DELUXE CORP
Form DEF 14A
March 11, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Deluxe, Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Deluxe Corporation
3680 Victoria Street N.
Shoreview, MN 55126-2966
P.O. Box 64235
St. Paul, MN 55164-0235
www.deluxe.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 28, 2010

To the Shareholders of Deluxe Corporation:

The 2010 annual meeting of shareholders will be held at the Deluxe Corporation headquarters located at 3680 Victoria Street North, Shoreview, Minnesota on Wednesday, April 28, 2010, at 2:00 p.m. Central Time for the following purposes:

1. To elect ten directors to hold office until the 2011 annual meeting of shareholders.

2. To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2010.

3. To take action on any other business that may properly come before the meeting and any adjournment thereof.

Shareholders of record at the close of business on March 3, 2010, are entitled to vote at the meeting and at any adjournment thereof.

Once again, we are furnishing proxy materials to our shareholders over the Internet. This process expedites the delivery of proxy materials, reduces paper waste and saves the company expense. In addition, these materials remain easily accessible, and shareholders receive clear instructions for voting and requesting paper copies of the materials if they so desire.

We are mailing the Notice of Internet Availability of Proxy Materials (Internet Notice) to shareholders on or about March 15, 2010. The Internet Notice contains instructions on how to access our Proxy Statement and Annual Report, and how to vote online. In addition, the Internet Notice contains instructions on how you may (i) receive a paper copy of the Proxy Statement and Annual Report, if you received only an Internet Notice this year, or (ii) elect to receive your Proxy Statement and Annual Report only over the Internet, if you received them by mail this year.

It is important that your shares be represented at the annual meeting. Whether or not you plan to attend the annual meeting in person, please vote as soon as possible to ensure the presence of a quorum and save Deluxe further expense. You may vote your shares over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the methods of voting are contained in the Internet Notice and in the Proxy Statement. Voting over the Internet or by mailing a proxy card will not limit your right to vote in person or to attend the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Anthony C. Scarfone
Corporate Secretary
March 11, 2010

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INFORMATION CONCERNING SOLICITATION AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act on the matters disclosed in the Notice of Annual Meeting of Shareholders that preceded this proxy statement. The two proposals scheduled to be voted on at the meeting are to:

- Elect ten directors; and
- Ratify the appointment of PricewaterhouseCoopers LLP as Deluxe s independent registered public accounting firm.

We will also consider any other business that may be properly presented at the meeting (although we are not expecting any other matters to be presented), and management will report on Deluxe s performance during the last fiscal year and respond to questions from shareholders.

The Board of Directors of Deluxe is asking you to vote on the proposed items of business.

How does the Board recommend that I vote?

The Board of Directors recommends a vote:

- FOR all of the nominees for director; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Deluxe s independent registered public accounting firm for the fiscal year ending December 31, 2010.

Who is entitled to vote at the meeting?

The Board has set March 3, 2010, as the record date for the meeting. If you were a shareholder of record at the close of business on March 3, 2010, you are entitled to vote at the meeting. You have one vote for each share of common stock you held on the record date.

As of the record date, 51,320,869 shares of Deluxe common stock were outstanding. Deluxe does not have any other class of capital stock outstanding.

How many shares must be present to hold the meeting?

A quorum is necessary to hold the meeting and conduct business. The presence of shareholders who can direct the vote of at least a majority of the outstanding shares of common stock as of the record date is considered a quorum. A shareholder is counted present at the meeting if:

- the shareholder is present and votes in person at the meeting; or
- the shareholder has properly submitted a proxy or voted by telephone or the Internet.

What is the difference between a shareholder of record and a street name holder?

If your shares are registered directly in your name, you are considered the shareholder of record with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are still considered the beneficial owner of the shares, but your shares are held in street name .

How do I vote my shares?

We are mailing the Notice of Internet Availability of Proxy Materials (the Internet Notice) to shareholders of record on or about March 15, 2010. You will not receive a printed copy of these proxy materials unless you request to receive these materials in hard copy by following the instructions provided in the Internet Notice. Instead, the Internet Notice will instruct you how you may access and review all of the important information contained in these proxy materials. The Internet Notice also instructs you how you may vote by the Internet. If you received an Internet Notice by mail and would like to receive a

printed copy of these proxy materials, you should follow the instructions for requesting such materials included in the Internet Notice.

Voting by the Internet You can simplify your voting by voting your shares using the Internet as instructed in the Internet Notice. The Internet procedures are designed to authenticate your identity, to allow you to vote your shares and confirm that your instructions have been property recorded. Internet voting facilities for shareholders of record are available 24 hours a day and will close at 11:59 p.m. (CT) on April 27, 2010. You may access this proxy statement and related materials by going to http://www.investoreconnect.com and entering the control number as shown on your Internet Notice. You will then be directed to select a link to www.proxyvote.com where you will be able to vote on the proposals presented here.

Voting by Mail Shareholders who receive a paper proxy card may elect to vote by mail (instead of by Internet or telephone) and should complete, sign and date their proxy card and mail it in the pre-addressed envelope that accompanies the paper proxy card. Proxy cards submitted by mail must be received by the time of the annual meeting in order for your shares to be voted. Shareholders who hold shares beneficially in street name may vote by mail by requesting a paper proxy card according to the instructions contained in the Internet Notice received from your broker or other agent, and then completing, signing and dating the voting instructions card provided by the broker or other agent and mailing it in the pre-addressed envelope provided.

Voting by Telephone Shareholders also may elect to vote over the telephone by calling 800-690-6903 (toll-free). The telephone voting procedures have been set up for your convenience. The procedures have been designed to verify your identity, to allow you to give voting instructions and to confirm that those instructions have been recorded properly.

What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials?

It means you hold shares registered in more than one account. To ensure that all of your shares are voted, if you vote by telephone or the Internet, vote once for each Internet Notice you receive. If you wish to consolidate your accounts, please contact our stock transfer agent, Wells Fargo Bank, N.A., at P.O. Box 64854, St. Paul, Minnesota 55164 or by telephone at 800-468-9716 (toll-free).

You may also receive a voting instructions card which looks very similar to a proxy card. Voting instructions are prepared by brokers, banks or other nominees for shareholders who hold shares in street name.

Can I vote my shares in person at the meeting?

Yes. If you are a shareholder of record, you may vote your shares at the meeting by completing a ballot at the meeting. However, even if you currently plan to attend the meeting, we recommend that you submit your proxy ahead of time so that your vote will be counted if, for whatever reason, you later decide not to attend the meeting, or are otherwise unable to attend.

If you hold your shares in street name, you may vote your shares in person at the meeting only if you obtain a signed proxy from your broker, bank or other nominee giving you the right to vote such shares at the meeting.

What vote is required to elect directors?

In accordance with Minnesota law, directors are elected by a plurality of votes cast. This means that the ten nominees receiving the highest number of votes will be elected, provided that a quorum is present at the meeting.

What vote is required on proposals other than the election of directors?

With respect to each item of business to be voted on at the meeting other than the election of directors, the affirmative vote of a majority of the shares present and entitled to vote with respect to that item is required for the approval of the item (provided that the total number of shares voted in favor of the proposal constitutes more than 25 percent of the outstanding shares).

How are votes counted?

Shareholders may either vote FOR or WITHHOLD authority to vote for the nominees for the Board of Directors. Shareholders may also vote FOR, AGAINST or ABSTAIN on the other proposals.

If you vote WITHHOLD or ABSTAIN, your shares will be counted as present at the meeting for the purposes of determining a quorum.

If you WITHHOLD authority to vote for one or more of the directors, this has the same effect as a vote against the director or directors for which you WITHHOLD your authority. If you ABSTAIN from voting on a proposal, your abstention has the same effect as a vote against the proposal.

What if I do not specify how I want my shares voted?

If you hold your shares through a brokerage account, bank or other nominee, and do not provide voting instructions to your broker, bank or nominee, your shares will be counted as present at the meeting for purposes of determining a quorum but, in accordance with applicable law and the rules of the New York Stock Exchange, may not be voted on Item 1: Election of Directors. Shares for which you do not provide voting instructions may, however, be voted on Item 2: Ratification of Appointment of Independent Registered Public Accounting Firm, at the discretion of your broker, bank or nominee.

If you vote your shares directly (as opposed to voting through a broker or other intermediary) and do not specify on your proxy card (or when giving your proxy by telephone or the Internet) how you want to vote your shares, we will vote them:

- FOR the election of all of the nominees for director; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Deluxe s independent registered public accounting firm for the fiscal year ending December 31, 2010.

What is the effect of not casting my vote?

If you hold your shares in a brokerage or other financial institution account (i.e., in street name), it is critical that you cast your vote if you want it to count in the election of directors (Item 1 of this proxy statement). In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they thought appropriate. Recent changes in regulation were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company s independent registered public accounting firm (Item 2 of this proxy statement).

Can I change my vote?

Yes. You can change your vote and revoke your proxy at any time before it is voted at the meeting in any of the following ways:

- by sending a written notice of revocation to Deluxe s Corporate Secretary;
- by submitting another properly signed proxy card at a later date to the Corporate Secretary;
- by submitting another proxy by telephone or the Internet at a later date; or
- by voting in person at the meeting.

Who pays the cost of proxy preparation and solicitation?

Deluxe pays for the cost of proxy preparation and solicitation, including the charges and expenses of brokerage firms or other nominees for forwarding proxy materials to beneficial owners. We have retained Georgeson Inc., a proxy solicitation firm, to assist in the solicitation of proxies for a fee of approximately $7,500, plus associated costs and expenses.

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We are soliciting proxies primarily by use of the Internet. In addition, proxies may be solicited by mail, telephone or facsimile, or personally by directors, officers and regular employees of Deluxe. These individuals receive no additional compensation for these services.

STOCK OWNERSHIP AND REPORTING

Director and Executive Officer Stock Ownership and Sale Guidelines

The Board has established stock ownership guidelines for directors and executive officers. These guidelines set ownership targets for each director and executive officer, with the expectation that the target be achieved within five years of the later of the date the ownership guidelines were implemented or the individual first became a director or executive officer, whichever is applicable. The Board also maintains guidelines restricting a director s or executive officer s ability to sell shares received upon the exercise of options or vesting of other stock-based awards until they have achieved their ownership targets. The ownership target for non-employee directors is shares having a value of at least five times the current Board retainer. Executive officers have targets based on a multiple of their annual base salary. The ownership target for the Chief Executive Officer (CEO) is five times his annual base salary, the target for the Company s Senior Vice Presidents is two times their annual base salary, and the target for the Company s Vice Presidents who are members of the Company s Executive Leadership Team is one-and-one-half times their annual base salary.

Security Ownership of Certain Beneficial Owners and Management

The following table shows, as of March 3, 2010 (unless otherwise noted), the number of shares of common stock beneficially owned by (1) each person who is known by Deluxe to beneficially own more than five percent of Deluxe s outstanding common stock, (2) each executive officer named in the Summary Compensation Table that appears in the EXECUTIVE COMPENSATION section of this proxy statement (each, a Named Executive Officer), (3) each director and nominee for director, and (4) all of the current directors and executive officers of Deluxe as a group. Except as otherwise indicated in the footnotes below, the shareholders listed in the table have sole voting and investment powers with respect to the common stock owned by them.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Blackrock, Inc. [1]	6,114,280	11.94
FMR LLC (Fidelity) [2]	3,203,800	6.26
Lee J. Schram [3]	674,771	1.30
Anthony C. Scarfone [4]	232,266	*
Terry D. Peterson [5]	52,415	*
Thomas L. Morefield [6]	49,600	*
Malcolm J. McRoberts [7]	28,537	*
Richard S. Greene [8]	10,708	*
Ronald C. Baldwin [9]	15,308	*
Charles A. Haggerty [10]	57,518	*

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Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Isaiah Harris, Jr. [11]	24,503	*
Don J. McGrath [12]	23,485	*
Cheryl E. Mayberry McKissack [13]	22,398	*
Neil J. Metviner [14]	11,308	*
Stephen P. Nachtsheim [15]	52,038	*
Mary Ann O Dwyer [16]	35,626	*
Martyn R. Redgrave [17]	39,527	*
All directors, nominees and executive officers as a group (19 persons) [18]	1,446,907	2.77

* Less than 1 percent.

1 Based on a Schedule 13G filed with the Securities and Exchange Commission on January 7, 2010, reporting beneficial ownership as of December 31, 2009.

2 Based on a Schedule 13G filed with the Securities and Exchange Commission on February 12, 2010, reporting beneficial ownership as of December 31, 2009. The power to vote or direct the vote of these shares generally resides within funds managed

or advised by the reporting person and/or its subsidiaries.

3 Includes 508,701 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 26,400 shares of restricted stock.

4 Includes 167,759 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 35,200 shares of restricted stock.

5 Includes 41,650 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 2,600 shares of restricted stock.

6 Includes 40,764 shares receivable upon the exercise of

options that are currently exercisable or will become exercisable within 60 days, and 3,500 shares of restricted stock.

7 Includes 12,238 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 10,363 shares of restricted stock.

8 Shares reflect ownership as of Mr. Greene s October 31, 2009 resignation date.

9 Includes 4,723 shares of restricted stock.

10 Includes 3,000 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 4,723 shares of restricted stock, 32,727 shares held by the Haggerty Family Trust,

and 10,184 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Deluxe Corporation Non-Employee Director Stock and Deferral Plan (the Director Plan).

11 Includes 1,000 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 4,723 shares of restricted stock, and 3,173 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.

12 Includes 4,723 shares of restricted stock, 2,000 shares held in trust and 10,177 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.

13

Includes 3,000 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 4,723 shares of restricted stock.

14 Includes 4,723 shares of restricted stock.

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15 Includes 3,000 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 4,723 shares of restricted stock, 12,000 shares held by the Nachtsheim Family Trust and 9,966 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.

16 Includes 2,000 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 4,723 shares of restricted stock, and 8,029 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.

17 Includes 3,000 shares receivable upon

the exercise of options that are currently exercisable or will become exercisable within 60 days, 4,723 shares of restricted stock, and 9,360 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.

18 Includes 894,065 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 129,695 shares of restricted stock, and 50,889 restricted stock units received in lieu of directors fees pursuant to the deferral option under the Director Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and related regulations, require Deluxe s directors and executive officers, and any persons holding more than ten percent of Deluxe s common stock (collectively, Reporting Persons), to report their initial ownership of Deluxe securities and any subsequent changes in that ownership to the Securities and Exchange Commission. Based on our review of the reports filed and written representations submitted by the Reporting Persons, we believe that all Reporting Persons timely filed all required Section 16(a) reports for the most recent fiscal year.

ITEM 1: ELECTION OF DIRECTORS

Nominees for Election

There are currently ten individuals serving on the Board of Directors. As of the date of the meeting the Board has set the size of the Board at ten directors and recommends that the ten individuals presented on the following pages be elected to serve on the Board until the 2011 annual meeting of shareholders. All of the nominees are current

directors. In addition, with the exception of Mr. Schram, who serves as Deluxe s CEO and therefore cannot be deemed independent, all nominees have been determined by the Board to meet the independence standards of the New York Stock Exchange (see the discussion of Director Independence in the BOARD STRUCTURE AND GOVERNANCE section of this proxy statement).

Each of the ten individuals listed has consented to being named as a nominee in this proxy statement and has indicated a willingness to serve if elected. However, if any nominee becomes unable to serve before the election, the shares represented by proxies may be voted for a substitute designated by the Board, unless a contrary instruction is indicated on the proxy.

RONALD C. BALDWIN Age 63

Director since June 2007

Vice Chairman (Retired), Huntington Bancshares Inc.

Mr. Baldwin served as Vice Chairman of Huntington Bancshares Inc., a regional bank holding company, from April 2001 until his retirement in December 2006. Mr. Baldwin was responsible for overseeing Huntington s regional banking line of business, which provided both commercial and retail financial products and services through nearly 400 regional banking offices. Mr. Baldwin is a 35-year veteran of the banking and financial services industry. As such, he is able to provide Deluxe with unique insight into the challenges faced by financial institutions, particularly within the community bank sector, where the Company believes it has the opportunity to expand the business services and solutions offered to these financial institutions. The experience acquired by Mr. Baldwin throughout his career also makes him adept in offering counsel on matters related to financial and capital structure, all of which serve the needs of Deluxe and its shareholders as the Company seeks to maintain financial discipline while pursuing growth opportunities.

CHARLES A. HAGGERTY Age 68

Director since December 2000

Chairman (Retired), Western Digital Corporation

Mr. Haggerty was Chairman of the Board of Western Digital Corporation, a manufacturer of hard disk drives, from July 1993 until his retirement in June 2000. Mr. Haggerty was also Chief Executive Officer of Western Digital from July 1993 to January 2000, and was President from June 1992 to July 1993. Prior to joining Western Digital, Mr. Haggerty spent more than 28 years with IBM. Mr. Haggerty also serves as a director of Beckman Coulter, Inc., Pentair, Inc., Imation Corp and LSI Corporation. Aside from Mr. Haggerty s strong background in business operations and management, he is a seasoned public company director, having served for more than a decade on public company boards. During his tenure as a public company director, he has chaired a range of board committees and has served as a lead independent director, all of which allows him to bring a broad-based set of corporate governance perspectives and experience to the Deluxe Board.

ISAIAH HARRIS, JR. Age 57

Director since August 2004

President (Retired), BellSouth Advertising & Publishing Group

From December 2004 until December 2006, when BellSouth Corporation (BellSouth) was acquired by AT&T Corp., Mr. Harris served as President of BellSouth Advertising & Publishing Group, which was responsible for marketing and publishing The Real Yellow Pages® from BellSouth and included multiple BellSouth subsidiaries. Mr. Harris also was responsible for BellSouth s Asian and South American wireless telecommunications operations at this time. Prior to retiring in 2007 following the AT&T acquisition, Mr. Harris had spent nearly ten years with BellSouth in various other executive positions, including President of BellSouth Enterprises, President of Consumer Services, Vice President of Finance, and Chief Financial Officer of BellSouth Telecommunications. Mr. Harris currently serves as the Non-Executive Chairman of the Board of CIGNA Corporation and also is a member of the Board of Trustees of Wells Fargo Advantage Funds. With 19 years of combined senior finance and operations experience, including leading three multi-billion dollar organizations within BellSouth, Mr. Harris brings a high level of financial and business acumen to our Board. His years working in the telecommunications industry has presented him with the challenge of transforming mature product lines and service offerings, which are similar to issues being addressed by Deluxe in some of its markets, and also bring to the Deluxe Board experience in dealing with technological innovation, an area of focus for Deluxe. His experience serving on public company boards also provides a strong foundation for supporting the Board s governance practices.

DON J. McGRATH Age 61

Director since June 2007

Managing Partner, Diamond Bear Partners, LLC

Diamond Bear Partners, LLC is an investment company co-founded by Mr. McGrath in December 2009. In January 2010, Mr. McGrath retired as Chairman of BancWest Corporation, a $70 billion bank holding company serving nearly four million households and businesses. Mr. McGrath served as BancWest s Chairman and CEO from January 2005 to January 2010, and as a director since 1998. Prior to becoming CEO, he served as BancWest s President and Chief Operating Officer from November 1998 to December 2004. Mr. McGrath currently serves as a director of Bank of the West, a subsidiary of BancWest. In 2008, he received a Presidential appointment to the President s Council on Financial Literacy. He has nearly 40 years of experience in the banking and financial services industry, particularly within the large bank sector, enabling him to provide the Company with valuable insight into this important portion of Deluxe s customer base. He also led BancWest through an era of significant growth and therefore is well-suited for the Deluxe Board as the Company continues to execute its transformational growth strategies.

CHERYL E. MAYBERRY McKISSACK Age 54

Director since December 2000

President and Chief Executive Officer, Nia Enterprises, LLC

Nia Enterprises, LLC is an on-line research and marketing services company specializing in women and ethnic markets, which Ms. Mayberry McKissack founded in 2000. From November 1997 to November 2000, Ms. Mayberry McKissack served as Senior Vice President and General Manager of worldwide sales and marketing for Open Port Technology, Inc., a provider of Internet infrastructure messaging solutions. In 2005, she was named an Associate Adjunct Professor of Entrepreneurship at the Kellogg School of Business, Northwestern University. Ms. Mayberry McKissack also serves as a director of Private Bancorp, Inc. As a successful entrepreneur, Ms. Mayberry McKissack brings a unique perspective to the Board as the Company pursues its growth strategies within the Small Business Services segment. In addition, given that a key component of Deluxe s strategy for growing this segment involves Internet-based marketing and e-commerce solutions, Ms. Mayberry McKissack s experience in these areas is a valuable complement to the skills and experience she brings to the Board as a business operator.

NEIL J. METVINER Age 51

Director since June 2007

Vice President and President, Global Mailstream, Europe (Retired), Pitney Bowes, Inc.

Pitney Bowes is a global mailstream technology company serving one million businesses in North America and over two million customers worldwide. Mr. Metviner joined Pitney Bowes in 2000 as President of Pitney Bowes Direct, having management responsibility for serving the company s U.S. small business customer base, together with various international markets. From September 2007 until leaving the company at the end of December 2009, Mr. Metviner assumed full oversight responsibility for the company s European mailstream operations. As President of Pitney Bowes Direct, Mr. Metviner acquired extensive knowledge in marketing to, and otherwise serving, small business customers. This knowledge is particularly relevant to Deluxe s strategic growth initiatives within the Small Business Services segment, from where it is expected that a significant portion of the Company s growth will be derived. In addition, Mr. Metviner has spent more than 20 years in senior leadership positions responsible for new product development, management and marketing, all of which areas also are key components of Deluxe s enterprise-wide growth strategies.

STEPHEN P. NACHTSHEIM Age 65

Director since November 1995

Non-Executive Chairman of Deluxe and Vice President (Retired), Intel Corporation

In November 2005, Mr. Nachtsheim was appointed Non-Executive Chairman of the Board of Deluxe. Prior to that, he served as the Board s Lead Independent Director, a role he had assumed in December 2003. Mr. Nachtsheim was a Corporate Vice President of Intel Corporation, a designer and manufacturer of integrated circuits, microprocessors and other electronic components, and the co-director of Intel Capital from 1998 until his retirement in August 2001. As the longest tenured member of the Deluxe Board, Mr. Nachtsheim brings an historical perspective to the Board s role in guiding strategic discussions. In addition, the Board believes Mr. Nachtsheim has been particularly effective in the role of Non-Executive Chairman, acting as a liaison between the Board and management, and mentor to the CEO. To ensure continuity in this leadership structure at this juncture in Deluxe s transformation, the Board determined that it would be in the best interests of Deluxe and its shareholders to ask Mr. Nachtsheim to stand for re-election to another term notwithstanding his previous plans to retire from the Board.

MARY ANN O DWYER Age 54

Director since October 2003

Senior Vice President Finance and Operations and Chief Financial Officer, Wheels, Inc.

Wheels, Inc. is a leading provider of fleet management services to Fortune 1000 companies, with more than 300,000 vehicles under management. Ms. O Dwyer joined Wheels in 1991 and has served as Chief Financial Officer since 1994. As Senior Vice President Finance and Operations since 1999, she is also responsible for all Vehicle Operations and Customer Service functions. Ms. O Dwyer also serves as a director of Wheels, Inc. and its parent company, Frank Consolidated Enterprises. In addition to the strong financial acumen and operational background she brings to the Board, Ms. O Dwyer s experience at Wheels has included analyzing the strength of a company s financial condition, assessing credit risks, accessing capital markets, and implementing internal control systems and risk mitigation strategies. These qualifications serve Deluxe and its shareholders not only by helping to oversee the integrity of Deluxe s financial statements, but also in supporting the Company s strategies to ensure access to capital and in evaluating potential acquisition candidates as part of the Company s growth strategies.

