Nothing contained in this Agreement shall be construed to impose any obligation on the Company to renew this Agreement and neither the continuation of employment nor any other conduct shall be deemed to imply a continuing obligation upon the expiration of this Agreement.

(b) Assignment; Binding Effect. This Agreement shall not be assignable by Executive, but it shall be binding upon, and shall inure to the benefit of, his heirs, executors,

administrators, and legal representatives. This Agreement shall be binding upon the Company and inure to the benefit of the Company and its respective successors and permitted assigns. This Agreement may only be assigned by the Company to an entity controlling, controlled by, or under common control with the Company; provided, however, that no such assignment shall relieve the Company of any of its obligations hereunder.

(c) Waiver. No waiver of any breach or default hereunder shall be considered valid unless in writing, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

(d) Enforceability. Subject to the terms of Section 12(e) hereof, if any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein, unless the invalidity or unenforceability of such provision substantially impairs the benefits of the remaining portions of this Agreement.

(e) Headings. The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of the sections.

(f) Counterparts. This Agreement may be executed in two or more counterparts, all of which taken together shall be deemed one original.

(g) Confidentiality of Agreement. The parties agree that the terms of this Agreement as they relate to compensation, benefits, and termination shall, unless otherwise required by law (including, in the Company's reasonable judgment, as required by federal and state securities laws), be kept confidential; provided, however, that any party hereto shall be permitted to disclose this Agreement or the terms hereof with any of its legal, accounting, or financial advisors provided that such party ensures that the recipient shall comply with the provisions of this Section 17(g).

(h) Governing Law. This Agreement shall be deemed to be a contract under the laws of the State of Tennessee and for all purposes shall be construed and enforced in accordance with the internal laws of said state.

(i) No Third Party Beneficiary. This Agreement shall not confer any rights or remedies upon any person or entity other than the parties hereto and their respective successors and permitted assigns.

(j) Arbitration. Any controversy or claim between or among the parties hereto, including but not limited to those arising out of or relating to this Agreement or any related agreements or instruments, including any claim based on or arising from an alleged tort, shall be determined by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the law of the state of Tennessee), the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date hereof, and the provisions set forth below. In the event of any inconsistency, the provisions herein shall control. Judgment upon any arbitration award may be entered in any court having jurisdiction. Any party to the Agreement may bring an action, including a summary or expedited proceeding, to compel

arbitration of any controversy or claim to which this Agreement applies in any court having jurisdiction over such action; provided, however, that all arbitration proceedings shall take place in Nashville, Tennessee. The arbitration body shall set forth its findings of fact and conclusions of law with citations to the evidence presented and the applicable law, and shall render an award based thereon. In making its determinations and award(s), the arbitration body shall base its award on applicable law and precedent, and shall not entertain arguments regarding punitive damages, nor shall the arbitration body award punitive damages to any person. Each party shall bear its own costs and expenses.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

GAYLORD ENTERTAINMENT COMPANY

By:
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Colin V. Reed
President and Chief Executive Officer

EXECUTIVE:

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David C. Kloeppel