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MARTYN R. REDGRAVE Age 57

Director since August 2001

Executive Vice President and Chief Administrative Officer, Limited Brands, Inc.

Mr. Redgrave has served as Executive Vice President and Chief Administrative Officer of Limited Brands, Inc., since March 2005, and also served as Chief Financial Officer from January 2006 to May 2007. Limited Brands is one of the world s leading personal care, beauty, intimate apparel and apparel specialty retailers. Prior to joining Limited Brands, Mr. Redgrave served for eleven years as the Executive Vice President-Finance and Chief Financial Officer of Carlson Companies, Inc., a worldwide provider of hospitality, travel and marketing services. Also bringing extensive financial and accounting acumen to the Board, Mr. Redgrave s background in overseeing the financial systems, operations and controls of complex business operations is particularly relevant to the work of the Deluxe Board. At Limited Brands, Mr. Redgrave has day-to-day involvement with matters similar to those encountered by Deluxe, such as financial reporting and controls, enterprise risk management, information technology systems, data management and protection, and access to capital markets. His background also includes M&A financial analysis, a continuing area of importance for Deluxe.

LEE J. SCHRAM Age 48

Director since May 2006

Chief Executive Officer of Deluxe

Mr. Schram became CEO of Deluxe Corporation on May 1, 2006. Prior to joining Deluxe, Mr. Schram served as Senior Vice President of NCR Corporation s Retail Solutions Division, with responsibilities for NCR s global retail store automation and point-of-sale solutions business, including development, engineering, marketing, sales, and support functions. Mr. Schram began his professional career with NCR Corporation in 1983, where he held a variety of positions of increasing responsibility that included both domestic and international assignments. From September 2000 to January 2002, he served as Chief Financial Officer for the Retail and Financial Group. Thereafter, he became Vice President and General Manager of Payment and Imaging Solutions in NCR s Financial Services Division, a position he held until March 2003, when he became Senior Vice President of the Retail Solutions Division. He is the sole member of the Company s management represented on the Board.

The Board of Directors recommends that you vote FOR the election of each nominee named on the preceding pages.

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BOARD STRUCTURE AND GOVERNANCE

Board Oversight and Director Independence

Deluxe s business, property and affairs are managed under the general direction of our Board of Directors. In providing this oversight, the Board adheres to a set of Corporate Governance Guidelines designed to ensure that the Board has access to relevant information, and is structured and operates in a manner allowing it to exercise independent business judgment.

A critical component of our corporate governance philosophy is that a majority of our directors, and preferably a substantial majority, be individuals who meet strict standards of independence, meaning that they have no relationship with Deluxe, directly or indirectly, that could impair their ability to make objective and informed judgments regarding all matters of significance to Deluxe and its shareholders. The listing standards of the New York Stock Exchange (NYSE) require that a majority of our directors be independent, and that our Corporate Governance, Audit and Compensation Committees be comprised entirely of independent directors. In order to be deemed independent, a director must be determined by the Board to have no material relationship with Deluxe other than as a director. In accordance with the NYSE listing standards, our Board has adopted formal Director Independence Standards setting forth the specific criteria by which the independence of our directors will be determined, including restrictions on the nature and extent of any affiliations directors and their immediate family members may have with Deluxe, its independent registered public accounting firm, or any commercial or not-for-profit entity with which Deluxe has a relationship. Consistent with regulations of the SEC, our Director Independence Standards also prohibit Audit Committee members from accepting, directly or indirectly, any consulting, advisory or other compensatory fee from Deluxe, other than in their capacity as Board or committee members. The complete text of our Director Independence Standards is posted on the Corporate Governance page of the News and Investor Relations section of our website at www.deluxe.com under the Corporate Governance caption.

The Board has determined that every director and nominee, with the exception of Mr. Schram, satisfies our Director Independence Standards. The Board also has determined that every member of its Corporate Governance, Audit and Compensation Committees is independent.

Corporate Governance Principles

As indicated above, our Board has adopted a set of Corporate Governance Guidelines to assist it in carrying out its oversight responsibilities. These Guidelines address a broad range of topics, including director qualifications, director nomination processes, term limits, Board and committee structure and processes, Board evaluations, director education, CEO evaluation, management succession planning and conflicts of interest. The complete text of the Guidelines is posted on the Corporate Governance page of the News and Investor Relations section of our website at www.deluxe.com under the Corporate Governance caption. A copy of the Guidelines is available in print free of charge to any shareholder who submits a request to: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126.

Code of Ethics and Business Conduct

All of our directors and employees, including our CEO, Chief Financial Officer and other executives, are required to comply with our Code of Ethics and Business Conduct (Code of Ethics) to help ensure that our business is conducted in accordance with legal and ethical standards. Our Code of Ethics requires strict adherence to the letter and spirit of all laws and regulations applicable to our business, and also addresses professional conduct, including customer relationships, respect for co-workers, conflicts of interest, insider trading, the integrity of our financial recordkeeping and reporting, and the protection of our intellectual property and confidential information. Employees are required to bring any violations or suspected violations of the Code of Ethics to Deluxe s attention through management or Deluxe s law department, or by using our confidential compliance hotline. The full text of our Code of Ethics is posted on the Corporate Governance page of the News and Investor Relations section of our

website at www.deluxe.com under the Corporate Governance caption. The Code of Ethics is available in print free of charge to any shareholder who submits a request to: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126.

Related Party Transaction Policy and Procedures

The Board maintains written procedures under which the Corporate Governance Committee is responsible for reviewing potential or actual conflicts of interest, including any proposed related party transactions and interlocking relationships involving executives and Board members. The Committee determines whether any such potential or actual conflicts would require disclosure under securities laws, cause a director to be disqualified from being deemed independent, or cause a transaction being considered by the Board to be voidable if the conflict were not disclosed. The Committee also considers whether the proposed transaction would result in a violation of any law or be inappropriate in light of the nature and magnitude of any interest of the director or executive in the entity or transaction giving rise to the potential conflict.

The Committee may take those actions it deems necessary, with the assistance of any advisors it deems appropriate, in considering potential conflicts of interest. While it is expected that in most instances the Committee can make the necessary determination, where required by state law or due to the significance of the issue, the matter will be referred to the full Board for resolution.

Deluxe maintains a commercial relationship with Wheels, Inc. that was reviewed and approved under these procedures. Wheels, Inc. is a $1.5 billion company that provides automobile leasing, fleet management and related services. Deluxe selected Wheels, Inc. to provide these services as the result of a competitive bidding process in which several other service providers also participated. Ms. O Dwyer, who is an executive with Wheels, did not participate in the bidding or selection process. Under the terms of the arms-length contract governing this relationship, which expires on December 9, 2011, Deluxe s aggregate payment to Wheels, Inc. for 2009 was approximately $811,000, which amount is well below the thresholds for independence established by the NYSE and provided for in our Director Independence Standards. The relationship with Wheels, Inc. was duly considered by the Board in making its determination that Ms. O Dwyer is independent.

Effective March 16, 2009, the Company entered into an agreement with a management consulting firm, Aveus, LLC (Aveus Agreement), by which Aveus provides interim leadership support, management and staffing support, direct involvement in market management decisions, and support for strategic, operating and organization transformation efforts. The current Aveus Agreement, which runs through June 30, 2010, also provides that Joanne M. McGowan will serve as the primary consultant from Aveus. Ms. McGowan has been leading the Small Business Services (SBS) business segment of the Company under which she acts at the direction of the Company s CEO and others to whom he may delegate decision-making authority. She has been responsible for guiding the development and implementation of the SBS growth strategy, providing day-to-day oversight of SBS and leading organizational changes designed to more effectively achieve SBS objectives. In light of these responsibilities, Ms. McGowan has been deemed by the Company to be an executive officer for SEC reporting purposes, which is why the Company is disclosing the Aveus arrangement to our shareholders. During 2009, the Company paid Aveus $765,000.00 in fees for services provided through Ms. McGowan, as well as for overhead, research, data collection and support services. Ms. McGowan owns a ten-percent interest in Aveus and received from Aveus approximately $326,630.00 of the total amount paid by the Company to Aveus, which includes reimbursement of expenses, primarily associated with Ms. McGowan s travel from her home in Chicago, Illinois to St. Paul, Minnesota, where the Company s headquarters are located.

Board Composition and Qualifications

Our Corporate Governance Committee also oversees the process for identifying and evaluating candidates for the Board of Directors. While not maintaining a specific policy on Board diversity requirements, we do believe that our directors should have diverse backgrounds and possess a variety of

qualifications, experience and knowledge that complement the attributes of other Board members and enable them to contribute effectively to the evaluation of our business strategies and to the Board s oversight role. Deluxe also believes that a predominance of Board members should have a background in business, including experience in markets served by the Company or in which it is developing product and service offerings, and recognizes the benefit of Board members having an understanding of the methods by which other boards address issues common to publicly traded companies. We also believe the Board should include both actively employed and retired senior corporate officers, and that directors should range in age so as to maintain a sound balance of board tenure and experience, as well as staggered retirement dates. The Board believes that the diverse mix of skills, qualifications and experience represented by the current directors and nominees (as addressed more fully in the section of this proxy statement entitled ITEM 1: ELECTION OF DIRECTORS) effectively allows the Board to perform its responsibilities with respect to fiduciary oversight and evaluation of strategy.

The Board of Directors has established the following specific guidelines for nominees to the Board:

A majority of the Board must be comprised of independent directors, the current standards for which are discussed above under Board Oversight and Director Independence.

As a general rule, non-employees should not be nominated for re-election to the Board after their 72nd birthday or having served for 12 years from their initial election to the Board, although the Board retains the ability to grant exemptions to these limits where it determines that such an exemption will serve the interests of Deluxe and its shareholders.

A non-employee director who ceases to hold the employment position held at the time of election to the Board, or who has a significant change in position, should offer to resign. The Corporate Governance Committee will then consider whether the change of status is likely to impact the director s qualifications and make a recommendation to the Board as to whether the resignation should be accepted.

Management directors who terminate employment with Deluxe should offer to resign. The Board will then decide whether to accept the director s resignation, provided that no more than one former CEO should serve on the Board at any one time.

Other selection criteria used to evaluate potential candidates may include successful senior level business management experience or experience that fulfills a specific need, prior experience and proven accomplishment as a director of a public company, commitment to attending Board and committee meetings, a reputation for honesty and integrity, interest in serving the needs of shareholders, employees and communities in which we operate, and compatibility with existing directors.

Director Selection Process

All Board members are elected annually by our shareholders, subject to the Board s right to fill vacancies in existing or new director positions on an interim basis. Based on advice from the Corporate Governance Committee, each year the Board recommends a slate of directors to be presented for election at the annual meeting of shareholders.

The Corporate Governance Committee considers candidates recommended by members of the Board or recommended by our shareholders, and the Committee reviews such candidates in accordance with our bylaws and applicable legal and regulatory requirements. Candidates recommended by our shareholders are evaluated in accordance with the same criteria and using the same procedures as candidates recommended by Board members or the CEO. In order for such shareholder recommendations to be considered, shareholders must provide the Corporate Governance Committee with sufficient written documentation to permit a determination by the Board as to whether such a candidate meets the required and desired director selection criteria set forth in our bylaws and our Corporate Governance Guidelines, and as outlined above. Such documentation and the name of the recommended director candidate must be sent by U.S. mail to our Corporate Secretary at the address indicated on the Notice of Annual Meeting of Shareholders. Our Corporate Secretary will send properly

submitted shareholder recommendations to the Chair of the Corporate Governance Committee for consideration at a future Committee meeting.

When a vacancy or a new position on the Board needs to be filled, the CEO, in consultation with the Chair of the Corporate Governance Committee, drafts a profile of the candidate he or she believes would provide the most meaningful contributions to the Board as a whole. The profile is submitted to the Committee for approval. In order to properly staff its various committees and support its succession planning initiatives, the Board currently believes that a Board consisting of nine to eleven directors is the optimal size. The Committee has made it a practice in recent years to engage third-party search firms to assist it in identifying suitable candidates. The firms selected, as well as the specific terms of the engagement, are based on the specific search criteria established by the Committee. Members of the Board also are given the opportunity to submit names of potential candidates based on the profile developed. Each candidate is subject to an initial screening process after which the Committee selects the candidates that it wishes to interview. The Chair of the Board, CEO and at least a majority of the Committee interviews each candidate and, concurrently with the interviews, the candidate will confirm his or her availability for regularly scheduled Board and committee meetings. The Committee will also assess each candidate s potential conflicts of interest and the ways in which their qualifications, experience and knowledge complement those of the members of the Board. The Committee reviews the interviewers reports and recommendations, and makes the final determination as to which candidates are recommended for election to the Board. Depending on when suitable candidates are identified, the Board may decide to appoint a new director to serve on the Board until the next annual meeting of shareholders.

Our bylaws require any shareholder wishing to nominate a candidate at the annual meeting of shareholders to give written notice of the nomination to our CEO or Corporate Secretary no later than 120 days prior to the first anniversary of the previous year s annual meeting. The shareholder must attend the meeting with the candidate and propose the candidate s nomination for election to the Board at the meeting. The shareholder s notice must set forth as to each nominee: (1) the name, age, business address and residence address of the person, (2) the principal occupation or employment of the person, (3) the number of shares of our stock owned by the person, (4) the written and acknowledged statement of the person that such person is willing to serve as a director, and (5) any other information relating to the person that would be required to be disclosed in a solicitation of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, if the candidate had been nominated by or on behalf of the Board. No shareholders submitted director nominations in connection with this year s meeting. Any shareholders desiring to present a candidate at the 2011 annual meeting of shareholders must furnish the required notice no later than December 29, 2010.

Meetings and Committees of the Board of Directors

There were seven meetings of the Board of Directors in 2009, six of which were regular meetings. Each director attended, in person or by telephone, at least 75 percent of the aggregate of all meetings of the Board and its committees on which he or she served during the year. It is our policy that directors attend our annual shareholder meetings and all of the directors serving on the Board attended last year s annual meeting of shareholders.

The Board of Directors has four standing committees:

Audit Committee;

Compensation Committee;

Corporate Governance Committee; and

Finance Committee.

Each of the Board committees has a written charter, approved by the Board, establishing the authority and responsibilities of the committee. Each committee s charter is posted on the Corporate Governance page of the News and Investor Relations section of our website at www.deluxe.com under the Corporate Governance caption. A copy of each charter is available in print free of charge to any

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shareholder who submits a request to: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126.

The following tables provide a summary of each committee s responsibilities, the number of meetings held by each committee during the last fiscal year and the names of the directors currently serving on the committee.

Audit Committee

Responsibilities	Number of meetings in 2009: 9
Appoints and replaces the independent registered public accounting firm, subject to ratification by our shareholders, and oversees the work of the independent registered public accounting firm.	**Directors who serve on the committee:**
Pre-approves all auditing services and permitted non-audit services to be performed by the independent registered public accounting firm, including related fees.	Martyn R. Redgrave, Chair Ronald C. Baldwin
Reviews and discusses with management and the independent registered public accounting firm our annual audited financial statements and recommends to the Board whether the audited financial statements should be included in Deluxe s Annual Report on Form 10-K.	Isaiah Harris, Jr. Cheryl E. Mayberry McKissack Mary Ann O Dwyer
Reviews and discusses with management and the independent registered public accounting firm our quarterly financial statements and the associated earnings news releases.	
Reviews and discusses with management and the independent registered public accounting firm significant reporting issues and judgments relating to the preparation of our financial statements, including the adequacy of internal controls.	
Reviews and discusses with the independent registered public accounting firm our critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, and other material written communications between the independent registered public accounting firm and management.	
Oversees the work of our internal auditors.	
Reviews the effectiveness of Deluxe s legal and ethical compliance programs and maintains procedures for receiving, retaining and handling complaints by employees regarding accounting, internal controls and auditing matters.	

Compensation Committee

Responsibilities	Number of meetings in 2009: 5
Develops our executive compensation philosophy.	**Directors who serve on the committee:**

Evaluates and recommends incentive compensation plans for executive officers and other key managers, and all equity-based compensation plans, and oversees the administration of these and other employee compensation and benefit plans. Reviews and approves corporate goals and objectives relating to the CEO s compensation, leads an annual evaluation of the CEO s performance in light of those goals and objectives, and recommends to the Board the CEO s compensation based on this evaluation. Reviews and approves other executive officers compensation. Establishes and certifies attainment of incentive compensation goals and performance measurements applicable to our executive officers.	Charles A. Haggerty, Chair Don J. McGrath Neil J. Metviner Stephen P. Nachtsheim

Corporate Governance Committee

Responsibilities

Reviews and recommends the size and composition of the Board, including the mix of management and independent directors.

Establishes criteria and procedures for identifying and evaluating potential Board candidates.

Reviews nominations received from the Board or shareholders, and recommends candidates for election to the Board.

Establishes policies and procedures to ensure the effectiveness of the Board, including policies regarding term limits, review of qualifications of incumbent directors, and conflicts of interest.

Establishes guidelines for conducting Board meetings.

Oversees the annual assessment of the Board s performance.

In consultation with the Compensation Committee, reviews and recommends to the Board the amount and form of all compensation paid to directors.

Recommends to the Board the size, composition and responsibilities of all Board committees.

Reviews and recommends candidates for key executive officer positions and monitors management succession plans.

Develops and recommends corporate governance guidelines, policies and procedures.

Number of meetings in 2009: 4

Directors who serve on the committee:

Cheryl E. Mayberry McKissack, Chair
Isaiah Harris, Jr.
Don J. McGrath
Stephen P. Nachtsheim

Finance Committee

Responsibilities

Evaluates acquisitions, divestitures and capital projects in excess of $5 million, and reviews other material financial transactions outside the scope of normal on-going business activity.

Reviews and approves the Company s annual financing plans, as well as credit facilities maintained by the Company.

Reviews and recommends policies concerning corporate finance matters, including capitalization, investment of assets and debt/equity guidelines.

Number of meetings in 2009: 4

Directors who serve on the committee:

Mary Ann O Dwyer, Chair
Ronald C. Baldwin

Charles A. Haggerty

Reviews and recommends dividend policy and approves declarations of regular shareholder dividends. Reviews and makes recommendations to the Board regarding financial strategy and proposals concerning the sale, repurchase or split of Deluxe securities.	Neil J. Metviner Martyn R. Redgrave

Communications with Directors

Any interested party having concerns about our governance or business practices, or otherwise wishing to communicate with our independent directors, may submit their concerns in writing to the Non-Executive Chairman of the Board or the independent directors as a group in the care of the office of: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126.

Board Leadership Structure; Non-Executive Chairman; Executive Sessions

As stated in our Corporate Governance Guidelines, the Board does not maintain a strict policy regarding separation of the offices of Chairman and CEO, believing that this issue should be addressed as part of the Board s succession planning processes. In November of 2005, Deluxe was engaged in a search for a new CEO, and the Board appointed Mr. Nachtsheim as Non-Executive Chairman to remove the responsibilities of Board Chair from the then-interim CEO. When Mr. Schram was hired to be the

Company s CEO in 2006, the Board made the determination that it would be in the Company s best interest to maintain the separation of the Chairman and CEO roles, largely to allow Mr. Schram to focus on Deluxe s operational imperatives with support from a Non-Executive Chair on Board governance matters.

Mr. Nachtsheim has continued to serve as the Non-Executive Chairman of the Board and, upon re-election by the shareholders at the annual meeting, is expected to serve in that role for another year. Although Mr. Nachtsheim has served on the Board for more than 12 years, the Board determined that it would be in the best interests of Deluxe and its shareholders to re-nominate Mr. Nachtsheim to an additional, final term in order to provide continuity in the Chairman position and minimize the risk of distraction from a change in Board leadership as Deluxe continues to execute its transformational initiatives and growth strategies. Mr. Nachtsheim s duties include moderating meetings and executive sessions of the independent directors and acting as the principal liaison between the independent directors and the CEO with respect to Board governance issues.

Our independent directors make it a practice to meet in executive session without management present at each Board meeting. Likewise, all Board committees regularly meet in executive session without management.

Board Role in Risk Oversight

The Board takes an active role in risk oversight related to the Company both as a full Board and through its committees. The Board regularly meets in executive session to, among other things, assess the quality of its meetings and to provide its observations to the CEO regarding the Company s business challenges and risk mitigation strategies.

In addition, the Company conducts an annual enterprise-wide risk assessment. A formal report is delivered to the Audit Committee, the chair of which provides a synopsis to the Board each December. Updates are provided at regularly scheduled meetings and more frequently if required. The objectives for the risk assessment process include (i) facilitating the NYSE governance requirement that the Audit Committee discuss policies around risk assessment and risk management; (ii) developing a defined list of key risks to be monitored by the Audit Committee, Board and senior management; (iii) determining whether there are risks that require additional or higher priority mitigation efforts; (iv) facilitating discussion of the risk factors to be included in the Company s SEC reports, and (v) guiding the development of the Company s audit plans.

In 2009, the risk assessment process was conducted by members of our internal audit department working with senior management and the Enterprise Risk Council, consisting of senior level staff from the legal, finance and other shared services departments. Members of the internal audit department interviewed key department and functional leaders in the Company to identify and evaluate potential risks and associated mitigating factors and strategies. Any identified risks were prioritized based on the potential exposure to the Company, measured as a function of likelihood of occurrence and potential severity of impact if the risk were to materialize. The process included evaluating management s preparedness to respond to the risk if realized. The risk profiles and current and future mitigating actions were discussed and refined during subsequent discussions with senior management. A summary of the results of the risk assessment process and our risk mitigation activities was presented to the Audit Committee, which furnished a report to, and facilitated a discussion with, the full Board.

Audit Committee Expertise; Complaint-Handling Procedures

In addition to meeting the independence requirements of the NYSE and the SEC, all members of the Audit Committee have been determined by the Board to meet the financial literacy requirements of the NYSE s listing standards. The Board also has determined that at least one member of the Audit Committee, including Martyn Redgrave, the Committee Chair, is an audit committee financial expert as defined by SEC regulations.

In accordance with federal law, the Audit Committee has adopted procedures governing the receipt, retention and handling of complaints regarding accounting and auditing matters. These procedures include a means for employees to submit concerns on a confidential and anonymous basis, through Deluxe s compliance hotline.

Compensation Committee Processes and Procedures

The authority and responsibilities of the Compensation Committee are governed by its charter, a copy of which can be found on Deluxe Corporation s website at www.deluxe.com, together with applicable laws, rules, regulations and NYSE listing standards.

The Compensation Committee is authorized to review and approve corporate goals and objectives related to the CEO s compensation, lead the Board s evaluation of the CEO s performance in light of those goals and objectives, and recommend to the Board the CEO s compensation based on the evaluation. The Committee is expected to engage the entire Board in its evaluation of the CEO s performance and appropriate level of compensation.

The Committee also reviews and approves each executive officer s base pay and incentive compensation levels, stock ownership targets, employment-related agreements and any unique benefit plans or programs for executives. As part of this responsibility, the Committee evaluates and makes recommendations to the Board regarding the Company s compensation philosophy and structure, the design of incentive compensation plans in which executives participate and all equity plans. It establishes incentive compensation goals and performance measurements for executives and determines the levels of achievement of each executive relative to the goals and measurements. Subject to limits imposed by the plans, applicable law and the Board, the Committee also oversees administration of equity-based plans, deferred compensation plans, benefit plans, retirement and Employee Retirement Income Security Act (ERISA) excess plans, and also is responsible for determining the formula used to calculate contributions to the Company s current profit sharing plan. The Committee has delegated to management committees the responsibility to administer broad-based benefit plans and the responsibility to oversee investment options and management of retirement and deferred compensation programs.

Although matters of director compensation ultimately are the responsibility of the full Board, the Compensation Committee works in conjunction with the Board s Corporate Governance Committee and its independent compensation consultants in evaluating director compensation levels, making recommendations regarding the structure of director compensation, and developing a director pay philosophy that is aligned with the interests of the Company s shareholders.

The Committee has the authority to engage compensation consultants to assist it in conducting the activities within its general scope of responsibility. Since 2001, the committee has retained Towers Watson & Co., known until January 2010 as Watson Wyatt Worldwide, Inc. (Watson Wyatt), as its independent consultant. The Committee has the sole authority to retain, terminate and approve the fees of a compensation consultant for the purpose of assisting in the evaluation of director, CEO and executive compensation. For 2009, the Company paid no fees for any additional services provided by Watson Wyatt.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of independent directors. No member of the Compensation Committee has been an officer or employee of Deluxe. None of our executives serve as a member of the Compensation Committee of any other company that has an executive serving as a member of the Deluxe Board of Directors. None of our executives serve as a member of the board of directors of any other company that has an executive serving as a member of the Compensation Committee.

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Non-Employee Director Compensation

Directors who are employees of Deluxe do not receive compensation for their service on the Board other than their compensation as employees. Non-employee directors each receive a $50,000 annual Board retainer, payable quarterly. For 2009, the Non-Executive Chairman received an incremental $100,000 annual retainer, payable quarterly.

In order to fairly compensate non-employee directors for their service on Board committees, the elements and responsibilities of which will fluctuate from time to time, committee members are paid fees for each committee meeting attended, with the chair of each committee also receiving an annual retainer for serving as the chair.

For 2009, the committee fee structure was as follows:

	Audit Committee ($)	Compensation Committee ($)	Other Standing Committees ($)
Chair Retainer	15,000	7,500	5,000
In-Person Meeting Attendance	2,000	1,500	1,500
Telephonic Meeting Attendance	1,000	750	750

Non-employee directors also receive $1,500 for each approved site visit and director education program attended, up to a maximum of five per year, in the aggregate. Directors also may receive additional compensation for the performance of duties assigned by the Board or its committees that are considered beyond the scope of the ordinary responsibilities of directors or committee members.

Deluxe maintains a Non-Employee Director Stock and Deferral Plan (the Director Plan), which was approved by shareholders as part of Deluxe s 2008 Stock Incentive Plan (the Stock Incentive Plan). The purpose of the Director Plan is to provide an opportunity for non-employee directors to increase their ownership of Deluxe s common stock and thereby align their interest in the long-term success of Deluxe with that of other shareholders. Under the Director Plan, each non-employee director may elect to receive, in lieu of cash retainers and fees, shares of Deluxe common stock having an equal value, based on the closing price of Deluxe s stock on the NYSE as of the quarterly payment date. The shares of common stock receivable pursuant to the Director Plan are issued as of the quarterly payment date or, at the option of the director, credited to the director in the form of deferred restricted stock units. These restricted stock units vest and are converted into shares of common stock on the earlier of the tenth anniversary of February 1st of the year following the year in which the non-employee director ceases to serve on the Board or such other objectively determinable date as is elected by the director in his or her deferral election (for example, upon termination of service as a director). Each restricted stock unit entitles the holder to receive dividend equivalent payments equal to the dividend payment on one share of common stock. Restricted stock units issued pursuant to the Director Plan vest and convert into shares of common stock in connection with certain defined changes of control of Deluxe. All shares of common stock issued pursuant to the Director Plan are issued under Deluxe s Stock Incentive Plan and must be held by the non-employee director for a minimum period of six months from the date of issuance.

Under the terms of the Stock Incentive Plan, non-employee directors also are eligible to receive other equity-based awards to further align their interests with shareholders and assist them in achieving and maintaining their established share ownership targets. Any stock options granted to non-employee directors must have an exercise price equal to the fair market value of Deluxe s common stock on the date of grant, and no more than 5,000 options may be granted to a non-employee director in any one year. Non-employee directors did not receive any option grants in 2009, but each non-employee director elected to the Board at last year s annual meeting received a grant of restricted stock on April 29, 2009, with an approximate grant date value of $70,000, which shares vest one year from the grant date. Equity grants to directors are recommended by the Compensation Committee, in consultation with the Corporate Governance Committee, and are ratified by the full Board.

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Mr. Nachtsheim, the only non-employee director who was elected to the Board prior to October 1997, is also eligible for certain retirement payments under the terms of a Board retirement plan that has since been replaced by the Director Plan. Under this predecessor plan, non-employee directors with at least five years of Board service who retire, resign or otherwise are not nominated for re-election are entitled to receive an annual payment equal to the annual Board retainer in effect on July 1, 1997 ($30,000 per year) for the number of years during which he or she served on the Board prior to October 31, 1997. No further benefits are accruing under this plan. In calculating a director s eligibility for benefits under this plan, partial years of service are rounded up to the nearest whole number. Retirement payments do not extend beyond the lifetime of the retiree and are contingent upon the retiree s remaining available for consultation with management and refraining from engaging in any activity in competition with Deluxe. Mr. Nachtsheim is eligible to receive payments of $30,000 for two years following his retirement from the Board under this plan.

The following table summarizes the compensation earned by each non-employee director during 2009.

DIRECTOR COMPENSATION FOR 2009

Name	Fees Earned or Paid in Cash[(1)] ($)	Stock Awards[(2)] ($)	Option Awards[(3)] ($)	All Other Compensation[(4)] ($)	Total ($)
Ronald C. Baldwin	69,250	69,995	0	5,189	144,434
Charles A. Haggerty	71,000	69,995	0	4,366	145,361
Isaiah Harris, Jr.	70,000	69,995	0	4,366	144,361
Cheryl E. Mayberry McKissack	74,000	69,995	0	4,366	148,361
Don J. McGrath	61,266	69,995	0	5,189	136,434
Neil J. Metviner	64,250	69,995	0	5,189	139,434
Stephen P. Nachtsheim	165,750	69,995	0	4,366	240,111
Mary Ann O Dwyer	72,546	69,995	0	4,366	146,861
Martyn R. Redgrave	85,750	69,995	0	4,366	160,111

1 Under the Director Plan, directors may elect to receive their fees in the form of stock, including the right to defer such stock into restricted stock units. Any stock or stock units issued under the Director Plan are equal in value to the cash fees foregone by the director. As a result, amounts reflected are the

total fees earned by the directors, including amounts elected to be received in the form of stock or restricted stock units.

2 Amounts in this column reflect the aggregate grant date fair value of stock awards granted during the fiscal ended December 31, 2009 computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. All directors received 4,723 shares of restricted stock upon their re-election to the Board on April 29, 2009. These shares will vest one year from the date of grant. As of December 31, 2009, the aggregate number of shares of unvested restricted stock for each director was 4,723, and the aggregate number of restricted stock

units held by each director was as follows: Mr. Haggerty, 10,184; Mr. Harris, 3,137; Mr. McGrath, 10,177; Mr. Nachtsheim, 9,966; Ms. O Dwyer, 8,029; Mr. Redgrave, 9,360.

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3 No options were granted to the non-employee directors in 2009. As of December 31, 2009, the number of outstanding options held by each director was as follows: Charles A. Haggerty, 3,000; Isaiah Harris Jr., 1,000; Cheryl E. Mayberry McKissack, 3,000; Stephen P. Nachtsheim, 3,000; Mary Ann O Dwyer, 2,000 and Martyn R. Redgrave, 3,000. All outstanding options expire seven years from the grant date, vest in equal 1/3 increments on each anniversary of the grant date and carry exercise prices equal to the closing price of the Company s common stock on the grant date.

4 Amounts reflect dividends paid in 2009 on

unvested
restricted stock
awards.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The following discussion should be read in conjunction with the various tables and accompanying narrative disclosure appearing in this proxy statement. Those tables and narrative provide more detailed information regarding the compensation and benefits awarded to, earned by, or paid to our Chief Executive Officer (CEO) and the other executive officers named in the Summary Compensation Table appearing on page 35 (collectively, the Named Executive Officers), as well as the plans in which such officers are eligible to participate.

Executive Summary

The goal of our executive compensation program is to attract and retain the best available leadership talent, and to reward our leaders for creating long-term value for our shareholders. Our compensation program is designed to reward sustained financial and operating performance and leadership excellence, align the executives long-term interests with those of our shareholders and motivate our executives to remain with the Company for long and productive careers.

As explained in greater detail below, Deluxe maintains a strong pay-for-performance philosophy, as evidenced by the fact that a significant portion of each executive s total compensation is linked to financial and other performance criteria intended to deliver sustainable business results and drive shareholder value. While risk-taking is a necessary component in any successful business model, we employ a number of features in our compensation program that are designed to prevent inappropriate or short-sighted risk-taking, as discussed more fully below. As part of the measures intended to focus our executives on long-term, sustainable results and align their interests with those of our shareholders, all executive officers are subject to stock ownership guidelines and sale restrictions which require them to achieve and maintain significant ownership positions in Deluxe stock.

The challenges presented by the economy continued to dominate headlines in 2009. Although Deluxe was not immune to these economic conditions, the Company maintained its financial discipline and strategic focus, which led the Company to not only deliver very strong profitability and cash flow performance, but also to make significant progress in repositioning Deluxe for long-term growth. We believe the structure of our executive compensation program was a critical factor in aligning the priorities of the Company s leaders to deliver solid results in 2009, while at the same time providing a strong foundation for continued success.

Compensation Objectives and Philosophy

Deluxe is committed to providing executive compensation that attracts, motivates and retains the best possible executive talent for the benefit of our shareholders, supports Deluxe s business objectives, and aligns the interests of the executive officers, including our Named Executive Officers, with the long-term interests of our shareholders. We believe these objectives are achieved by:

Continually evaluating the competitiveness of our compensation programs relative to comparable organizations;

Providing performance-based pay through annual incentive opportunities that are based on the achievement of specific business objectives (i.e., pay-for-performance);

Providing equity-based incentives that promote the creation of long-term shareholder value;

Delivering a significant portion of total compensation through performance-based pay linked to financial results and shareholder return; and

Ensuring that the Named Executive Officers hold meaningful equity stakes in Deluxe.

Roles of Committee, Outside Compensation Advisors and Management in Compensation Decisions

The Deluxe compensation program is designed to align all components of pay opportunity (base pay, annual incentive pay, long-term incentive pay, and benefits) at or near the median of the market, for each component and as a whole, and reward performance that meets or exceeds performance goals that are established, reviewed and approved each year by the Compensation Committee of the Board of Directors (sometimes referred to in this section as the Committee). In arriving at the appropriate levels of pay and incentive opportunities, the Committee also considers both whether the structure of the program rewards reasonable risk-taking and the overall cost of the compensation program so as to achieve proper balance between the need to reward employees and to deliver returns to Deluxe s shareholders. Accordingly, the Committee annually reviews the proportion of operating income used to reward employee performance through incentive plan payments.

The Committee has responsibility for guiding our executive compensation philosophy and overseeing the design of executive compensation programs. The Committee also recommends the compensation to be paid to the CEO (with approval from the full Board of Directors) and reviews and approves the compensation paid to other executive officers. The Committee is composed entirely of independent directors as defined by the NYSE corporate governance rules. In order to ensure a holistic view of the compensation and benefits provided to our executives, the Committee reviews on an annual basis a summary (or tally sheet) of all elements of compensation for each member of the Company s Executive Leadership Team (sometimes referred to as the ELT). For 2009, because of the economic conditions, it was determined that there would be no changes in compensation levels, except in the event of a promotion or significant change in responsibility. The Committee also monitors, with the support of management and the Committee s independent compensation consultants, developing best practices in the area of executive compensation, including recommended pay principles published by various trade, legal and advisory groups. While the Committee remains focused on constructing an executive compensation program that will best serve the specific needs of Deluxe and the interests of our shareholders, we believe our program incorporates a responsible approach to pay structure, risk management and transparency.

The Committee has engaged, and regularly meets with, an independent compensation consultant regarding executive compensation levels and practices. Watson Wyatt has served as the Committee s independent consultant since 2001. In January 2010 Watson Wyatt merged with another provider of similar services, Towers Perrin Forster & Crosby Inc., and is now known as Towers Watson & Co. This consultant is deemed independent in that it is selected by and reports directly to the Committee with its primary contact being the Chair of the Committee. The Committee regularly meets with Towers Watson & Co. in executive session without management present and conducts an annual review of the consultant relationship. Watson Wyatt did not provide to the Company any consulting services on subjects other than executive compensation during 2009.

Management supports the work of the Committee and its independent consultant by providing Company information and data, as requested. Company executives also make recommendations with respect to incentive plan targets in the context of management s business and operational plans. At the

request of the Committee, the CEO attended each Committee meeting, met with the Committee and independent consultant as necessary to discuss business strategy, and also meets with the Committee annually to discuss each executive s individual performance and make recommendations on incentive awards and adjustments to base salary for those executives. The Board s non-employee directors evaluate the CEO each year and the Committee provides recommendations to the Board regarding the CEO s compensation based on that evaluation and current market data provided by the independent consultants.

Competitive Market Review

For 2009, the Committee commissioned Watson Wyatt to provide a competitive market review of Deluxe s executive compensation program in comparison to relevant benchmarks. The data presented by Watson Wyatt was used for analyzing the following: the nature, merit and recommended value of each pay component; the mix of base pay, annual incentive compensation, and long-term incentive values for the Named Executive Officers; and other benefit-related decisions. Based on the recommendation of its compensation consultant, the Committee reviewed two benchmarks for assessing executive pay at Deluxe: published survey data representing companies similar in size to Deluxe, and companies comprising the S&P Mid-Cap 400. The Committee endorsed the use of the S&P Mid-Cap 400 for executive pay analysis based on the fact that Deluxe is a member of the S&P Mid-Cap 400 index, together with its conclusion that this index is representative of companies similar to Deluxe in terms of market capitalization, revenue, and total assets. In addition to using the S&P Mid-Cap 400, market data is drawn from multiple published surveys of broader general industry practices, with a particular focus on industrial companies with revenues comparable to Deluxe. Three survey sources were combined to create the published survey benchmark. The three surveys were: 2009/2010 Watson Wyatt Top Management Survey; 2009 Mercer Executive Compensation Survey; and 2009 Towers Perrin Executive Compensation Survey. The S&P Mid-Cap 400 benchmark data is based on proxy statement disclosures for the index companies Named Executive Officers, and the published surveys provide data for the Named Executive Officers and broader executive leadership team.

Executive Officer Compensation Program

In constructing an overall compensation program, the Committee balances those components that are fixed (such as salary and benefits) against components that are variable and require the achievement of certain levels of performance. The Committee also strives for a balance between compensation tools that reward the executives for the achievement of short-term goals, while also focusing on the long-term growth of the Company. Compared to Deluxe s general employee population, the Committee believes that executives, including the Named Executive Officers, should have a greater percentage of their total compensation dependant upon reaching performance targets, a higher percentage of which is oriented toward long-term objectives rather than short-term performance. Each year the Committee reviews the form and amount of long-term incentive grants to ensure alignment with the Company s overall compensation philosophy and to reward attainment of Company goals.

Elements of Compensation

For 2009, the principal components of our executive compensation program consisted of the following, each of which is addressed below in greater detail:

- base salary;
- annual incentive plan;
- long-term incentives in the form of stock options and a multi-year cash performance plan;
- non-qualified deferred compensation plan;

broad-based retirement plans; and

cash allowance perquisite program.

Compensation Mix

The primary components of executive compensation (base salary, and performance-based pay opportunities in the form of annual and long-term incentives) for our Named Executive Officers in 2009 were allocated, at targeted levels of performance, to provide a higher weighting on performance-based pay compared to base salary. The average target percentage of performance-based pay for the Named Executive Officers is 63% of total compensation, with a higher percentage for the CEO and a lower percentage for the Vice Presidents. Of the total performance-based compensation for the Named Executive Officers, approximately 66% is targeted to be long-term compensation as opposed to annual compensation. Pay practices for the Named Executive Officers emphasize pay-for-performance and a longer term focus than pay practices for the general employee population.

The Company uses pay-for-performance principles throughout its pay practices. Adjustments in base pay are linked to performance through the annual performance evaluation process, with salary increase guidelines structured to provide greater base pay increases for those who achieve higher than satisfactory performance ratings and lower increases, if any, for those who perform at a satisfactory level or below. The Deluxe Corporation Annual Incentive Plan (Annual Incentive Plan) and long-term cash performance plan are similarly structured to provide an opportunity to earn a higher payout for performance above target and lower payouts, if any, for performance at less than target. The use of stock options as a component of the 2009 long-term incentive program also aligns our pay principles to long-term changes in shareholder value. In addition, our Named Executive Officers are subject to stock ownership and sale guidelines, which restrict their ability to realize value from their equity awards unless they have achieved their ownership targets.

While the design of our executive compensation program is significantly performance-based, we do not believe it encourages excessive risk-taking. We believe the combination of compensation elements in the program provides the Named Executive Officers with the appropriate incentives to create long-term value for shareholders by taking thoughtful and prudent actions to grow the Company. In 2009, the financial metrics used in the annual incentive plan were operating income and revenue targets, with any payment under the revenue metric being subject to the achievement of a minimum operating income threshold. Payments under the long-term cash performance plan also are tied to minimum profitability requirements. Each year the Board of Directors reviews the operating plan that forms the basis for the financial performance factors incorporated into the variable compensation plans. This review by the entire Board helps ensure that the targets established under our incentive compensation plans incorporate a reasonable degree of stretch, while at the same time promoting a focus on long-term growth and sustainable financial performance. As addressed below, our executives also are subject to stock ownership guidelines and clawback policies, both of which serve as further checks against imprudent, short-term decision-making.

Base Salaries

Base salaries are a fixed portion of compensation based on an individual s skills, responsibilities, experience and sustained performance. The Committee annually reviews the base salaries of Deluxe s Named Executive Officers. The CEO makes recommendations to the Compensation Committee for changes to base salaries based on each executive s individual performance and the market data presented by the Committee s independent compensation consultants. The Committee performs the same analysis with respect to the CEO s salary. Base salaries of our executive officers generally are set at or near the median of salaries paid to executive officers of S&P Mid-Cap 400 companies in similar positions. Deviations from the median can be the result of experience in the position, individual performance exceeding or falling short of expectations, or the individual s scope of responsibilities. For 2009, and consistent with a broad-based salary freeze implemented throughout the Company, none of the Named Executive Officers received a base salary increase, except for Mr. Peterson, who received an

increase in his compensation upon being promoted to Senior Vice President and Chief Financial Officer. The actual change for Mr. Peterson is reflected in the Summary Compensation Table.

Annual Incentive Plan

The Annual Incentive Plan provides an incentive for achieving specified financial performance goals that the Company considers to be important contributors to shareholder value. Named Executive Officers and other officers and management employees selected by the Committee participate in the Annual Incentive Plan. The 2009 target amounts approved by the Committee under the Annual Incentive Plan were intended to provide annual cash compensation (i.e., base salary plus bonus) approximating the median of the cash compensation offered to executive officers in similar positions. Bonuses earned may exceed the target amount if performance goals are exceeded, and are less than the target amount if the performance goals are not fully attained, with no bonus payouts if Deluxe s performance is below certain minimum thresholds.

In addition to the two performance factors used in past years (revenue and operating income), a third set of performance factors was added for 2009, and included various metrics developed to assess the Company s progress in transforming Deluxe consistent with its strategic growth initiatives (referred to in this section as enterprise factors/initiatives). Plan participants with specific business segment responsibilities have a portion of their bonus opportunity tied to the segment s financial results as well as consolidated results.

Section 162(m) of the Internal Revenue Code (Section 162(m)) places limits on the deductibility of compensation paid to certain executives that is not considered performance-based. In order to ensure that all payments to our executives under the Annual Incentive Plan qualify as performance-based compensation for purposes of Section 162(m), a bonus pool based on the amount of net income (if any) generated by Deluxe during 2009 also was established by the Committee at the beginning of the year, along with the maximum payments that could be allocated to each executive subject to Section 162(m). Payments made to these executives were based on the performance factors applicable to other participants under the Plan, and all such payments were less than the maximum amounts allocated to the executives under the Section 162(m) bonus pool.

In addition, in order to promote stock ownership by the Named Executive Officers and other participants and further align their interests with those of our shareholders, participants may choose to receive up to 100 percent of their Annual Incentive Plan payout in restricted stock units, in which case the Company will provide a 50 percent match on the amounts so elected to be received in restricted stock units. The restricted stock units vest on the second anniversary of the date of the grant. We believe the 50% match and two-year vesting period encourages executive stock ownership and employee retention.

Performance Measures and Objectives

For the Named Executive Officers and all other participants, the three components that were considered in determining incentive compensation for 2009 under the Annual Incentive Plan were consolidated revenue, adjusted operating income and the enterprise factors/initiatives. Consolidated revenue is revenue reported by the Company in its consolidated financial statements. Adjusted operating income is based on operating income as publicly reported by the Company in its consolidated financial statements, but includes pre-defined adjustments (as permitted by Section 162(m)) to eliminate the effects of items that are not a part of the operating plan or are beyond management s control, such as the adoption of new accounting principles, asset impairments, certain mergers and acquisitions, restructuring charges, etc. The enterprise factors/initiatives added in 2009 were intended to serve as leading indicators of the Company s success in executing its growth strategy, and supplement the financial performance metrics. The enterprise factors/initiatives include a collection of specific metrics intended to measure the Company s performance in the following areas:

Executing long-term strategic plan to accelerate revenue growth and deliver an enhanced customer experience;

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Developing leadership pipeline/high performing culture in a collaborative environment; and

Improving business processes.

As indicated above, the Committee also retains discretion to make other adjustments to the financial measurement calculations, provided such adjustments do not result in the payment to any Named Executive Officer in excess of their applicable Section 162(m) bonus allocation. We believe revenue, operating income and the enterprise factors/initiatives are critical drivers of our strategy to achieve profitable and sustainable growth, and thereby create long-term value for our shareholders. Each component was weighted equally, with revenue and operating income target performance set in accordance with the Company s annual operating plan (AOP) targets. These AOP targets also served as the basis for the financial performance expectations communicated publicly at the beginning of the year.

In establishing the metrics and payout scales under the Annual Incentive Plan, although revenue and adjusted operating income are weighted equally, the minimum threshold of adjusted operating income must be achieved before payments may be made under the revenue and adjusted operating income performance factors. We believe this minimum threshold is an effective check on imprudent decision-making, in that it ensures that the revenue growth achieved by the Company is profitable. Operating income and revenue targets for the Annual Incentive Plan in 2009 were set at aggressive but realistic levels. Given the trends in the financial institution markets, as well as the challenges presented by the broader economic recession, the Company anticipated the significant pressures it would face in 2009, and accounted for these pressures in establishing the financial performance targets for the year in order to afford realistically-achievable incentive opportunities for its employees while at the same time requiring a focus on delivering solid returns to its shareholders. As a result, while the target revenue for 2009 was lower than the Company s actual 2008 revenue, the revenue payout scales were adjusted so that the Company would need to surpass the 2009 target by a greater amount than the 2008 target in order for participants to earn the maximum payout. The operating income target for 2009 was similarly adjusted downward in 2009 and, as indicated above, a threshold level of operating income was required to be achieved in order for there to be any payout on either the revenue or operating income factors. The following table illustrates the threshold and maximum performance levels compared to the 2009 target for the revenue and operating income factors, as well as the corresponding payout percentages (versus the target award opportunity) at each level of performance.

Performance Level	**Adjusted Operating Income**	**Revenue**	**Percent of Target Award (%)**
Maximum	110% of Operating plan	110% of Revenue plan	200%
Target	Operating plan	Revenue plan	100%
Threshold	85% of Operating plan	93% of Revenue plan	50%
Below Threshold			0%

Actual Award Payments

Deluxe s actual performance in 2009 exceeded the threshold performance levels for both adjusted operating income and revenue. As indicated above, for 2009, the Committee also established enterprise factors/initiatives as a component of performance to be measured in assessing payments to be made under the Annual Incentive Plan. After assessing the Company s performance on the various metrics established for the enterprise factors/initiatives, the Committee determined that participants should be awarded a payout of 75 percent of target for that component. The actual 2009 performance on all three components is summarized in the following table.

Measures (Millions)	Target ($)	Actual ($)	Weighting (%)	Payout Percent (% of target)
Adjusted Operating Income	$ 230.00	$ 234.263	33.3%	113.0%
Revenue	$1,400.00	$1,344.19	33.3%	87.1%
Enterprise Factors/Initiatives			33.3%	75.0%
Blended Payout Percentage				91.7%

This performance resulted in Annual Incentive Plan payments to the Named Executive Officers who were Annual Incentive Plan participants for the 2009 performance period.

Long-Term Incentive Compensation

After analyzing a variety of approaches for delivering long-term incentive value to the Named Executive Officers and other key employees who participate in the Company s long-term incentive program, for 2009 the Committee endorsed a strategy that employs a combination of stock options and a long-term cash incentive program based on achievement of multi-year performance factors (cash performance plan). The targeted value of awards granted to participants in the long-term incentive program for 2009 consisted of 40% stock options and 60% cash performance plan awards. In order to incent new revenue growth outside of the Company s core check-related products, the cash performance awards incorporate performance targets for non-check revenue growth over a two-year performance period, coupled with a profitability threshold to ensure the quality of this revenue growth and otherwise manage risk associated with a revenue-based metric. Payouts under the cash performance plan generally will occur one year after completion of the performance period, but with an opportunity for an accelerated payout of 50 percent of the award at the completion of the performance period based upon the achievement of certain performance thresholds. Given that the cash performance plan was introduced in 2009 as a replacement for Deluxe s historical practice of granting restricted stock, and to incorporate a talent retention component, the 2009 performance plan award agreements provide for a minimum payment to employees who remain with the Company for three years and do not otherwise receive a payment under these awards. For 2010, the structure of the cash performance plan remains substantially the same, except that the performance period has been extended to three years and there is no minimum retention payment component.

As mentioned above, in 2009, the Named Executive Officers, together with other designated key employees, also received stock option grants as part of the long-term incentive program. The grant date for these options coincided with the regularly scheduled February Compensation Committee meeting. The timing of the annual grants also aligns with the employee performance evaluation process and is outside any regular stock trading blackout period. The exercise price of all 2009 option grants is the closing price of Deluxe stock on the grant date. The Company believes this strategy achieves several critical objectives, including:

Supporting and rewarding the achievement of Deluxe s long-term business strategy and objectives;

Encouraging decisions and behavior that will increase shareholder value;

Reinforcing the pay-for-performance orientation of the overall executive compensation program;

Allowing Deluxe to attract and retain key executive talent by providing competitive incentive and total compensation opportunities; and

Promoting share ownership and facilitating achievement of the ownership guidelines. All long-term incentive awards to the Named Executive Officers and other key employees are granted on the same date, with the exception of awards made in conjunction with an individual s promotion or hire into the Company, or as necessary to facilitate broader retention of key employees.

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Deferred Compensation Plan

The Deluxe Corporation Deferred Compensation Plan is intended to promote executive retention by providing a long-term savings opportunity on a tax-efficient basis. Under this plan, which complies with the requirements of Section 409A of the Internal Revenue Code (Section 409A), Named Executive Officers and other key employees may choose to defer up to 100 percent of base salary (less applicable deductions) and up to 50 percent of any bonus payout into multiple investment options. The investment options match, or are similar to, the investment options available to employees in the Company s broad-based retirement plans. The majority of payouts from this plan commence following termination of employment, based on elections made by the participants in accordance with, and subject to, any delays in payment that otherwise might be required by Section 409A.

Retirement Program

The Named Executive Officers are eligible to participate in the same qualified retirement plans available to most employees. The program consists of three components, including a defined contribution pension plan, an annual profit sharing plan (under which contributions, if any, are based on Deluxe s performance), and a 401(k) plan. The retirement program is regularly benchmarked against companies that are in businesses similar to Deluxe and/or are located in geographic areas from which we recruit talent to ensure that the Company remains competitive in the market. The incremental value of benefits provided to the Named Executive Officers under this program is included in the All Other Compensation column of the Summary Compensation Table.

Deluxe also has a non-qualified defined contribution plan which restores benefits lost under the foregoing qualified plans due to Internal Revenue Code limits, also known as an ERISA excess plan. Contributions for the Named Executive Officers under this plan for 2009 are also reflected in the All Other Compensation column of the Summary Compensation Table.

Personal Choice Program

All of our Named Executive Officers, with the exception of our CEO, Mr. Schram, participated in the executive officer Personal Choice Program. The Personal Choice Program provides a fixed cash allowance to participating Named Executive Officers in lieu of any other perquisites. The quarterly cash allowance of $7,500 for Senior Vice Presidents and $5,000 for Vice Presidents on the Executive Leadership Team is intended to cover personal expenses typically incurred by executives as a result of their positions (such as financial and tax planning, vehicle mileage, etc.). As with the other compensation components, this program is compared to market benchmarks of other perquisite programs on an annual basis. The Company chose this program as being more flexible for the executives, less administratively burdensome, and less costly to the organization because there are no tax gross-ups on the amounts provided under this program.

Stock Ownership Guidelines

Deluxe has established stock ownership guidelines for its Named Executive Officers and independent Board members. The Committee regularly reviews each executive officer s and director s progress toward attaining his or her ownership target. The current target for the CEO is five times (5x) annual base salary, for all Senior Vice Presidents is two times (2x) annual base salary and for Vice Presidents who are members of the Executive Leadership Team is one-and-one-half times (1 1/2 x) annual base salary. The guidelines call for the targeted level of ownership to be achieved within five years of the later of the date the ownership guidelines were implemented, or the time the individual becomes an executive officer or is promoted to a higher level executive office. For purposes of calculating an executive s stock ownership under these guidelines, stock options are not included. While restricted stock and restricted stock units convertible into shares are included, only 60 percent of their value is counted toward the ownership target prior to vesting, based on the rationale that approximately 40 percent of such shares or units will be withheld or surrendered by the executive upon vesting to cover

taxes. Given that the ownership requirements are tied to the trading value of Deluxe stock, volatility in the stock market can have a significant impact on an executive s ownership level, and executives continued to be impacted by the stock market in 2009. In light of the depressed value of the Company s stock and the fact that executives continued to increase their actual share ownership in 2009, the Committee determined that it would review the stock ownership guidelines during 2010, and re-assess at the end of 2010 each executive s progress toward their ownership target.

In addition to the stock ownership guidelines, the Named Executive Officers and Board of Directors are subject to share retention and holding period requirements. Under this policy, individuals who have not achieved their ownership targets must retain 75 percent of the net shares (i.e., shares remaining after exercise costs and applicable taxes are covered) upon the exercise of stock options and vesting of other equity awards, and are required to hold the shares until the ownership targets are met. The Company also maintains a general policy against transactions by directors and executive officers intended to hedge the economic risk of ownership in Deluxe stock, and requires any such hedging transactions to be pre-approved by the Board s Corporate Governance Committee.

Clawback Practices

Throughout 2009, the Committee monitored developments related to policies that allow companies to recoup from executives bonuses and other incentive awards upon specified forfeiture events. These policies, sometimes referred to as clawback policies, may be triggered by a variety of events, such as a restatement of a company s financial statements and/or misconduct by award recipients. For several years, Deluxe has maintained clawback provisions in its equity agreements, which can be triggered for a broad range of misconduct by the award recipient. During 2009, the Company extended its clawback policy to cover the recoupment of annual bonuses and other incentive awards, including awards under the Annual Incentive Plan and Cash Performance Plan, granted to Exchange Act Section 16 officers. This extended policy takes effect with awards granted in 2010, and covers situations where misconduct by the executive contributes to a restatement of the Company s financial statements.

Severance, Retention and Change of Control Arrangements

Deluxe maintains severance arrangements or agreements with each of its Named Executive Officers (collectively arrangements). The arrangements are intended to facilitate the executives attention to the affairs of Deluxe and to recognize their key role within the Company. If their employment is terminated without cause by Deluxe or by the executive with good reason, he or she is eligible to receive severance pay and benefits. The Severance Calculations table appearing later in this proxy statement, together with the accompanying narrative to that table, explains in detail the benefits provided under these arrangements and the circumstances under which such a Named Executive Officer would be eligible for severance benefits. Receipt of these benefits is conditioned upon the Named Executive Officer entering into a release and agreeing to maintain the confidentiality of Company confidential information for a period of two years after their termination. Mr. Schram s employment agreement also requires that for two years after he ceases to be employed by Deluxe, he will not engage in any business that competes with Deluxe, will not hire any Deluxe employee or induce an employee to provide confidential information to a third party, and will not induce any customer or supplier to stop doing business with the Company.

The Company also maintains retention agreements (Retention Agreements) with current Named Executive Officers that are designed to ensure that Deluxe will receive the continued service of the executive in the event of a change of control, by reducing the distraction that could be caused by personal uncertainty about their compensation and benefits under those circumstances. The present forms of the Retention Agreements are addressed in greater detail in the narrative accompanying the Change of Control Calculations table appearing later in this proxy statement. Generally speaking, however, these Retention Agreements provide incentives for the Named Executive Officer to remain with Deluxe through a change of control, and provide certain benefits in the event the Named Executive Officer s employment is negatively impacted as a result of, or following, a change of control. In other words, benefits are not paid out automatically upon a change of control, but only if such Named Executive Officer s employment is negatively affected (i.e., a double trigger). Moreover, the severance arrangements described above do

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not apply if the Named Executive Officer s employment is terminated following a change of control under circumstances that would entitle them to receive benefits under the Retention Agreements. The Retention Agreements comply with Section 409A, have a renewable term of two years, place a limit on tax gross-up payments, and provide a payment multiple of three times salary and bonus for the CEO, two times for Senior Vice Presidents, and one time for Vice Presidents on the Executive Leadership Team.

2009 Executive Officer Transition

At the end of October 2009, the Company s chief financial officer, Richard S. Greene, resigned and entered into a separation agreement with the Company, the value of which is reflected in the Summary Compensation Table appearing later in this proxy statement. A copy of the separation agreement is included as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2009.

Compliance with Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of $1 million paid to certain executive officers, unless such compensation qualifies as performance-based compensation. Among other things, in order to be deemed performance-based compensation for Section 162(m) purposes, the compensation must be based on the achievement of pre-established, objective performance criteria and must be pursuant to a plan that has been approved by Deluxe s shareholders. We expect that all compensation paid in 2009 to the executive officers under the plans and programs described above will qualify for deductibility, either because the compensation is below the threshold for non-deductibility provided in Section 162(m) or because the payment of such compensation complies with the performance-based compensation provisions of Section 162(m).

The Company believes that it is important to continue to be able to take all available tax deductions with respect to the compensation paid to its executive officers, and has taken such actions as may be necessary to continue to qualify significant portions of executive compensation as performance-based under Section 162(m).

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and be incorporated by reference into Deluxe Corporation s Annual Report on Form 10-K for the year ended December 31, 2009.

MEMBERS OF THE COMPENSATION COMMITTEE

Charles A. Haggerty, Chair
Don J. McGrath
Neil J. Metviner
Stephen P. Nachtsheim

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Executive Compensation Tables

The Summary Compensation Table, 2009 All Other Compensation Supplemental Table, and Grants of Plan-Based Awards in 2009 Table presented on the following pages summarize the total compensation paid to or earned by our Named Executive Officers, which include (i) each of the individuals who served as Deluxe s Chief Executive Officer or Chief Financial Officer during any part of 2009 and (ii) the next three most highly compensated individuals serving as executive officers at the end of the year. The following narrative is provided to help you understand the information presented in those tables.

Risk management is an important factor in designing incentive programs. While the design of the compensation program is significantly performance-based, we believe it does not encourage excessive risk-taking. We believe the combination of compensation elements in the program provides the Named Executive Officers with the appropriate incentives to create long-term value for shareholders while taking thoughtful and prudent risks to grow the value of the Company.

The base salaries of Named Executive Officers were generally set at or near the median for executive officers of the S&P Mid-Cap 400 companies in similar positions. The Named Executive Officers participate in the Company s Annual Incentive Plan, under which bonuses can be earned based on pre-established performance criteria. For 2009, these criteria included revenue, adjusted operating income and a pre-defined set of initiatives developed to support the Company s growth strategy. As discussed in the Compensation Discussion and Analysis section of this proxy statement, the Compensation Committee determined that the Company exceeded the threshold levels of performance established for the various criteria, and therefore approved Annual Incentive Plan payments for 2009.

All of the Named Executive Officers participate in a long-term incentive compensation program, pursuant to which they were awarded stock options and cash performance awards that provide for future pay-outs based upon longer term financial metrics. The target value of the program approximates the median of long-term incentive compensation provided to executive officers in the S&P Mid-Cap 400 group of companies. The awards to Named Executive Officers under the program were granted on the same day as awards to all eligible employees. The exercise price for each option grant is the closing price of Deluxe s stock on the grant date. The options vest annually in three equal installments beginning on the first anniversary of the grant date. The remainder of the long-term incentive value for 2009 is delivered in a cash performance plan. The cash performance plan employs a two-year performance period, and measures non-check revenue as a percent of total revenue combined with a threshold measure of profitability before any amount over the minimum award can be earned. The cash performance plan is paid-out after the third anniversary of the grant date, with the opportunity to accelerate 50 percent of the award to the second anniversary if the non-check revenue percentage is at or above target performance. In order to ensure that this plan provides retention value, a minimum payout equal to 75 percent of the targeted value of each participant s award will be made to each grant recipient who remains employed with the Company for one year following completion of the two-year performance period.

The Named Executive Officers, other than the CEO, also participate in a program that provides a quarterly cash allowance for personal expenses typically incurred by executives, as discussed in the Compensation Discussion and Analysis section of this proxy statement.

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SUMMARY COMPENSATION TABLE

				Stock	Option	Non-Equity Incentive Plan	—
Dividends per share	$	$	$	$	$0.80		

	As of December 31,				
	2003	2002	2001	2000	1999
BALANCE SHEET DATA:					
Total assets	$2,577,263	$2,178,691(10)	$2,177,644(10	) $1,930,805(1	0) $1,741,215
Total debt	548,759(12)	340,638(12)	468,997(12)	175,500	297,500
Secured forward exchange contract	613,054(10)	613,054(10)	613,054(10)	613,054(10)	
Total stockholders equity	904,509	787,579	696,988	765,937	1,007,149

(1) Preopening costs are related to the Gaylord Palms and the new Gaylord Texan hotel under construction in Grapevine, Texas. Gaylord Palms opened in January 2002 and the Gaylord Texan opened on April 2, 2004.

(2) During 2002, the Company sold its one-third interest in the Opry Mills Shopping Center in Nashville, Tennessee and the related land lease interest between the Company and the Mills Corporation.

(3) In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . In accordance with the provisions of SFAS No. 144, the Company has presented the operating results and financial position of the following businesses as discontinued operations: WSM-FM and WWTN(FM); Word Entertainment; Acuff-Rose Music Publishing; GET Management, the Company s artist management business; Oklahoma RedHawks; the Company s international cable networks; the businesses sold to affiliates of The Oklahoma Publishing Company

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consisting of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company; and the Company s water taxis.

(4) Related primarily to employee severance and contract termination costs.

(5) Reflects the cumulative effect of the change in accounting method related to adopting the provisions of SFAS No. 142. The Company recorded an impairment loss related to impairment of the goodwill of the Radisson Hotel at Opryland. The impairment loss was $4.2 million, less taxes of $1.6 million.

(6) Reflects the divestiture of certain businesses and reduction in the carrying values of certain assets. The components of the impairment and other charges related to continuing operations for the years ended December 31 are as follows:

	2003	2001	2000
Programming, film and other content	$856	$ 6,858	$ 7,410
Gaylord Digital and other technology investments		4,576	48,127
Property and equipment		2,828	3,397
Orlando-area Wildhorse Saloon			15,854
Other			872
Total impairment and other charges	$856	$14,262	$75,660

(7) Reflects the cumulative effect of the change in accounting method related to recording the derivatives associated with the secured forward exchange contract at fair value as of January 1, 2001, of $18.3 million less a related deferred tax provision of $7.1 million.

(8) Includes operating losses of $27.5 million related to Gaylord Digital, the Company s Internet initiative, and operating losses of $6.1 million related to country record label development, both of which were closed during 2000.

(9) The merger costs relate to the reversal of merger costs associated with the October 1, 1997 merger when TNN and CMT were acquired by CBS.

(10) 1999 results of operations include a pretax gain of $459.3 million on the divestiture of television station KTVT in Dallas-Ft. Worth in exchange for CBS Series B preferred stock (which was later converted into 11,003,000 shares of Viacom, Inc. Class B common stock), $4.2 million of cash, and other consideration. The CBS Series B preferred stock was included in total assets at its market value of $648.4 million at December 31, 1999. The Viacom, Inc. Class B common stock was included in total assets at its market values of $488.3 million, $448.5 million, $485.8 million and $514.4 million at December 31, 2003, 2002, 2001 and 2000, respectively. During 2000, the Company entered into a seven-year forward exchange contract for a notional amount of $613.1 million with respect to 10,937,900 shares of the Viacom, Inc. Class B common stock. Prepaid interest related to the secured forward exchange contract of $91.2 million, $118.1 million, $145.0 million and $171.9 million was included in total assets at December 31, 2003, 2002, 2001 and 2000 respectively.

(11) In 1995, the Company sold its cable television systems. Net proceeds were $198.8 million in cash and a note receivable with a face amount of $165.7 million, which was recorded at $150.7 million, net of a $15.0 million discount. As part of the sale transaction, the Company also received contractual equity participation rights (the Rights) equal to 15% of the net distributable proceeds from future asset sales. During 1998, the Company collected the full amount of the note receivable and recorded a pretax gain of $15.0 million related to the note receivable discount. During 1999, the Company received cash and recognized a pretax gain of $129.9 million representing the value of the Rights. The proceeds from the note receivable prepayment and the Rights were used to reduce outstanding bank indebtedness.

(12) Related primarily to the construction of the Gaylord Palms and the new Gaylord Texan.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***
Results of Operations for the Three Years Ended December 31, 2003

Our Current Operations

Our operations are organized into four principal businesses:

Hospitality, consisting of our Gaylord Opryland Resort and Convention Center, our Gaylord Palms Resort and Convention Center, our Radisson Hotel at Opryland and our new Gaylord Texan Resort and Convention Center on Lake Grapevine.

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

ResortQuest, consisting of our vacation rental property management business.

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

During 2003, 2002, and 2001, we disposed of certain businesses, which have been classified as discontinued operations and are described in more detail below.

During the third quarter of 2003, we completed a sale of the assets primarily used in the operation of WSM-FM and WWTN(FM) (collectively, the Radio Operations). The Radio Operations were previously included in a fourth business segment, media, along with WSM-AM. Due to the Radio Operations now being included in discontinued operations, WSM-AM is now grouped in the Opry and Attractions business segment for all periods presented.

The acquisition of ResortQuest was completed on November 20, 2003. The results of operations of ResortQuest for the period November 20, 2003 to December 31, 2003 are included in the results discussed below.

For the years ended December 31, our total revenues from continuing operations were divided among these businesses as follows:

Business	2003	2002	2001
Hospitality	82%	84%	77%
Opry and Attractions	14%	16%	23%
ResortQuest	4%	0%	0%
Corporate and Other	0%	0%	0%

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

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

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Key Performance Indicators; Hotel Industry Metrics

As a hospitality-based company, our operating results are highly dependent on the volume of customers at our hotels and the quality of the customer mix at our hotels. These factors impact the price we can charge for our hotel rooms and other amenities such as food and beverages and meeting space at the resorts. Key performance indicators related to revenue are:

- hotel occupancy (volume indicator);
- average daily rate (ADR) (price indicator);
- Revenue per Available Room (RevPAR) (a summary measure of hotel results calculated by dividing room sales by room nights available to guests for the period); and
- Total Revenue per Available Room (Total RevPAR) (a summary measure of hotel results calculated by dividing the sum of room sales, food and beverage sales and other ancillary services revenue (which equals hospitality segment revenues) by room nights available to guests for the period).

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

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

Overall Outlook

We have invested heavily in our operations in 2003 and 2002, primarily in connection with the opening of the Gaylord Palms in 2002, the continued construction of the Gaylord Texan in 2003 and the ResortQuest acquisition, which was consummated in November 2003. Subsequent to the expected completion of the Gaylord Texan in April 2004, our investments in 2004 will consist primarily of ongoing capital improvements rather than construction commitments. We believe that the Gaylord Texan will have an impact on our operating results in 2004, given that it is currently expected to be in operation for over eight months of the fiscal year.

We also believe that a full year of operations of our ResortQuest subsidiary will impact our financial results. Only the results of operations of ResortQuest from the period November 20, 2003 to December 31, 2003 have been included in our historical financial results.

As previously announced, we have plans to develop a Gaylord hotel on property to be acquired on the Potomac River in Prince George s County, Maryland (in the Washington, D.C. market), subject to the availability of financing, resolution of certain zoning issues and approval by our Board of Directors. We also are considering other potential sites. The timing and extent of any of these development projects is uncertain.

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Selected Financial Information

The following table contains our selected financial information for each of the three years ended December 31, 2003, 2002 and 2001. The table also shows the percentage relationships to total revenues and, in the case of segment operating income, its relationship to segment revenues.

INCOME STATEMENT DATA:

	Years Ended December 31,					
	2003	%	2002	%	2001	%
REVENUES:						
Hospitality	$369,263	82.3	$339,380	83.7	$228,712	77.3
Opry and Attractions	61,433	13.7	65,600	16.2	67,064	22.6
ResortQuest	17,920	4.0				
Corporate and Other	184		272	0.1	290	0.1
Total revenues	448,800	100.0	405,252	100.0	296,066	100.0
OPERATING EXPENSES:						
Operating costs	276,937	61.7	254,583	62.8	201,299	68.0
Selling, general and administrative	117,178	26.1	108,732	26.8	67,212	22.7
Preopening costs	11,562	2.6	8,913	2.2	15,927	5.4
Gain on sale of assets			(30,529)	(7.5)		
Impairment and other charges	856	0.2			14,262	4.8
Restructuring charges			(17)		2,182	0.7
Depreciation and amortization:						
Hospitality	46,536	10.4	44,924	11.1	25,593	8.6
Opry and Attractions	5,129	1.1	5,778	1.4	6,270	2.1
ResortQuest	1,186	0.3				
Corporate and Other	6,099	1.4	5,778	1.4	6,542	2.2
Total depreciation and amortization	58,950	13.1	56,480	13.9	38,405	13.0
Total operating expenses	465,483	103.7	398,162	98.3	339,287	114.6
OPERATING INCOME (LOSS):						
Hospitality	42,347	11.5	25,972	7.7	34,270	15.0
Opry and Attractions	(600)	(1.0)	1,596	2.4	(5,010)	(7.5)
ResortQuest	(2,616)	(14.6)				
Corporate and Other	(43,396)	(A)	(42,111)	(A)	(40,110)	(A)
Preopening costs	(11,562)	(B)	(8,913)	(B)	(15,927)	(B)
Gain on sale of assets		(B)	30,529	(B)		(B)
Impairment and other charges	(856)	(B)		(B)	(14,262)	(B)
Restructuring charges		(B)	17	(B)	(2,182)	(B)
Total operating income (loss)	(16,683)	(3.7)	7,090	1.7	(43,221)	(14.6)
Interest expense, net of amounts capitalized	(52,804)	(C)	(46,960)	(C)	(39,365)	(C)
Interest income	2,461	(C)	2,808	(C)	5,554	(C)
Unrealized gain on Viacom stock and derivatives, net	6,603	(C)	49,176	(C)	55,064	(C)
Other gains and (losses), net	2,209	(C)	1,163	(C)	2,661	(C)
(Provision) benefit for income taxes	24,669	(C)	(1,318)	(C)	9,142	(C)

Gain (loss) on discontinued operations, net	34,371	(C)	85,757	(C)	(48,833)	(C)
Cumulative effect of accounting change, net		(C)	(2,572)	(C)	11,202	(C)
Net income (loss)	$ 826	(C)	$ 95,144	(C)	$ (47,796)	(C)

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

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

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

Summary Financial Results

The following table summarizes our results of operations for the years ended 2003, 2002 and 2001:

	Year Ended December 31,				
	2003	**Percentage Change**	**2002**	**Percentage Change**	**2001**
	(In thousands, except percentages and per share data)				
Total revenues	$448,800	10.7%	$405,252	36.9%	$296,066
Total operating expenses	465,483	16.9%	398,162	17.4%	339,287
Operating income (loss)	(16,683)	(335.3%)	7,090	116.4%	(43,221)
Income (loss) from continuing operations	(33,545)	(380.5%)	11,959	217.6%	(10,165)
Income (loss) from continuing operations per share fully diluted	(0.97)	(369.4%)	0.36	220.0%	(0.30)

2003 Results

The Company s total revenues in 2003 increased 10.7% from 2002 primarily due to an increase in Hospitality revenues. The Company s income from continuing operations during the year ended 2003 decreased from the year ended 2002 primarily as a result of a decline in operating income caused by:

A one-time gain of $30.5 million recognized in 2002 as a result of the sale of our Opry Mills investment, which increased our 2002 operating income by a corresponding amount.

An additional $2.6 million in preopening costs over 2002 primarily related to a $7.3 million increase in preopening costs at the Gaylord Texan and a $4.5 million decrease in preopening costs at the Gaylord Palms.

An additional $2.5 million in our depreciation and amortization expense in 2003 due to additional capital expenditures and the acquisition of ResortQuest.

A loss of $2.6 million from the operations of ResortQuest from the period from November 20, 2003 to December 31, 2003.

Also contributing to our loss from continuing operations in 2003 were:

The recognition of a net unrealized gain on our investment in Viacom stock and the related secured forward exchange contract of $6.6 million in 2003, as compared to a net unrealized gain of $49.2 million in 2002.

A $5.8 million increase in our interest expense in 2003 primarily due to the costs associated with refinancing our indebtedness and repaying the debt of ResortQuest, as well as additional amounts of debt outstanding.

Serving to lessen the impact of the items described above was an 8.8% increase in Hospitality revenue in 2003, although such increase was partially offset by an 8.8% increase in our operating costs and a 7.8% increase in our selling general and administrative expenses.

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2002 Results

In 2002, income from continuing operations increased from 2001 primarily as a result of the one-time gain from the sale of our Opry Mills investment and a significant reduction in the amount of restructuring charges and impairment and other charges as compared to 2001. However, total revenues also increased 36.9% in 2002 as a result of an increase in Hospitality revenues caused by the opening of the Gaylord Palms. This increase in total revenues was offset partially by a 17.4% increase in operating expenses in 2002, consisting primarily of increases in operating costs, selling, general and administrative expenses, and depreciation and amortization expense related to the opening of the Gaylord Palms.

Per Share Results

Results on a per share basis in 2003 were impacted by a higher weighted average number of shares outstanding, due to the issuance of 5,318,363 shares on November 20, 2003 in connection with the ResortQuest acquisition.

Operating Results

The following table includes key information about our operating results:

	Year Ended December 31,				
	2003	**Percentage Change**	**2002**	**Percentage Change**	**2001**
	(In thousands, except percentages)				
Total revenues	$448,800	10.7%	$405,252	36.9%	$296,066
Operating expenses:					
Operating costs	276,937	8.8%	254,583	26.5%	201,299
Selling, general and admin.	117,178	7.8%	108,732	61.8%	67,212
Preopening costs	11,562	29.7%	8,913	(44.0)%	15,927
Gain on sale of assets			(30,529)		
Impairment and other charges	856				14,262
Restructuring charges			(17)	(100.8)%	2,182
Depreciation and amortization	58,950	4.4%	56,480	47.1%	38,405
Operating income (loss)	$ (16,683)	(335.3)%	$ 7,090	116.4%	$ (43,221)

The most important factors and trends contributing to our operating performance over the last three years have been:

An improvement in the operating performance of our hotels as compared to previous periods.

Improved food and beverage, banquet and catering services at our hotels, which have increased our Total Revenue per Available Room at our hotels.

The impact of the opening of the Gaylord Palms in 2002 on our total revenues and the accompanying increase in our total operating expenses;

Our ongoing assessment of operations and the related incurrence of restructuring charges to streamline those operations;

Our re-evaluation of the carrying values of certain assets and the related incurrence of impairment charges related to these assets;

The ResortQuest acquisition, which was completed on November 20, 2003; and

Preopening costs associated with the Gaylord Palms and the Gaylord Texan.

The factors described above, particularly the increase in Hospitality revenues associated with improved operations at the Gaylord Palms and Gaylord Opryland, and the inclusion of ResortQuest s revenues for

the period from November 20, 2003 to December 31, 2003, led to the increase in our total revenue in 2003. The increase in total revenue in 2002 as compared to 2001 is primarily attributable to the opening of the Gaylord Palms in 2002.

Excluding the one-time $30.5 million gain recognized on the sale of our interests in Opry Mills in 2002, operating loss improved 28.8% due to the increase in our total revenues and a reduction in the rate of growth of our operating costs.

Excluding the one-time $30.5 million gain recognized on the sale of our interests in Opry Mills in 2002 and our impairment and restructuring charges our operating loss improved 12.4% from 2001 to 2002 due primarily to the opening of the Gaylord Palms. In analyzing operating loss in 2001 compared to income from operations in 2002, we believe it is appropriate to eliminate the effect of the one-time gain on sale of the Opry Mills interest because it is non-recurring, because the gain or loss on sale of discontinued operations is not included in operating income (loss) and because considering operating loss after eliminating this item gives a more accurate comparison of the operating performance of our business for the periods.

Operating Results Detailed Revenue Information

The following presents detail of our net revenues:

	Year Ended December 31,				
	2003	Percentage Change	2002	Percentage Change	2001
	(In thousands, except percentages)				
Hospitality revenue	$369,263	8.8%	$339,380	48.4%	$228,712
Opry and Attractions revenue	61,433	(6.4)%	65,600	(2.2)%	67,064
ResortQuest revenue	17,920				
Corporate and other revenue	184	(32.4)%	272	(6.2)%	290
Total revenues	$448,800	10.7%	$405,252	36.9%	$296,066

The growth in our total revenues in both 2003 and 2002 was driven primarily by a growth in Hospitality revenues during such periods. Total revenues also increased in 2003, as compared to 2002, as a result of the inclusion of the revenues of ResortQuest from the period November 20, 2003 to December 31, 2003. Detailed information with respect to the revenues of the Hospitality, the Opry and Attractions, ResortQuest and the Corporate and Other businesses are discussed in more detail below.

Hospitality Revenue

Hospitality revenue increased in 2003 as compared to 2002 due to the improved property-level performance at the Gaylord Palms and Gaylord Opryland as a result of an increase in food and beverage and other ancillary revenues, as well as a result of an increase in RevPAR due to increased occupancy levels. The term other ancillary revenues means non-room revenue other than food and beverage and consists primarily of revenue from banquets and other events hosted by the hotel, gift shop and other miscellaneous sales. Property-level revenue increased in 2003 as a result of changes to our group sales strategy in 2002 compared to 2001. These changes included a refocused sales effort on the defined target customer, a revamped incentive program for our sales executives, as well as a new focus on rotating group meetings between the Gaylord Palms and Gaylord Opryland. Hospitality revenue increased in 2002 as compared to 2001 primarily due to the opening of the Gaylord Palms in January 2002.

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The following table presents details of the revenues, and the key revenue drivers, of our Hospitality business as a whole, Gaylord Opryland and Gaylord Palms:

	Year Ended December 31,				
	2003	Percentage Change	2002	Percentage Change	2001
Hospitality Business(1):					
Total revenues (in thousands)	$369,263	8.8%	$339,380	48.4%	$228,712
Occupancy	72.2%	7.4%	67.2%	(3.3)%	69.5%
Average Daily Rate	$ 142.57	(2.4)%	$ 146.07	8.1%	$ 135.15
RevPAR(2)	$ 102.86	4.8%	$ 98.18	4.4%	$ 94.00
Total RevPAR (3)	$ 220.44	8.3%	$ 203.60	3.5%	$ 196.62
Gaylord Opryland:					
Total revenues (in thousands)	$215,265	4.4%	$206,132	(7.1)%	$221,932
Occupancy	72.4%	5.6%	68.6%	(2.4)%	70.3%
Average Daily Rate	$ 137.47	(3.6)%	$ 142.58	1.6%	$ 140.33
RevPAR(2)	$ 99.59	1.8%	$ 97.80	(0.9)%	$ 98.65
Total RevPAR (3)	$ 204.75	4.5%	$ 195.97	(7.1)%	$ 211.01
Gaylord Palms:					
Total revenues (in thousands)	$146,800	16.1%	$126,473		$
Occupancy	72.3%	11.5%	64.8%		
Average Daily Rate	$ 165.79	(1.7)%	$ 168.65		$
RevPAR(2)	$ 119.87	9.6%	$ 109.37		$
Total RevPAR (3)	$ 286.05	13.8%	$ 251.26		$

(1) The results of our Hospitality business include the results of our Radisson Hotel at Opryland, located in Nashville, Tennessee.

(2) The Company calculates RevPAR by dividing room sales for comparable properties by room nights available to guests for the period. RevPAR is not comparable to similarly titled measures such as revenues.

(3) The Company calculates Total Revenue per Available Room (Total RevPAR) by dividing the sum of room sales, food and beverage sales, and other ancillary services revenue (which equals hospitality segment revenues) by room nights available to guests for the period. Total Revenue per Available Room is not comparable to similarly titled measures such as revenues.

Gaylord Opryland. The increase in Gaylord Opryland revenue in 2003 as compared to 2002 is due to improved occupancy at the hotel. Despite rate pressure caused by customer mix, the increase in hotel occupancy led to an increase in 2003 RevPAR. In addition, favorable food and beverage and other ancillary revenue contributed to the increase in Total Revenue per Available Room in 2003. The decline in revenue at the hotel in 2002 as compared to 2001 is due to the reduced occupancy levels at the hotel throughout 2002. Despite an improved average daily rate in 2002 due to more favorable group room pricing, the decline in occupancy led to a decline in 2002 RevPAR at the hotel. In addition, this lower occupancy contributed to a decline in food and beverage and other ancillary revenue at the hotel, resulting in the decline in Total Revenue per Available Room in 2002.

Gaylord Palms. The increase in Gaylord Palms revenue in 2003 as compared to 2002, its first year of operation, is primarily due to improved occupancy at the hotel during the first half of 2003 as well as improved rates at the hotel during the first quarter of 2003. Although average daily rate decreased in 2003 due to less favorable group room pricing throughout the second half of the year, this increase in occupancy (driven by improved group bookings and an increase in transient guests) led to an increase in 2003

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RevPAR at the hotel. In addition, increased customer utilization of food and beverage and other ancillary services at the hotel contributed to the increase in Total Revenue per Available Room from 2002.

Opry and Attractions Revenue

The decrease in Opry and Attractions revenues in 2003 and 2002, as compared to the previous year, was primarily a result of a decrease in the revenue of Corporate Magic, a company specializing in the production of creative events in the corporate entertainment marketplace, of $7.8 million in 2003 and $5.1 million in 2002. This reduction was caused by reduced spending by corporate customers as a result of the terrorist attacks of September 11, 2001 and the resulting downturn in the economy, which reduced demand for corporate events. The decrease in revenue of Corporate Magic was partially offset by an increase in revenues of the Grand Ole Opry of $2.3 million in 2003 (to $18.3 million) and $2.5 million (to $15.9 million) in 2002. The Grand Ole Opry revenue increase is due to an increase in popular performers appearing on the Grand Ole Opry and a resulting increase in attendance.

ResortQuest Revenue

On November 20, 2003, we completed our acquisition of ResortQuest. Accordingly, our total revenues for the year ended December 31, 2003 include the revenues of ResortQuest from the period November 20, 2003 to December 31, 2003. Our ResortQuest group receives property management fees when the properties are rented, which are generally a percentage of the rental price of the vacation property. Management fees range from approximately 3% to over 40% of gross lodging revenues collected based upon the type of services provided by us to the property owner and the type of rental units managed. We also recognize other revenues primarily related to real estate broker commissions, food & beverage sales and software and maintenance sales.

Corporate and Other Revenue

The decline in Corporate and Other revenue in 2003 and 2002, which consists of corporate sponsorships and rental income, is primarily due to reductions in sponsorship revenues from Opry Mills, which was divested in the second quarter of 2002.

Operating Results Detailed Operating Expense Information

The 16.9% increase in total operating expenses in 2003 can be attributed to an increase in our operating costs, driven primarily by increases in our preopening costs, depreciation and amortization expense and selling, general and administrative expenses. However, despite these increases:

Operating costs, as a percentage of revenues, decreased to 61.7% during 2003 as compared to 62.8% during 2002.

Selling, general and administrative expenses, as a percentage of revenues, decreased to 26.1% during 2003 from 26.8% in 2002.

These decreases are primarily the result of improved operational efficiency at our hotels. Excluding the gain on sale of assets, the impairment and other charges and restructuring charges from both periods, total operating expenses increased $35.9 million, or 8.4%, to $464.6 million in 2003 as compared to 2002.

Operating Costs

Operating costs consist of direct costs associated with the daily operations of our core assets, primarily the room, food and beverage and convention costs in Hospitality. Operating costs also include the direct costs associated with the operations of our other business units. Operating costs increased in both 2003 and 2002 due to increases in Hospitality operating costs. Operating costs for each of our businesses are discussed below.

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Hospitality Operating Costs. Hospitality operating costs were as follows:

	Year Ended December 31,				
	2003	Percentage Change	2002	Percentage Change	2001
	(In thousands, except percentages)				
Total Hospitality Operating Costs:	$215,900	3.5%	$208,500	49.0%	$139,900
Gaylord Opryland Operating Costs:	131,000	1.0%	129,700	(5.1)%	136,600
Gaylord Palms Operating Costs:	81,700	8.6%	75,200		

Hospitality operating costs increased in 2003, as compared to 2002, primarily due to increased utilization of services at the Gaylord Opryland and the Gaylord Palms. The 2002 increase in Hospitality operating costs is primarily due to the opening of Gaylord Palms in January 2002, although such increase was partially offset by a decrease in operating costs at Gaylord Opryland due to the reduced levels of occupancy, and corresponding reductions in variable expenses, at the hotel during the year.

Opry and Attractions Operating Costs. Opry and Attractions operating costs decreased $0.2 million, or 0.5%, to $39.3 million in 2003. Although the operating costs of the Grand Ole Opry increased $2.9 million in 2003 in response to increased revenues, the operating costs of Corporate Magic decreased $5.6 million to $7.5 million in 2003, as compared to 2002. This decrease is due to Corporate Magic s lower revenue and certain cost saving measures taken by the Company during 2003.

Operating costs in the Opry and Attractions group decreased $11.2 million, or 22.0%, to $39.5 million in 2002. The operating costs of Corporate Magic decreased $7.6 million, to $13.2 million in 2002, as compared to 2001 primarily due to the lower revenue and certain cost saving measures taken by the Company during 2002. The operating costs of the Grand Ole Opry and the General Jackson Showboat decreased $1.0 million in 2002 due to cost saving measures.

ResortQuest Operating Costs. Operating costs for ResortQuest during the period from November 20, 2003 to December 31, 2003 were $13.4 million.

Corporate and Other Operating Costs. Corporate and Other operating costs increased $1.7 million, or 25.4%, to $8.3 million in 2003 as compared to 2002 due primarily to changes in our long-term incentive plan compensation program and changes to the actuarial assumptions used in our pension plan. Corporate and Other operating costs decreased $4.1 million, or 38.4%, to $6.6 million in 2002 as compared to 2001 due to the elimination of unnecessary management levels and overhead at the hotels identified in our 2001 Strategic Assessment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of administrative and overhead costs. Selling, general, and administrative expenses increased $8.4 million, or 7.8%, to $117.2 million in 2003, primarily due to increases in Hospitality selling, general and administrative expenses described below.

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Hospitality Selling, General and Administrative Expenses. Hospitality selling, general and administrative expenses were as follows:

	Year Ended December 31,				
	2003	Percentage Change	2002	Percentage Change	2001
	(In thousands, except percentages)				
Total Hospitality SG&A Expenses:	$64,500	7.5%	$60,000	107.6%	$28,900
Gaylord Opryland SG&A Expenses:	31,700	6.0%	29,900	8.3%	27,600
Gaylord Palms SG&A Expenses:	31,300	6.8%	29,300		

The increase in Gaylord Opryland s selling, general and administrative expenses in 2003 and 2002 is due primarily to an increase in sales efforts at the hotel and advertising to promote the special events held at the hotel in these years. The increase in Gaylord Palms selling, general and administrative expenses in 2003 is due to an increase in sales efforts at the hotel and an increase in special events advertising, while the 2002 increase is primarily due to the opening of the Gaylord Palms in January 2002.

Opry and Attractions Selling, General and Administrative Expenses. Selling, general and administrative expenses in Opry and Attractions decreased $1.1 million, or 5.9%, to $17.6 million in 2003. This decrease is primarily due to a $0.9 million decrease at Corporate Magic due to decreased revenues in 2003.

Opry and Attractions selling, general and administrative expenses increased $3.6 million, or 23.7%, to $18.7 million in 2002. This increase was partially due to increases in selling, general and administrative expenses for the General Jackson Showboat (an increase of $1.4 million, to $1.9 million) due to increased labor costs associated with additional revenue and increased management support during 2002. Also, selling, general, and administrative expenses increased $1.3 million to $5.5 million at the Grand Ole Opry due to an increase in revenue.

ResortQuest Selling, General and Administrative Expenses. Selling, general and administrative expenses for ResortQuest during the period from November 20, 2003 to December 31, 2003 were $5.9 million.

Corporate and Other Selling, General and Administrative Expenses. Corporate and Other selling, general and administrative expenses, consist primarily of the Gaylord Entertainment Center naming rights agreement, senior management salaries and benefits, legal, human resources, accounting, pension and other administrative costs. During 2003, these expenses decreased $0.8 million, or 2.7%, to $29.2 million due to decreased corporate marketing expense.

During 2002, our Corporate and Other selling, general and administrative expenses increased $6.9 million, or 29.8%, to $30.0 million as a result of amendments to our retirement plans and our retirement savings plan. As a result of these amendments, and as more fully described in Note 17 to our consolidated financial statements:

- our retirement cash balance benefit was frozen and the policy related to future contributions to our retirement savings plan was changed;
- as a result of these changes, we recorded a pretax charge of $5.7 million related to the write-off of unamortized prior service costs in selling, general, and administrative expenses;
- we amended the eligibility requirements of our postretirement benefit plans effective December 31, 2001; and
- in connection with the amendment and curtailment of the plans, we recorded a gain of $2.1 million which served to reduce our other selling, general and administrative expenses in 2002.

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Other increases in Corporate and Other selling, general and administrative expenses in 2002 can be attributed to increased personnel costs related to new corporate departments that did not previously exist, new management personnel in other corporate departments, and increased corporate marketing expenses as compared to the same period in 2001.

Preopening Costs

In accordance with AICPA SOP 98-5, Reporting on the Costs of Start-Up Activities , we expense the costs associated with start-up activities and organization costs as incurred. Preopening costs increased $2.6 million, or 29.7%, to $11.6 million in 2003. The increase in preopening costs in 2003, as compared to 2002, resulted from our hotel development activities. Preopening costs related to our Gaylord Texan hotel, scheduled to open in April 2004, totaled $11.3 million in 2003, as compared to $4.0 million in 2002. Preopening costs decreased in 2002 as compared to 2001 as a result of the opening of the Gaylord Palms in January of 2002. Gaylord Palms preopening costs decreased $8.4 million, to $4.5 million, in 2002 as compared to 2001. This decrease was partially offset by an increase in preopening costs related to the Gaylord Texan ($4.0 million in 2002, as compared to $3.1 million in 2001).

Gain on Sale of Assets

During 2003, we did not recognize any material gains or losses on the sale of assets in operating income.

In 2002, we recognized a gain of approximately $30.5 million in connection with our ownership interest in Opry Mills. We entered into a partnership in 1998 with The Mills Corporation to develop the Opry Mills Shopping Center in Nashville, Tennessee. We held a one-third interest in the partnership as well as the title to the land on which the shopping center was constructed, which was being leased to the partnership. During the second quarter of 2002, we sold our partnership share to certain affiliates of The Mills Corporation for approximately $30.8 million in cash proceeds. In accordance with the provisions of SFAS No. 66, Accounting for Sales of Real Estate , and other applicable pronouncements, we deferred approximately $20.0 million of the gain representing the estimated fair value of the continuing land lease interest between us and the Opry Mills partnership at June 30, 2002. We recognized the remainder of the proceeds, net of certain transaction costs, as a gain of approximately $10.6 million during the second quarter of 2002. During the third quarter of 2002, we sold our interest in the land lease to an affiliate of the Mills Corporation and recognized the remaining $20.0 million deferred gain, less certain transaction costs.

Impairment and Other Charges

During 2001, we named a new Chairman and a new Chief Executive Officer, and had numerous changes in senior management. The new management team instituted a corporate reorganization and the reevaluation of our businesses and other investments (the 2001 Strategic Assessment). As a result of the 2001 Strategic Assessment, we determined that the carrying value of certain long-lived assets were not fully recoverable and recorded pretax impairment and other charges from continuing operations during 2001 and 2003 in accordance with the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The components of the impairment and other charges related to continuing operations for the years ended December 31 are as follows (amounts in thousands):

	2003	2002	2001
Programming, film and other content	$856	$	$ 6,858
Gaylord Digital and other technology investments			4,576
Property and equipment			2,828
Total impairment and other charges	$856	$	$14,262

We began production of an IMAX movie during 2000 to portray the history of country music. As a result of the 2001 Strategic Assessment, the carrying value of the IMAX film asset was reevaluated on the basis of its estimated future cash flows, resulting in an impairment charge of $6.9 million in 2001.

At December 31, 2000, we held 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 and, subsequently, we were notified that this technology business had been unsuccessful in arranging financing, resulting in an impairment charge of $4.6 million. We also recorded an impairment charge related to idle real estate of $2.0 million during 2001 based upon an assessment of the value of the property. We sold this idle real estate during the second quarter of 2002. Proceeds from the sale approximated the carrying value of the property. In addition, we recorded an impairment charge for other idle property and equipment totaling $0.8 million during 2001 primarily due to the consolidation of offices resulting from personnel reductions.

In the third quarter of 2003, based on the revenues generated by the theatrical release of the IMAX movie, the asset was again reevaluated on the basis of estimated future cash flows. As a result, an additional impairment charge of $0.9 million was recorded in the third quarter of 2003. The carrying value of the asset was $1.2 million as of December 31, 2003.

Restructuring Charges

As part of the 2001 Strategic Assessment, we recognized pretax restructuring charges from continuing operations of $5.8 million related to streamlining operations and reducing layers of management. We recognized additional pretax restructuring charges from discontinued operations of $3.0 million in 2001. These restructuring charges were recorded in accordance with EITF No. 94-3. The restructuring costs from continuing operations consisted of $4.7 million related to severance and other employee benefits and $1.1 million related to contract termination costs, offset by the reversal of restructuring charges recorded in 2000 of $3.7 million primarily related to negotiated reductions in certain contract termination costs. The restructuring costs from discontinued operations in 2001 consisted of $1.6 million related to severance and other employee benefits and $1.8 million related to contract termination costs offset by the reversal of restructuring charges recorded in 2000 of $0.4 million.

As part of our ongoing assessment of operations during 2002, we identified certain duplication of duties within divisions and realized the need to streamline those tasks and duties. Related to this assessment, during the second quarter of 2002, we adopted a plan of restructuring resulting in a pretax restructuring charge of $1.1 million related to employee severance costs and other employee benefits unrelated to discontinued operations. Also during 2002, we reversed approximately $1.1 million of the prior year s restructuring charge. These restructuring charges were recorded in accordance with EITF No. 94-3. As of December 31, 2002, we recorded cash payments of $1.1 million against the 2002 restructuring accrual. During the fourth quarter of 2002, the outplacement agreements expired related to the 2002 restructuring charge. Therefore, we reversed the remaining $67,000 accrual. There was no remaining balance of the 2002 restructuring accrual at December 31, 2002.

Depreciation and Amortization

Depreciation expense increased $1.2 million, or 2.4%, to $53.9 million in 2003. The increase in 2003 is due to additional capital expenditures and the acquisition of ResortQuest in 2003. Depreciation expense increased $18.0 million, or 51.7%, to $52.7 million in 2002. The increase during 2002 is primarily attributable to the opening of Gaylord Palms in January 2002. Depreciation expense of Gaylord Palms was $18.6 million subsequent to the January 2002 opening.

Amortization expense increased by $1.2 million, or 32.3%, to $5.0 million in 2003 and increased slightly, by $0.1 million, in 2002. Amortization of software increased $1.2 million during 2003 and $0.9 million during 2002, primarily at Gaylord Opryland, Gaylord Palms and the Corporate and Other group. The 2002 increase in amortization of software was partially offset by the adoption of SFAS No. 142 on January 1, 2002, under the provisions of which we no longer amortize goodwill.

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Non-Operating Results

Interest Expense
Interest expense increased $5.8 million, or 12.4%, to $52.8 million in 2003, net of capitalized interest of $14.8 million. The increase in interest expense is primarily due to the costs associated with refinancing our indebtedness and the repayment of the outstanding debt of ResortQuest, as well as additional amounts of debt outstanding during 2003. Interest expense related to the amortization of prepaid costs and interest of the secured forward exchange contract (all of which has been prepaid) was $26.9 million during 2003. Our weighted average interest rate on our borrowings, including the interest expense associated with the secured forward exchange contract and excluding the write-off of deferred financing costs during the period, was 5.3% in 2003 and 2002.

Interest expense increased $7.6 million, or 19.3%, to $47.0 million in 2002, net of capitalized interest of $6.8 million. The increase in interest expense is primarily due to the opening of the Gaylord Palms, after which interest related to the Gaylord Palms was no longer capitalized. Capitalized interest related to the Gaylord Palms hotel was $0.4 million during 2002 before its opening and was $16.4 million during 2001. The absence of capitalized interest related to Gaylord Palms was partially offset by an increase of $4.0 million of capitalized interest related to the Texas hotel. Interest expense related to the amortization of prepaid costs and interest of the secured forward exchange contract was $26.9 million during 2002 and 2001.

Excluding capitalized interest from each period, interest expense decreased $4.4 million in 2002 due to the lower average borrowing levels and lower weighted average interest rates during 2002. Our weighted average interest rate on our borrowings, including the interest expense associated with the secured forward exchange contract, was 5.3% in 2002 as compared to 6.3% in 2001.

Interest Income
The decrease in interest income of $0.3 million (to $2.5 million) in 2003 and $2.7 million (to $2.8 million) in 2002 primarily relates to a decrease in interest income from invested cash balances.

Gain (Loss) on Viacom Stock and Derivatives
During 2000, we entered into a seven-year secured forward exchange contract with respect to 10.9 million shares of our Viacom stock investment. Effective January 1, 2001, we adopted the provisions of SFAS No. 133, as amended. Components of the secured forward exchange contract are considered derivatives as defined by SFAS No. 133.

For the year ended December 31, 2003, we recorded net pretax losses of $33.2 million related to the decrease in fair value of the derivatives associated with the secured forward exchange contract. For the year ended December 31, 2003, we recorded net pretax gains of $39.8 million related to the increase in fair value of the Viacom stock. For the year ended December 31, 2002, we recorded net pretax gains of $86.5 million related to the increase in fair value of the derivatives associated with the secured forward exchange contract. For the year ended December 31, 2002, we recorded net pretax losses of $37.3 million related to the decrease in fair value of the Viacom stock. For the year ended December 31, 2001, we recorded net pretax gains of $54.3 million related to the increase in fair value of the derivatives associated with the secured forward exchange contract. Additionally, we recorded a nonrecurring pretax gain of $29.4 million on January 1, 2001, related to reclassifying our investment in Viacom stock from available-for-sale to trading as permitted by SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities . For the year ended December 31, 2001, we recorded net pretax losses of $28.6 million related to the decrease in fair value of the Viacom stock subsequent to January 1, 2001.

Other Gains and Losses
Other gains and losses, which consisted of dividends received on the Viacom stock and gains and losses on disposals of fixed assets, increased $1.0 million, or 89.9%, to $2.2 million in 2003. Other gains and losses decreased $1.5 million, or 56.3%, to $1.2 million in 2002. The decrease in 2002 is primarily due to the fact

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that during 2001, the indemnification period ended related to the sale of KTVT and we recognized a $4.6 million gain in 2001.

Income Taxes

The effective income tax rate from continuing operations was 42%, 10%, and 47% in 2003, 2002, and 2001, respectively. The effective tax rate as applied to pretax income from continuing operations differed from the statutory federal rate due to the following:

	2003	2002	2001
U.S. federal statutory rate	**35%**	35%	35%
State taxes (net of federal tax benefit and change in valuation allowance)	**8**		2
Effective tax law change		7	
Previously accrued income taxes		(37)	16
Other	**(1)**	5	(6)
	42%	10%	47%

The effective income tax rate in 2003 (which was a benefit rate reflecting the 2003 loss) increased from 2002 primarily due to the impact in 2002 of previously recorded income taxes. The previously recorded income taxes relate to the favorable resolution of issues which were either settled with taxing authorities or had statutes of limitations expire. In addition, the rate increased due to the current year state tax benefit and the release of a portion of the state valuation allowance. The Company released valuation allowance of $2.4 million due to the utilization of state net operating loss carryforwards from the sale of Radio Operations. As a result, the Company increased the deferred tax asset by $2.4 million and increased the 2003 tax benefit by $2.4 million.

The effective income tax rate in 2002 decreased from 2001 primarily due to the impact in 2002 of previously recorded income taxes. In addition, the Tennessee legislature increased the corporate income tax rate from 6% to 6.5% during 2002. As a result, the Company increased the deferred tax liability by $1.3 million and increased 2002 tax expense by $1.3 million.

Gain (Loss) from Discontinued Operations

The Company has reflected the following businesses as discontinued operations, consistent with the provisions of SFAS No. 144. The results of operations, net of taxes (prior to their disposal where applicable), and the estimated fair value of the assets and liabilities of these businesses have been reflected in the Company s consolidated financial statements as discontinued operations in accordance with SFAS No. 144 for all periods presented.

WSM-FM and WWTN(FM). During the first quarter of 2003, the Company committed to a plan of disposal of WSM-FM and WWTN(FM). Subsequent to committing to a plan of disposal during the first quarter of 2003, the Company, through a wholly-owned subsidiary, entered into an agreement to sell the assets primarily used in the operations of WSM-FM and WWTN(FM) to Cumulus Broadcasting, Inc. (Cumulus) in exchange for approximately $62.5 million in cash. In connection with this agreement, the Company also entered into a local marketing agreement with Cumulus pursuant to which, from April 21, 2003 until the closing of the sale of the assets, the Company, for a fee, made available to Cumulus substantially all of the broadcast time on WSM-FM and WWTN(FM). In turn, Cumulus provided programming to be broadcast during such broadcast time and collected revenues from the advertising that it sold for broadcast during this programming time. On July 22, 2003, the Company finalized the sale of WSM-FM and WWTN(FM) for approximately $62.5 million, at which time, net proceeds of approximately $50 million were placed in an escrow account for completion of the Texas hotel. Concurrently, the Company also entered into a joint sales agreement with Cumulus for WSM-AM in exchange for $2.5 million in cash. The Company will continue to own and operate WSM-AM, and under the terms of the joint sales agreement with Cumulus, Cumulus will be responsible for all sales of commercial advertising on WSM-AM and provide certain sales promotion, billing and collection services relating to WSM-AM, all for a specified commission. The joint sales agreement has a term of five years.

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Acuff-Rose Music Publishing. During the second quarter of 2002, the Company committed to a plan of disposal of its Acuff-Rose Music Publishing catalog entity. During the third quarter of 2002, the Company finalized the sale of the Acuff-Rose Music Publishing entity to Sony/ ATV Music Publishing for approximately $157.0 million in cash. The Company recognized a pretax gain of $130.6 million during the third quarter of 2002 related to the sale in discontinued operations. The gain on the sale of Acuff-Rose Music Publishing is recorded in the income from discontinued operations in the consolidated statement of operations. Proceeds of $25.0 million were used to reduce the Company s outstanding indebtedness.

OKC RedHawks. During 2002, the Company committed to a plan of disposal of its ownership interests in the RedHawks, a minor league baseball team based in Oklahoma City, Oklahoma. During the fourth quarter of 2003, the Company sold its interests in the RedHawks and received cash proceeds of approximately $6.0 million. The Company recognized a loss of $0.6 million, net of taxes, related to the sale in discontinued operations in the accompanying consolidated statement of operations.

Word Entertainment. During 2001, the Company committed to a plan to sell Word Entertainment. As a result of the decision to sell Word Entertainment, the Company reduced the carrying value of Word Entertainment to its estimated fair value by recognizing a pretax charge of $30.4 million in discontinued operations during 2001. The estimated fair value of Word Entertainment s net assets was determined based upon ongoing negotiations with potential buyers. Related to the decision to sell Word Entertainment, a pretax restructuring charge of $1.5 million was recorded in discontinued operations in 2001. The restructuring charge consisted of $0.9 million related to lease termination costs and $0.6 million related to severance costs. In addition, the Company recorded a reversal of $0.1 million of restructuring charges originally recorded during 2000. During the first quarter of 2002, the Company sold Word Entertainment s domestic operations to an affiliate of Warner Music Group for $84.1 million in cash, subject to future purchase price adjustments. The Company recognized a pretax gain of $0.5 million in discontinued operations during the first quarter of 2002 related to the sale of Word Entertainment. Proceeds from the sale of $80.0 million were used to reduce the Company s outstanding indebtedness.

International Cable Networks. During the second quarter of 2001, the Company adopted a formal plan to dispose of its international cable networks. As part of this plan, the Company hired investment bankers to facilitate the disposition process, and formal communications with potentially interested parties began in July 2001. In an attempt to simplify the disposition process, in July 2001, the Company acquired an additional 25% ownership interest in its music networks in Argentina, increasing its ownership interest from 50% to 75%. In August 2001, the partnerships in Argentina finalized a pending transaction in which a third party acquired a 10% ownership interest in the companies in exchange for satellite, distribution and sales services, bringing the Company s interest to 67.5%.

In December 2001, the Company made the decision to cease funding of its cable networks in Asia and Brazil as well as its partnerships in Argentina if a sale had not been completed by February 28, 2002. At that time the Company recorded pretax restructuring charges of $1.9 million consisting of $1.0 million of severance and $0.9 million of contract termination costs related to the networks. Also during 2001, the Company negotiated reductions in the contract termination costs with several vendors that resulted in a reversal of $0.3 million of restructuring charges originally recorded during 2000. Based on the status of the Company s efforts to sell its international cable networks at the end of 2001, the Company recorded pretax impairment and other charges of $23.3 million during 2001. Included in this charge are the impairment of an investment in the two Argentina-based music channels totaling $10.9 million, the impairment of fixed assets, including capital leases associated with certain transponders leased by the Company, of $6.9 million, the impairment of a receivable of $3.0 million from the Argentina-based channels, current assets of $1.5 million, and intangible assets of $1.0 million.

During the first quarter of 2002, the Company finalized a transaction to sell certain assets of its Asia and Brazil networks, including the assignment of certain transponder leases. Also during the first quarter of 2002, the Company ceased operations based in Argentina. The transponder lease assignment required the Company to guarantee lease payments in 2002 from the acquirer of these networks. As such, the Company recorded a lease liability for the amount of the assignee s portion of the transponder lease.

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Businesses Sold to OPUBCO. During 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 $22.0 million in cash and the assumption of debt of $19.3 million. The Company recognized a pretax loss of $1.7 million related to the sale in discontinued operations in the accompanying consolidated statement of operations. OPUBCO owns a minority interest in the Company. During 2002, three of the Company s directors were also directors of OPUBCO and voting trustees of a voting trust that controls OPUBCO. Additionally, these three directors collectively owned a significant ownership interest in the Company.

The following table reflects the results of operations of businesses accounted for as discontinued operations for the years ended December 31 (amounts in thousands):

	2003	2002	2001
REVENUES:			
Radio Operations	$ 3,703	$ 10,240	$ 8,207
Acuff-Rose Music Publishing		7,654	14,764
RedHawks	5,034	6,289	6,122
Word Entertainment		2,594	115,677
International cable networks		744	5,025
Businesses sold to OPUBCO			2,195
Other			609
Total revenues	$ 8,737	$ 27,521	$152,599
OPERATING INCOME (LOSS):			
Radio Operations	$ 615	$ 1,305	$ 2,184
Acuff-Rose Music Publishing	16	933	2,119
RedHawks	436	841	363
Word Entertainment	22	(917)	(5,710)
International cable networks		(1,576)	(6,375)
Businesses sold to OPUBCO	(620)		(1,816)
Other			(383)
Impairment and other charges			(53,716)
Restructuring charges		(20)	(2,959)
Total operating income (loss)	469	566	(66,293)
INTEREST EXPENSE	(1)	(81)	(797)
INTEREST INCOME	8	81	199
OTHER GAINS AND (LOSSES)			
Radio Operations	54,555		
Acuff-Rose Music Publishing	450	130,465	(11)
RedHawks	(1,159)	(193)	(134)
Word Entertainment	1,503	1,553	(1,059)
International cable networks	497	3,617	(1,002)
Businesses sold to OPUBCO			(1,674)
Other			(251)
Total other gains and (losses)	55,846	135,442	(4,131)
Income (loss) before provision (benefit) for income taxes	56,322	136,008	(71,022)
PROVISION (BENEFIT) FOR INCOME TAXES	21,951	50,251	(22,189)
Net income (loss) from discontinued operations	$34,371	$ 85,757	$ (48,833)

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Included in other gains and losses in 2003 is a pre-tax gain of $54.6 million on the sale of the Radio Operations and a pre-tax loss of $1.0 million on the sale of the RedHawks. Included in other gains and losses in 2002 are pre-tax gains of $130.6 million on the sale of Acuff-Rose Music Publishing, $0.5 million on the sale of Word Entertainment, and $3.8 million on the sale of International Cable Networks. Included in other gains and losses in 2001 is a pretax loss of $1.7 million on the sale of businesses sold to OPUBCO. The remaining gains and losses in 2003, 2002, and 2001 are primarily comprised of gains and losses on the sale of fixed assets and the subsequent reversal of liabilities accrued at the time of disposal of these businesses for various contingent items.

The assets and liabilities of the discontinued operations presented in the accompanying consolidated balance sheets are comprised of (amounts in thousands):

	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 19	$ 1,812
Trade receivables, less allowance of $0 and $2,938, respectively		1,954
Inventories		163
Prepaid expenses		97
Other current assets		69
Total current assets	19	4,095
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		5,157
GOODWILL		3,527
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION		3,942
MUSIC AND FILM CATALOGS		
OTHER LONG-TERM ASSETS		702
Total long-term assets		13,328
Total assets	$ 19	$ 17,423
CURRENT LIABILITIES:		
Current portion of long-term debt	$	$ 94
Accounts payable and accrued liabilities	2,930	6,558
Total current liabilities	2,930	6,652
LONG-TERM DEBT, NET OF CURRENT PORTION		
OTHER LONG-TERM LIABILITIES	825	789
Total long-term liabilities	825	789
Total liabilities	3,755	7,441
MINORITY INTEREST OF DISCONTINUED OPERATIONS		1,885
TOTAL LIABILITIES AND MINORITY INTEREST OF DISCONTINUED OPERATIONS	$ 3,755	$ 9,326

Cumulative Effect of Accounting Change

During the second quarter of 2002, we completed our goodwill impairment test as required by SFAS No. 142. In accordance with the provisions of SFAS No. 142, we reflected the pretax $4.2 million impairment charge as a cumulative effect of a change in accounting principle in the amount of $2.6 million, net of tax benefit of $1.6 million, as of January 1, 2002 in the consolidated statements of operations.

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On January 1, 2001, we recorded a gain of $11.2 million, net of taxes of $7.1 million, as a cumulative effect of accounting change to record the derivatives associated with the secured forward exchange contract on our Viacom stock at fair value as of January 1, 2001, in accordance with the provisions of SFAS No. 133.

Liquidity and Capital Resources

Cash Flows Summary

Our cash flows consisted of the following during the years ended December 31 (amounts in thousands):

	2003	2002	2001
Operating Cash Flows:			
Net cash flows provided by operating activities continuing operations	$ 73,916	$ 83,829	$ 15,122
Net cash flows provided by operating activities discontinued operations	2,890	3,451	368
Net cash flows provided by operating activities	76,806	87,280	15,490
Investing Cash Flows:			
Purchases of property and equipment	(223,720)	(175,404)	(280,921)
Other	2,075	29,920	3,033
Net cash flows (used in) investing activities continuing operations	(221,645)	(145,484)	(277,888)
Net cash flows provided by investing activities discontinued operations	65,354	232,570	17,794
Net cash flows provided by (used in) investing activities	(156,291)	87,086	(260,094)
Financing Cash Flows:			
Repayment of long-term debt	(425,104)	(214,846)	(241,503)
Proceeds from issuance of long-term debt	550,000	85,000	535,000
Other	(22,984)	46,589	(69,360)
Net cash flows provided by (used in) financing activities - continuing operations	101,912	(83,257)	224,137
Net cash flows provided by (used in) financing activities - discontinued operations	(94)	(1,671)	2,904
Net cash flows provided by (used in) financing activities	101,818	(84,928)	227,041
Net change in cash and cash equivalents	$ 22,333	$ 89,438	$ (17,563)

Cash Flow From Operating Activities

Cash flow from operating activities is the principal source of cash used to fund our operating expenses, interest payments on debt, and maintenance capital expenditures. During 2003, our net cash flows provided by operating activities continuing operations were $73.9 million,

reflecting primarily our income from continuing operations before non-cash depreciation, amortization, income tax and interest expenses of approximately $30.0 million, as well as favorable changes in working capital of approximately $43.9 million. The favorable changes in working capital primarily resulted from the Company collecting a $10.0 million note receivable from Bass Pro during 2003, improved collection of trade receivables, the timing of payment of various liabilities, including accrued interest, taxes, salaries and benefits, and advertising expenses, and increased receipts of deposits on advance bookings of rooms and vacation

properties. During 2002, our net cash flows provided by operating activities continuing operations were $83.8 million, reflecting primarily our income from continuing operations before non-cash depreciation, amortization, income tax and interest expenses.

Cash Flow From Investing Activities

During 2003, our primary uses of funds and investing activities were the purchases of property and equipment which totaled $223.7 million. These capital expenditures include continuing construction at the new Gaylord hotel in Grapevine, Texas of $193.3 million, approximately $1.3 million related to the possible development of a new Gaylord hotel in Prince George s County, Maryland and approximately $11.2 million related to Gaylord Opryland. In addition, there were approximately $7.3 million of capital expenditures related to the Grand Ole Opry in 2003. We also received proceeds from the sale of assets and the sale of discontinued operations totaling approximately $64.7 million in 2003. During 2002, our primary uses of funds and investing activities were the purchases of property and equipment for the Gaylord Palms and Gaylord Texan which totaled $148.3 million. We received proceeds from the sale of assets and the sale of discontinued operations totaling approximately $263.4 million in 2002.

Cash Flow From Financing Activities

The Company s cash flows from financing activities reflect primarily the issuance of debt and the repayment of long-term debt. During 2003, the Company s net cash flows provided by financing activities were approximately $101.9 million, reflecting the issuance of $550.0 million in debt, which consisted of the issuance of $350 million in Senior Notes and additional borrowings under our 2003 Florida/ Texas senior secured credit facility, and the repayment of $425.1 million in debt. During 2002, the Company s net cash flows used in financing activities were approximately $83.3 million, reflecting the issuance of $85.0 million in debt and the repayment of $214.8 million in debt. The Company also experienced a decrease in restricted cash and cash equivalents of $45.7 million which was used to repay debt.

On January 9, 2004 we filed a Registration Statement on Form S-3 with the SEC pursuant to which we may sell from time to time, once the Registration Statement is declared effective by the SEC, up to $500 million of our debt or equity securities. Except as otherwise provided in the applicable prospectus supplement at the time of sale of the securities, we may use the net proceeds from the sale of the securities for general corporate purposes, which may include reducing our outstanding indebtedness, increasing our working capital, acquisitions and capital expenditures.

Principal Debt Agreements

New Revolving Credit Facility. On November 20, 2003, we entered into a new $65.0 million revolving credit facility, which has been increased to $100.0 million. The new revolving credit facility, which replaces our old revolving credit portion of our 2003 Florida/ Texas senior secured credit facility discussed below, matures in May 2006. The new revolving credit facility has an interest rate, at our election, of either LIBOR plus 3.50% (subject to a minimum LIBOR of 1.32%) or the lending banks base rate plus 2.25%. Interest on our borrowings is payable quarterly, in arrears, for base rate loans and at the end of each interest rate period for LIBOR rate-based loans. Principal is payable in full at maturity. The new revolving credit facility is guaranteed on a senior unsecured basis by our subsidiaries that are guarantors of our new notes (consisting generally of our active domestic subsidiaries that are not parties to our Nashville hotel loan arrangements) and is secured by a leasehold mortgage on the Gaylord Palms Resort & Convention Center. We are required to pay a commitment fee equal to 0.5% per year of the average daily unused revolving portion of the new revolving credit facility.

The provisions of the new revolving credit facility contain a covenant requiring us to achieve substantial completion and initial opening of the Gaylord Texan by June 30, 2004. We opened the Gaylord Texan on April 2, 2004.

In addition, the new revolving credit facility contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales,

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acquisitions, capital expenditures, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements. The material financial covenants, ratios or tests contained in the new revolving credit facility are as follows:

a maximum total leverage ratio requiring that at the end of each fiscal quarter, our ratio of consolidated indebtedness minus unrestricted cash on hand to consolidated EBITDA for the most recent four fiscal quarters, subject to certain adjustments, not exceed a range of ratios (decreasing from 7.5 to 1.0 for early 2004 to 5.0 to 1.0 for 2006) for the recent four fiscal quarters;

a requirement that the adjusted net operating income for the Gaylord Palms Resort and Convention Center be at least $25,000,000 at the end of each fiscal quarter ending December 31, 2003, through December 31, 2004, and $28,000,000 at the end of each fiscal quarter thereafter, in each case based on the most recent four fiscal quarters; and

a minimum fixed charge coverage ratio requiring that, at the end of each fiscal quarter, our ratio of consolidated EBITDA for the most recent four fiscal quarters, subject to certain adjustments, to the sum of (i) consolidated interest expense and capitalized interest expense for the previous fiscal quarter, multiplied by four, and (ii) required amortization of indebtedness for the most recent four fiscal quarters, be not less than 1.5 to 1.0.

As of December 31, 2003, we were in compliance with the foregoing covenants. As of December 31, 2003, no borrowings were outstanding under the new revolving credit facility, but the lending banks had issued $11.3 million of letters of credit under the credit facility for us. The revolving credit facility is cross-defaulted to our other indebtedness.

Nashville Hotel Loan. On March 27, 2001, we, through wholly owned subsidiaries, entered into a $275.0 million senior secured loan with Merrill Lynch Mortgage Lending, Inc. At the same time, we entered into a $100.0 million mezzanine loan which was repaid in November 2003 with the proceeds of the outstanding senior notes (as defined below). The senior and mezzanine loan borrower and its member were subsidiaries formed for the purposes of owning and operating the Nashville hotel and entering into the loan transaction and are special-purpose entities whose activities are strictly limited. We fully consolidate these entities in our consolidated financial statements. The senior loan is secured by a first mortgage lien on the assets of Gaylord Opryland and is due in March 2004. At our option, the senior loan may be extended for two additional one-year terms to March 2006, subject to our Gaylord Opryland operations meeting certain financial ratios and other criteria. We have given notice to exercise our option to extend the loan until March 2005. Amounts outstanding under the senior loan bear interest at one-month LIBOR plus 1.02%. The senior loan requires monthly principal payments of $0.7 million in addition to monthly interest payments. The terms of the senior loan required us to purchase interest rate hedges in notional amounts equal to the outstanding balances of the senior loan in order to protect against adverse changes in one-month LIBOR. Pursuant to the senior loan agreement, we had purchased instruments that cap our exposure to one-month LIBOR at 7.5%. We used $235.0 million of the proceeds from the senior loan and the mezzanine loan to refinance an existing interim loan incurred in 2000. The net proceeds from the senior loan and the mezzanine loan, after refinancing the existing interim loan and paying required escrows and fees, were approximately $97.6 million. The weighted average interest rates for the senior loan for the years ended December 31, 2003 and 2002, including amortization of deferred financing costs, were 4.2% and 4.5%, respectively.

The terms of the senior loan impose and the old mezzanine loan imposed limits on transactions with affiliates and incurrence of indebtedness by the subsidiary borrower. Our senior loan also contains a cash management restriction that is triggered if a minimum debt service coverage ratio is not met. This provision has never been triggered. Upon a determination as of the end of any quarter that the debt service coverage ratio of the Nashville hotel (which is the ratio of net operating income from the Nashville hotel to principal and interest under the senior loan, all for the preceding 12-month period, subject to certain adjustments) is less than 1.25 to 1.0, excess cash flow from the Nashville hotel must thereafter be deposited in a reserve account with the lender (subject to the borrower s right to make a principal prepayment in amount necessary to cure). Depending upon the debt service coverage ratio level as of the

beginning of each subsequent month, amounts in the reserve account are either released to the borrower or held by the lender as collateral and, at the lender s option, applied to the loan at the third payment date following deposit into the account.

In addition, prior to its repayment in 2003, the old mezzanine loan contained financial covenants that were structured such that noncompliance at one level triggered certain cash management restrictions and noncompliance at a second level results in an event of default. Based upon the financial covenant calculations at December 31, 2002, the mezzanine loan s cash management restrictions were in effect which required that all excess cash flows, as defined, be escrowed and be used only to repay principal amounts owed on the senior loan. As of June 30, 2003, the noncompliance level which triggered cash management restrictions was cured and the cash management restrictions were lifted. During 2002, we negotiated certain revisions to the financial covenants under the mezzanine loan. After these revisions, we were in compliance with the covenants under the senior loan and the mezzanine loan for which the failure to comply would result in an event of default at December 31, 2002. We were also in compliance with all applicable covenants under the senior loan at December 31, 2003. An event of default under our other indebtedness does not cause an event of default under the Nashville hotel loan.

Senior Notes. On November 12, 2003, we completed our offering of $350 million in aggregate principal amount of senior notes due 2013 (the Senior Notes) in an institutional private placement. The interest rate of the Senior Notes is 8%, although we have entered into interest rate swaps with respect to $125 million principal amount of the Senior Notes which results in an effective interest rate of LIBOR plus 2.95% with respect to that portion of the Senior Notes. The Senior Notes, which mature on November 15, 2013, bear interest semi-annually in cash in arrears on May 15 and November 15 of each year, starting on May 15, 2004. The Senior Notes are redeemable, in whole or in part, at any time on or after November 15, 2008 at a designated redemption amount, plus accrued and unpaid interest. In addition, we may redeem up to 35% of the Senior Notes before November 15, 2006 with the net cash proceeds from certain equity offerings. The Senior Notes rank equally in right of payment with our other unsecured unsubordinated debt, but are effectively subordinated to all of our secured debt to the extent of the assets securing such debt. The Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by each of our subsidiaries that was a borrower or guarantor under the 2003 Florida/Texas loans discussed below, and as of November 2003, of the new revolving credit facility. In connection with the offering of the Senior Notes, we paid approximately $9.4 million in deferred financing costs. The net proceeds from the offering of the Senior Notes, together with $22.5 million of our cash on hand, were used as follows:

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

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

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

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

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Future Developments

As previously announced, we have plans to develop a Gaylord hotel on property to be acquired on the Potomac River in Prince George s County, Maryland (in the Washington, D.C. market), subject to the availability of financing, resolution of certain zoning issues and approval by our Board of Directors. We also are considering other potential sites. The timing and extent of any of these development projects is uncertain.

Commitments and Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2003, including long-term debt and operating and capital lease commitments (amounts in thousands):

	Total amounts committed	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual obligations					
Long-term debt	$ 549,381	$ 8,104	$ 191,277	$	$ 350,000
Capital leases	992	553	370	69	
Construction commitments	104,615	94,368	10,247		
Arena naming rights	57,703	2,554	5,497	6,061	43,591
Operating leases	734,855	11,350	17,475	13,335	692,695
Other	4,828	322	644	644	3,218
Total contractual obligations	$ 1,452,374	$ 117,251	$ 225,510	$ 20,109	$ 1,089,504

The total operating lease commitments of $734.9 million above includes the 75-year operating lease agreement the Company entered into during 1999 for 65.3 acres of land located in Osceola County, Florida where Gaylord Palms is located.

During 2002 and 2001, the Company entered into certain agreements related to the construction of the new Gaylord hotel in Grapevine, Texas. At December 31, 2003, the Company had paid approximately $355.3 million related to these agreements, which is included as construction in progress in property and equipment in the consolidated balance sheets.

During 1999, the Company entered into a 20-year naming rights agreement related to the Nashville Arena with the Nashville Predators. The Nashville Arena has been renamed the Gaylord Entertainment Center as a result of the agreement. The contractual commitment required the Company to pay $2.1 million during the first year of the contract, with a 5% escalation each year for the remaining term of the agreement, and to purchase a minimum number of tickets to Predators games each year. See Item 3. Legal Proceedings for a discussion of the current status of our litigation regarding this agreement.

At the expiration of the secured forward exchange contract relating to the Viacom stock owned by the Company which is scheduled for May 2007, the Company will be required to pay the deferred taxes relating thereto. A complete description of the secured forward exchange contract and this deferred tax liability is contained in Notes 10 and 13 to the Company s Consolidated Financial Statements for the year-ended December 31, 2003 included herewith.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations discusses the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Accounting estimates are an integral part of the preparation of the consolidated financial statements and the financial reporting process and are based upon current judgments. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

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date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Certain accounting estimates are particularly sensitive because of their complexity and the possibility that future events affecting them may differ materially from the Company s current judgments and estimates.

This listing of critical accounting policies is not intended to be a comprehensive list of all of the Company s accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management s judgment regarding accounting policy. The Company believes that of its significant accounting policies, as discussed in Note 1 to the consolidated financial statements, the following may involve a higher degree of judgment and complexity.

Revenue Recognition. The Company recognizes revenue from its rooms as earned on the close of business each day. Revenues from concessions and food and beverage sales are recognized at the time of the sale. The Company recognizes revenues from the Opry and Attractions segment when services are provided or goods are shipped, as applicable.

The Company earns revenues from ResortQuest through property management fees, service fees, and other sources. The Company receives property management fees when the properties are rented, which are generally a percentage of the rental price of the vacation property. Management fees range from approximately 3% to over 40% of gross lodging revenues collected based upon the type of services provided to the property owner and the type of rental units managed. Revenues are recognized ratably over the rental period based on the Company s proportionate share of the total rental price of the vacation condominium or home. The Company provides or arranges through third parties certain services for property owners or guests. Service fees include reservations, housekeeping, long-distance telephone, ski rentals, lift tickets, beach equipment and pool cleaning. Internally provided services are recognized as service fee revenue when the service is provided. Services provided by third parties are generally billed directly to property owners and are not included in the accompanying consolidated financial statements. The Company recognizes other revenues primarily related to real estate broker commissions and software and maintenance sales. The Company recognizes revenues on real estate sales when the transactions are complete, and such revenue is recorded net of the related agent commissions. The Company also sells a fully integrated software package, First Resort Software, specifically designed for the vacation property management business, along with ongoing service contracts. Software and maintenance revenues are recognized when the systems are installed and ratably over the service period, respectively, in accordance with SOP 97-2, Software Revenue Recognition. Provision for returns and other adjustments are provided for in the same period the revenue was recognized. The Company defers revenues related to deposits on advance bookings of rooms and vacation properties and advance ticket sales at the Company s tourism properties.

Impairment of Long-Lived Assets and Goodwill. In accounting for the Company s long-lived assets other than goodwill, the Company applies the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Under SFAS No. 144, the Company assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets or asset group may not be recoverable. Recoverability of long-lived assets that will continue to be used is measured by comparing the carrying amount of the asset or asset group to the related total future undiscounted net cash flows. If an asset or asset group s carrying value is not recoverable through those cash flows, the asset group is considered to be impaired. The impairment is measured by the difference between the assets carrying amount and their fair value, based on the best information available, including market prices or discounted cash flow analysis.

Effective January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and other intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually and whenever events or circumstances occur indicating that these intangibles may be impaired. The Company performs its review of goodwill for impairment by comparing the carrying value of the applicable reporting unit to the fair value of the reporting unit. If the

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fair value is less than the carrying value then the Company measures potential impairment by allocating the fair value of the reporting unit to the tangible assets and liabilities of the reporting unit in a manner similar to a business combination purchase price allocation. The remaining fair value of the reporting unit after assigning fair values to all of the reporting unit s assets and liabilities represents the implied fair value of goodwill of the reporting unit. The impairment is measured by the difference between the carrying value of goodwill and the implied fair value of goodwill.

As a result of lower than expected revenues associated with its IMAX movie, the Company recognized an impairment charge of approximately $0.9 million in 2003. The key assumptions used to determine the fair value of the Company s IMAX movie included (a) a cash flow period of four years, (b) a nominal terminal value, and (c) a discount rate of 12%, which was based on the Company s weighted average cost of capital adjusted for the risks associated with the operations. A change in any of these assumptions would have had an impact on the amount of the impairment charge recorded. For example, a 1% increase or decrease in the discount rate used in the impairment loss calculation would have caused an increase or decrease in the impairment charge of $0.02 million.

The key assumptions used to determine the fair value of the Company s reporting units for purposes of evaluating goodwill for impairment included (a) a perpetuity cash flow period, (b) a nominal terminal value, and (c) a discount rate of approximately 10%, which was based on the Company s weighted average cost of capital adjusted for the risks associated with the operations. These assumptions and judgments are subject to change, which could cause a different conclusion regarding impairment or a different calculation of an impairment loss. There were no goodwill impairment charges recorded in 2003.

Restructuring Charges. The Company has recognized restructuring charges in accordance with Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) , in its consolidated financial statements. Restructuring charges are based upon certain estimates of liabilities related to costs to exit an activity. Liability estimates may change as a result of future events, including negotiation of reductions in contract termination liabilities and expiration of outplacement agreements.

Derivative Financial Instruments. The Company utilizes derivative financial instruments to reduce interest rate risks and to manage risk exposure to changes in the value of certain owned marketable securities. The Company records derivatives in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , which was subsequently amended by SFAS No. 138. SFAS No. 133, as amended, established 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. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting.

The Company obtains valuations of its derivative assets and liabilities from counterparties and records changes in the derivative assets and liabilities based on those valuations. The derivative assets and liabilities held by the Company at December 31, 2003 include a secured forward exchange contract with respect to 10,937,900 shares of Viacom stock, a fixed to variable interest rate swap, and two interest rate caps. The measurement of these derivatives fair values requires the use of estimates and assumptions.

The key assumption used to determine the fair value of the Company s secured forward exchange contract was the underlying value of the Viacom stock. Changes in this assumption could materially impact the determination of the fair value of the secured forward exchange contract and the related net gain or loss on the investment in Viacom stock and related derivatives. For example, a 5% increase in the value of the Viacom stock at December 31, 2003 would have resulted in an increase of $8.7 million in the 2003 net pre-tax gain on the investment in Viacom stock and related derivatives. Likewise, a 5% decrease in the value of the Viacom stock at December 31, 2003 would have resulted in a decrease of $7.3 million in the 2003 net pre-tax gain on the investment in Viacom stock and related derivative. The key assumption used to determine the fair value of the Company s fixed to variable interest rate swap and two interest rate caps included changes in LIBOR and Eurodollar interest rates. Changes in these assumptions could materially

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impact the determination of the fair value of these derivatives and the related charge to 2003 interest expense. For example, if LIBOR and Eurodollar rates were to increase by 100 basis points each, our annual net interest cost on debt amounts outstanding at December 31, 2003 would increase by approximately $3.3 million.

Income Taxes. The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company must assess the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the provision for taxes is increased by recording a reserve, in the form of a valuation allowance, against the estimated deferred tax assets that will not ultimately be recoverable.

The Company has federal and state net operating loss and tax credit carryforwards for which management believes it is more-likely-than-not that future taxable income will be sufficient to realize the recorded deferred tax assets. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies, which involve estimates and uncertainties, in making this assessment. Projected future taxable income is based on management s forecast of the operating results of the Company. Management periodically reviews such forecasts in comparison with actual results and expected trends. The Company has established valuation allowances for deferred tax assets primarily associated with certain subsidiaries with state operating loss carryforwards and tax credit carryforwards. At December 31, 2003, the Company had federal net operating loss carryforwards of $28.3 million, federal tax credits of $6.2 million, state net operating loss carryforwards of $349.8 million, and foreign net operating loss carryforwards of $0.2 million. A valuation allowance of $9.9 million has been provided for certain state and foreign deferred tax assets, including loss carryforwards, as of December 31, 2003. In the event management determines that sufficient future taxable income, in light of tax planning strategies, may not be generated to fully recover net deferred tax assets, the Company will be required to adjust its deferred tax valuation allowance in the period in which the Company determines recovery is not probable.

In addition, the Company must deal with uncertainties in the application of complex tax regulations in the calculation of tax liabilities and is subject to routine income tax audits. The Company estimates the contingent income tax liabilities that may result from these audits based on its assessment of potential income tax-related exposures and the relative probabilities of those exposures translating into actual future liabilities. Probabilities are estimated based on the likelihood that the taxing authority will disagree with a tax position that will negatively affect the amount of taxes previously paid or currently due. If payment of the accrued amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the Company s estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to the Company s tax provision would result.

Retirement and Postretirement Benefits Other than Pension Plans. The calculations of the costs and obligations of the Company s retirement and postretirement benefits other than pension plans are dependent on significant assumptions, judgments, and estimates. These assumptions, judgments, and estimates are evaluated at each annual measurement date (September 30) and include discount rates, expected return on plan assets, and health care cost trend rates. The discount rate reflects the market rate for high-quality fixed income debt securities on the Company s annual measurement date and is subject to change each year. The Company determines the expected return on plan assets based on its estimate of the return that plan assets will provide over the period that benefits are expected to be paid out. In preparing this estimate, the Company considers its targeted allocation of plan assets among securities with various risk and return profiles, as well as the actual returns provided by plan assets in prior periods. The expected return on plan assets is a long-term assumption and generally does not change annually. In estimating the health care cost trend rate, the Company considers its actual health care cost experience, industry trends, and advice from its third-party actuary. The Company assumes that the relative increase

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in health care costs will generally trend downward over the next several years, reflecting assumed increases in efficiency in the health care system and industry-wide cost containment initiatives.

While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company s pension and postretirement benefit obligations and expense. For example, holding all other assumptions constant, a 1% increase or decrease in the assumed discount rate related to the retirement plan would decrease or increase, respectively, 2003 net period pension expense by approximately $0.9 million and $1.0 million, respectively. Likewise, a 1% increase or decrease in the assumed rate of return on plan assets would decrease or increase, respectively, 2003 net periodic pension expense by approximately $0.4 million and $0.4 million, respectively.

A 1% increase or decrease in the assumed discount rate related to the postretirement benefit plan would decrease or increase, respectively, 2003 net postretirement benefit expense by approximately $0.008 million and $0.5 million, respectively. Finally, a 1% increase in the assumed health care cost trend rate each year would increase the aggregate of the service and interest cost components of net postretirement benefit expense by $0.2 million. Conversely, a 1% decrease in the assumed health care cost trend rate each year would decrease the aggregate of the service and interest cost components of net postretirement benefit expense by approximately $0.2 million.

Recently Issued Accounting Standards

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities . SFAS No. 146 replaces Emerging Issues Task Force (EITF) No. 94-3. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF No. 94-3 required recognition of the liability at the commitment date to an exit plan. The Company adopted the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002 and the adoption did not have a material effect on the Company s consolidated results of operations or financial position.

In November 2002, the FASB issued Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others (FIN No. 45). FIN No. 45 elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of FIN No. 45, including, among others, residual value guarantees under capital lease arrangements and loan commitments. The disclosure requirements of FIN No. 45 were effective as of December 31, 2002. The recognition requirements of FIN No. 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Company s consolidated results of operations, financial position, or liquidity.

In January 2003, the FASB issued FASB Interpretation 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN No. 46). In December 2003, the FASB modified FIN No. 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN No. 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. FIN No. 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE s activities, is entitled to receive a majority of the VIE s residual returns (if no party absorbs a majority of the VIE s losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all the VIE s assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN No. 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

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FIN No. 46 was effective immediately for VIEs created after January 31, 2003. The provisions of FIN No. 46, as revised, were adopted as of December 31, 2003 for the Company s interests in VIEs that are special purposes entities (SPEs). The adoption of FIN No. 46 for interests in SPEs on December 31, 2003 did not have a material effect on the Company s consolidated balance sheet. The Company expects to adopt the provisions of FIN No. 46 for the Company s variable interests in all VIEs as of March 31, 2004. The effect of adopting the provisions of FIN No. 46 for all the Company s variable interests is not expected to have a material impact on the Company s consolidated balance sheet at March 31, 2004.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of SFAS No. 150 on July 1, 2003. The Company did not enter into any financial instruments within the scope of SFAS No. 150 after May 31, 2003. Adoption of this statement did not have any effect on the Company s consolidated financial statements.

In December 2003, the FASB issued a revision to SFAS 132, Employer s Disclosure about Pension and Other Postretirement Benefits. This revised statement requires that companies provide more detailed disclosures about the plan assets, benefit obligations, cash flows, benefit costs, and investment policies of their pension and postretirement benefit plans. This statement is effective for financial statements with fiscal years ending after December 15, 2003. The Company adopted the provisions of this statement on December 31, 2003.

Market Risk

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

Risk Related to a Change in Value of our Investment in Viacom Stock

At December 31, 2003, we held an investment of 11.0 million shares of Viacom stock, which was received as the result of the sale of television station KTVT to CBS in 1999 and the subsequent acquisition of CBS by Viacom in 2000. We entered into a secured forward exchange contract related to 10.9 million shares of the Viacom stock in 2000. The secured forward exchange contract protects the Company against decreases in the fair market value of the Viacom stock, while providing for participation in increases in the fair market value. At December 31, 2003, the fair market value of our investment in the 11.0 million shares of Viacom stock was $488.3 million, or $44.38 per share. The secured forward exchange contract protects us against decreases in the fair market value of the Viacom stock by way of a put option at a strike price below $56.05 per share, while providing for participation in increases in the fair market value by way of a call option at a strike price of $75.30 per share, as of December 31, 2003. Future dividend distributions received from Viacom may result in an adjusted call strike price. Changes in the market price of the Viacom stock could have a significant impact on future earnings. For example, a 5% increase in the value of the Viacom stock at December 31, 2003 would have resulted in an increase of $8.7 million in the 2003 net pre-tax gain on the investment in Viacom stock and related derivatives. Likewise, a 5% decrease in the value of the Viacom stock at December 31, 2003 would have resulted in a decrease of $7.3 million in the 2003 net pre-tax gain on the investment in Viacom stock and related derivatives.

Risks Related to Changes in Interest Rates

Interest Rate Risk Related to Our Indebtedness. We have exposure to interest rate changes primarily relating to outstanding indebtedness under the Senior Notes, our Nashville hotel loan and our new revolving credit facility.

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In conjunction with our offering of the Senior Notes, we terminated our variable to fixed interest rate swaps with an original notional value of $200 million related to the senior term loan and the subordinated term loan portions of the 2003 Florida/ Texas senior secured credit facility which were repaid for a net benefit aggregating approximately $242,000.

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

The terms of the Nashville hotel loan required the purchase of interest rate hedges in notional amounts equal to the outstanding balances of the Nashville hotel loans in order to protect against adverse changes in one-month LIBOR. Pursuant to these agreements, we have purchased instruments that cap its exposure to one-month LIBOR at 7.50%. If LIBOR and Eurodollar rates were to increase by 100 basis points each, our annual interest cost under the Nashville hotel loan based on debt amounts outstanding at December 31, 2003 would increase by approximately $2.0 million.

Cash Balances. Certain of our outstanding cash balances are occasionally invested overnight with high credit quality financial institutions. We do not have significant exposure to changing interest rates on invested cash at December 31, 2003. As a result, the interest rate market risk implicit in these investments at December 31, 2003, if any, is low.

Risks Related to Foreign Currency Exchange Rates.

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

Summary

Based upon our overall market risk exposures at December 31, 2003, we believe that the effects of changes in the stock price of our Viacom stock or interest rates could be material to our consolidated financial position, results of operations or cash flows. However, we believe that the effects of fluctuations in foreign currency exchange rates on our consolidated financial position, results of operations or cash flows would not be material.

Forward-Looking Statements

This report contains statements with respect to the Company s beliefs and expectations of the outcomes of future events that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties, including, without limitation, the factors set forth under the caption Risk Factors. Forward-looking statements include discussions regarding the Company s operating strategy, strategic plan, hotel development strategy, industry and economic conditions, financial condition, liquidity and capital resources, and results of operations. You can identify these statements by forward-looking words such as expects, anticipates, intends, plans, believes, estimates, projects, and similar expressions. Although we believe that the plans, objectives, expectati prospects reflected in or suggested by our forward-looking statements are reasonable, those statements involve uncertainties and risks, and we cannot assure you that our plans, objectives, expectations and prospects will be achieved. Our actual results could differ materially from the results anticipated by the forward-looking statements as a result of many known and unknown factors, including, but not limited to, those contained in Management s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report. All written or oral forward-looking

statements attributable to us are expressly qualified in their entirety by these cautionary statements. The Company does not undertake any obligation to update or to release publicly any revisions to forward-looking statements contained in this report to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The information called for by this Item is provided under the caption Market Risk under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. ***Financial Statements and Supplementary Data***

Information with respect to this Item is contained in the Company s consolidated financial statements included in the Index on page F-1 of this Annual Report on Form 10-K.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Effective June 14, 2002, the Company dismissed Arthur Andersen LLP (Arthur Andersen) as the Company s independent public accountants. On that date, the Company appointed Ernst & Young LLP (Ernst & Young) as its independent auditors for the fiscal year ending December 31, 2002. These actions were recommended by the Company s Audit Committee and approved by the Board of Directors of the Company.

Arthur Andersen s reports on the Company s consolidated financial statements for the Company s fiscal years ended 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company s two most recent fiscal years and any interim periods preceding the dismissal of Arthur Andersen, there were no disagreements between the Company and Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Arthur Andersen, would have caused it to make a reference to the subject matter of the disagreement(s) in connection with its report.

During the Company s two most recent fiscal years and any interim periods preceding the dismissal of Arthur Andersen, there have been no reportable events of the type required to be disclosed by Item 304(a)(1)(v) of Regulation S-K.

The Company provided Arthur Andersen with a copy of the foregoing disclosure and Arthur Andersen stated its agreement with such statements. Arthur Andersen s letter stating its agreement with such statements was filed as an exhibit to the current report on form 8-K, dated June 17, 2002.

During the fiscal years ended December 31, 2001 and 2000 and the subsequent interim period through June 14, 2002, the Company did not consult with Ernst & Young regarding any of the matters or events set fourth in Item 304(a)(2)(i) and (ii) of Regulation S-K. Notwithstanding the forgoing, during the fiscal year ended December 31, 2001 and during the first and second quarters of 2002, Ernst & Young and/or an affiliate thereof provided the Company with certain management and tax consulting services.

Item 9A. ***Controls and Procedures***

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed as of December 31, 2003, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the Company s disclosure controls and procedures are effective as of the end of the period covered by this report. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Information about our Board of Directors is incorporated herein by reference to the discussion under the heading Election of Directors in our Proxy Statement for the 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission.

Information required by Item 405 of Regulation S-K is incorporated herein by reference to the discussion under the heading Section 16(a) Beneficial Ownership Reporting Compliance in our Proxy Statement for the 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission.

Certain other information concerning executive officers and certain other officers of the Company is included in Part I of this annual report on Form 10-K under the caption Executive Officers of the Registrant.

The Company has a separately designated audit committee of the board of directors established in accordance with the Exchange Act. Currently, Martin C. Dickinson, Laurence S. Geller, E. Gordon Gee, and Robert P. Bowen serve as members of the Audit Committee. Our Board of Directors has determined that Robert P. Bowen is an audit committee financial expert as defined by the SEC and is independent, as that term is defined in the Exchange Act.

Our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to the members of our Board of Directors and our officers, including our Chief Executive Officer and Chief Financial Officer. In addition, the Board of Directors has adopted Corporate Governance Guidelines and restated charters for our Audit Committee, Human Resources Committee, and Nominating and Corporate Governance Committee. You can access our Code of Business Conduct and Ethics, Corporate Governance Guidelines and current committee charters on our website at www.gaylordentertainment.com or request a copy of any of the foregoing by writing to the following address: Gaylord Entertainment Company, Attention: Secretary, One Gaylord Drive, Nashville, Tennessee 37214. The Company will make any legally required disclosures regarding amendments to, or waivers of, provisions of the Code of Business Conduct and Ethics, Corporate Governance Guidelines or current committee charters on its website.

Item 11. *Executive Compensation*

The information required by this Item is incorporated herein by reference to the discussion under the heading Executive Compensation in our Proxy Statement for the 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item is incorporated herein by reference to the discussions under the headings Beneficial Ownership and Equity Compensation Plan Information in our Proxy Statement for the 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission.

Item 13. *Certain Relationships and Related Transactions*

The information required by this Item is incorporated herein by reference to the discussion under the heading Certain Relationships and Related Transactions in our Proxy Statement for the 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission.

Item 14. *Principal Accountant Fees and Services*

The information required by this Item is incorporated herein by reference to the discussion under the heading Independent Auditor Fee Information in our Proxy Statement for the 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a)(1) *Financial Statements*

The accompanying index to financial statements on page F-1 of this annual report on Form 10-K is provided in response to this Item.

(a)(2) *Financial Statement Schedules*

The following financial statement schedules are filed as a part of this report, with reference to the applicable pages of this annual report on Form 10-K:

Schedule II Valuation and Qualifying Accounts for the Year Ended December 31, 2003	S-2
Schedule II Valuation and Qualifying Accounts for the Year Ended December 31, 2002	S-3
Schedule II Valuation and Qualifying Accounts for the Year Ended December 31, 2001	S-4

All other financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a)(3) *Exhibits*

See Index to Exhibits.

(b) *Reports on Form 8-K*

The following Form 8-K reports were filed during the period October 1, 2003 through December 31, 2003:

(1) Filed October 20, 2003 (earliest event October 17, 2003) reporting, in Item 9, the Company s intention to offer $225 million aggregate principal amount of senior notes and reporting, in Item 12, the Company s expected financial results for the quarter ended September 30, 2003.

(2) Filed October 29, 2003 (earliest event October 29, 2003) reporting, in Item 9, the pricing of the Company s offering of $350 million aggregate principal amount of 8% senior notes due 2013.

(3) Filed November 4, 2003 (earliest event November 4, 2003) reporting, in Item 9, the Company s financial results for the quarter ended September 30, 2003.

(4) Filed November 13, 2003 (earliest event November 12, 2003) reporting, in Item 5 and Item 9, the closing of the Company s offering of $350 million aggregate principal amount of 8% senior notes due 2013 and an amendment to the Company s 2003 Florida/ Texas senior secured credit facility to provide for the issuance of the notes.

(5) Filed November 20, 2003 (earliest event November 20, 2003) reporting, in Item 5, the completion of the Company s acquisition of ResortQuest International, Inc.

The following Form 8-K reports were filed subsequent to December 31, 2003:

(1) Filed January 9, 2004 (earliest event January 9, 2004) reporting, in Item 5, the Company s audited financial statements for the three years ended December 31, 2002, which reflect the addition of financial information concerning subsidiaries that are guarantors or non-guarantors of the Company s outstanding senior notes.

(2) Filed February 10, 2004 (earliest event February 10, 2004) reporting, in Item 9, the Company s financial results for the quarter and year ended December 31, 2003.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ COLIN V. REED

Colin V. Reed
President and Chief Executive Officer

April 7, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ COLIN V. REED Colin V. Reed	Director, President and Chief Executive Officer (Principal Executive Officer)	April 7, 2004
/s/ DAVID C. KLOEPPEL David C. Kloeppel	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	April 7, 2004
/s/ ROD CONNOR Rod Connor	Senior Vice President and Chief Administrative Officer (Principal Accounting Officer)	April 7, 2004

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of

Gaylord Entertainment Company

We have audited the accompanying consolidated balance sheets of Gaylord Entertainment Company and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, cash flows, and stockholders equity for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gaylord Entertainment Company and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 and elsewhere in the consolidated financial statements, the Company changed its method of accounting for goodwill and intangible assets in 2002 and derivative financial instruments and the disposition of long-lived assets in 2001.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
February 9, 2004, except for the
ninth paragraph of Note 16,
as to which the date is March 10, 2004

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2003, 2002 and 2001

(Amounts in thousands, except per share data)

	2003	2002	2001
REVENUES	**$448,800**	$405,252	$296,066
OPERATING EXPENSES:			
Operating costs	**276,937**	254,583	201,299
Selling, general and administrative	**117,178**	108,732	67,212
Preopening costs	**11,562**	8,913	15,927
Gain on sale of assets		(30,529)	
Impairment and other charges	**856**		14,262
Restructuring charges		(17)	2,182
Depreciation	**53,941**	52,694	34,738
Amortization	**5,009**	3,786	3,667
Operating (loss) income	**(16,683)**	7,090	(43,221)
INTEREST EXPENSE, NET OF AMOUNTS CAPITALIZED	**(52,804)**	(46,960)	(39,365)
INTEREST INCOME	**2,461**	2,808	5,554
UNREALIZED GAIN (LOSS) ON VIACOM STOCK	**39,831**	(37,300)	782
UNREALIZED (LOSS) GAIN ON DERIVATIVES	**(33,228)**	86,476	54,282
OTHER GAINS AND (LOSSES)	**2,209**	1,163	2,661
Income (loss) before provision (benefit) for income taxes, discontinued operations and cumulative effect of accounting change	**(58,214)**	13,277	(19,307)
PROVISION (BENEFIT) FOR INCOME TAXES	**(24,669)**	1,318	(9,142)
Income (loss) from continuing operations before discontinued operations and cumulative effect of accounting change	**(33,545)**	11,959	(10,165)
GAIN (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES	**34,371**	85,757	(48,833)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES		(2,572)	11,202
Net income (loss)	**$ 826**	$ 95,144	$ (47,796)
INCOME (LOSS) PER SHARE:			
Income (loss) from continuing operations	**$ (0.97)**	$ 0.36	$ (0.30)
Gain (loss) from discontinued operations, net of taxes	**0.99**	2.54	(1.45)
Cumulative effect of accounting change, net of taxes		(0.08)	0.33
Net income (loss)	**$ 0.02**	$ 2.82	$ (1.42)
INCOME (LOSS) PER SHARE ASSUMING DILUTION:			
Income (loss) from continuing operations	**$ (0.97)**	$ 0.36	$ (0.30)
Gain (loss) from discontinued operations, net of taxes	**0.99**	2.54	(1.45)

Cumulative effect of accounting change, net of taxes		(0.08)	0.33
Net income (loss)	**$ 0.02**	$ 2.82	$ (1.42)

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2003 and 2002
(Amounts in thousands, except per share data)

	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents unrestricted	**$ 120,965**	$ 98,632
Cash and cash equivalents restricted	**37,723**	19,323
Trade receivables, less allowance of $1,805 and $467, respectively	**26,101**	22,374
Deferred financing costs	**26,865**	26,865
Deferred income taxes	**8,753**	7,048
Other current assets	**20,121**	25,889
Current assets of discontinued operations	**19**	4,095
Total current assets	**240,547**	204,226
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	**1,297,528**	1,110,163
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION	**29,505**	240
GOODWILL	**169,642**	6,915
INDEFINITE LIVED INTANGIBLE ASSETS	**40,591**	1,756
INVESTMENTS	**548,911**	509,080
ESTIMATED FAIR VALUE OF DERIVATIVE ASSETS	**146,278**	207,727
LONG-TERM DEFERRED FINANCING COSTS	**75,154**	100,933
OTHER ASSETS	**29,107**	24,323
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS		13,328
Total assets	**$2,577,263**	$2,178,691
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	**$ 8,584**	$ 8,526
Accounts payable and accrued liabilities	**154,952**	80,685
Current liabilities of discontinued operations	**2,930**	6,652
Total current liabilities	**166,466**	95,863
SECURED FORWARD EXCHANGE CONTRACT	**613,054**	613,054
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	**540,175**	332,112
DEFERRED INCOME TAXES	**251,039**	230,867
ESTIMATED FAIR VALUE OF DERIVATIVE LIABILITIES	**21,969**	48,647
OTHER LIABILITIES	**79,226**	67,895
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	**825**	789
MINORITY INTEREST OF DISCONTINUED OPERATIONS		1,885
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		

Preferred stock, $.01 par value, 100,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value, 150,000 shares authorized, 39,403 and 33,780 shares issued and outstanding, respectively	**394**	338
Additional paid-in capital	**639,839**	520,796
Retained earnings	**283,624**	282,798
Unearned compensation	**(2,704)**	(1,018)
Accumulated other comprehensive loss	**(16,644)**	(15,335)
Total stockholders equity	**904,509**	787,579
Total liabilities and stockholders equity	**$2,577,263**	$2,178,691

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2003, 2002 and 2001
(Amounts in thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	**$ 826**	$ 95,144	$ (47,796)
Amounts to reconcile net income (loss) to net cash flows provided by operating activities:			
(Gain) loss from discontinued operations, net of taxes	**(34,371)**	(85,757)	48,833
Impairment and other charges	**856**		14,262
Cumulative effect of accounting change, net of taxes		2,572	(11,202)
Unrealized gain on Viacom stock and related derivatives	**(6,603)**	(49,176)	(55,064)
Depreciation and amortization	**58,950**	56,480	38,405
Gain on sale of assets		(30,529)	
Provision (benefit) for deferred income taxes	**(24,871)**	64,582	(11,428)
Amortization of deferred financing costs	**35,219**	36,164	35,987
Changes in (net of acquisitions and divestitures):			
Trade receivables	**3,242**	(8,924)	5,273
Accounts payable and accrued liabilities	**17,808**	(336)	(16,773)
Other assets and liabilities	**22,860**	3,609	14,625
Net cash flows provided by operating activities continuing operations	**73,916**	83,829	15,122
Net cash flows provided by operating activities discontinued operations	**2,890**	3,451	368
Net cash flows provided by operating activities	**76,806**	87,280	15,490
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	**(223,720)**	(175,404)	(280,921)
Cash of business acquired	**4,228**		
Proceeds from sale of assets	**175**	30,875	
Other investing activities	**(2,328)**	(955)	3,033
Net cash flows used in investing activities continuing operations	**(221,645)**	(145,484)	(277,888)
Net cash flows provided by investing activities discontinued operations	**65,354**	232,570	17,794
Net cash flows provided by (used in) investing activities	**(156,291)**	87,086	(260,094)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	**550,000**	85,000	535,000
Repayment of long-term debt	**(425,104)**	(214,846)	(241,503)
Deferred financing costs paid	**(18,289)**		(19,582)
(Increase) decrease in cash and cash equivalents restricted	**(8,560)**	45,670	(52,326)
	4,459	919	2,548

Proceeds from exercise of stock options and stock purchase plans			
Other financing activities	**(594)**		
Net cash flows provided by (used in) financing activities continuing operations	**101,912**	(83,257)	224,137
Net cash flows provided by (used in) financing activities discontinued operations	**(94)**	(1,671)	2,904
Net cash flows provided by (used in) financing activities	**101,818**	(84,928)	227,041
NET CHANGE IN CASH AND CASH EQUIVALENTS UNRESTRICTED	**22,333**	89,438	(17,563)
CASH AND CASH EQUIVALENTS UNRESTRICTED, BEGINNING OF YEAR	**98,632**	9,194	26,757
CASH AND CASH EQUIVALENTS UNRESTRICTED, END OF YEAR	**$ 120,965**	$ 98,632	$ 9,194

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Years Ended December 31, 2003, 2002 and 2001
(Amounts in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Compensation	Other Comprehensive Income (Loss)	Total Stockholders Equity
BALANCE, December 31, 2000	$ 334	$ 513,779	$ 235,450	$ (80)	$ 16,454	$ 765,937
COMPREHENSIVE LOSS:						
Net loss			(47,796)			(47,796)
Reclassification of gain on marketable securities					(17,957)	(17,957)
Unrealized loss on interest rate caps					(213)	(213)
Minimum pension liability, net of deferred income taxes					(7,672)	(7,672)
Foreign currency translation					711	711
Comprehensive loss						(72,927)
Exercise of stock options	2	2,327				2,329
Tax benefit on stock options		720				720
Employee stock plan purchases		219				219
Issuance of restricted stock	1	3,664		(3,665)		
Cancellation of restricted stock		(928)		928		
Compensation expense		(86)		796		710
BALANCE, December 31, 2001	337	519,695	187,654	(2,021)	(8,677)	696,988
COMPREHENSIVE INCOME:						
Net income			95,144			95,144
Unrealized loss on interest rate caps					(161)	(161)
Minimum pension liability, net of deferred income taxes					(7,252)	(7,252)
Foreign currency translation					755	755
Comprehensive income						88,486
Exercise of stock options	1	660				661
Tax benefit on stock options		28				28
Employee stock plan purchases		206				206
Modification of stock plan		52				52
Issuance of restricted stock		115		(115)		
Issuance of stock warrants		40				40
Cancellation of restricted stock		(32)		32		
Compensation expense		32		1,086		1,118
BALANCE, December 31, 2002	**338**	**520,796**	**282,798**	**(1,018)**	**(15,335)**	**787,579**
COMPREHENSIVE LOSS:						
Net income			**826**			**826**
Unrealized gain on interest rate derivatives					**498**	**498**
Minimum pension liability, net of deferred income taxes					**(1,774)**	**(1,774)**
Foreign currency translation					**(33)**	**(33)**
Comprehensive loss						**(483)**
Acquisition of business	**53**	**105,276**				**105,329**
Conversion of stock options of acquired business		**5,596**		**(1,387)**		**4,209**
Exercise of stock options	**2**	**4,187**				**4,189**
Tax benefit on stock options		**881**				**881**
Employee stock plan purchases		**270**				**270**

Shares issued to employees		**24**				**24**
Issuance of restricted stock	**1**	**1,237**		**(1,238)**		
Cancellation of restricted stock		**(43)**		**43**		
Compensation expense		**1,615**		**896**		**2,511**
BALANCE, December 31, 2003	**$ 394**	**$ 639,839**	**$ 283,624**	**$ (2,704)**	**$ (16,644)**	**$ 904,509**

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

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business and Summary of Significant Accounting Policies

Gaylord Entertainment Company (the Company) is a diversified hospitality and entertainment company operating, through its subsidiaries, principally in four business segments: Hospitality; ResortQuest; Opry and Attractions; and Corporate and Other. During the third quarter of 2003, the Company completed a sale of the assets primarily used in the operation of WSM-FM and WWTN(FM) (collectively, the Radio Operations). The Radio Operations, along with other businesses with respect to which the Company pursued plans of disposal in 2002 and prior periods, have been presented as discontinued operations as described in more detail below and in Note 5. The Radio Operations were previously included in a separate business segment, Opry and Media, along with WSM-AM. Due to the Radio Operations being included in discontinued operations, WSM-AM is now grouped in the Opry and Attractions business segment for all periods presented.

Business Segments

Hospitality

The Hospitality segment includes the operations of Gaylord Hotels(TM) branded hotels and the Radisson Hotel at Opryland. At December 31, 2003, the Company owns and operates the Gaylord Opryland Resort and Convention Center (Gaylord Opryland and formerly known as the Opryland Hotel Nashville), the Gaylord Palms Resort and Convention Center (Gaylord Palms) and the Radisson Hotel at Opryland. Gaylord Opryland and the Radisson Hotel at Opryland are both located in Nashville, Tennessee. Gaylord Opryland is owned and operated by Opryland Hotel Nashville, LLC, a consolidated wholly-owned subsidiary of the Company incorporated in Delaware. The Gaylord Palms in Kissimmee, Florida opened in January 2002. The Company is developing a Gaylord hotel in Grapevine, Texas, the Gaylord Texan Resort & Convention Center (Gaylord Texan), which is expected to open in April 2004. The Company has entered into a purchase agreement with respect to a tract of land for the development of a hotel in the Washington, D.C. area. The purchase agreement is subject to designated closing conditions and provides for liquidated damages, currently in the amount of $1.0 million, in the event the Company elects not to purchase the property once the closing conditions have been satisfied. This project is subject to the availability of financing, resolution of certain zoning issues and approval of the Company s Board of Directors.

ResortQuest

The ResortQuest segment includes the operations of our vacation property management services subsidiaries. This branded network of vacation properties currently offers management services to approximately 19,300 properties in 50 premier beach, mountain, desert, and tropical resort locations. The acquisition of ResortQuest International, Inc. (ResortQuest) was completed on November 20, 2003 as further discussed in Note 6. The results of operations of ResortQuest for the period November 20, 2003 to December 31, 2003 are included in these consolidated financial statements.

Opry and Attractions

The Opry and Attractions segment includes all of the Company s Nashville-based tourist attractions. At December 31, 2003, these include the Grand Ole Opry, the General Jackson Showboat, the Wildhorse Saloon, the Ryman Auditorium and the Springhouse Golf Club, among others. The Opry and Attractions segment also includes Corporate Magic, which specializes in the production of creative events in the corporate entertainment marketplace, and WSM-AM.

TM A registered trademark of Gaylord Entertainment Company

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Corporate and Other

Corporate and Other includes salaries and benefits of the Company s executive and administrative personnel and various other overhead costs. This segment also includes the expenses and activities associated with the Company s ownership of various investments, including Bass Pro, Inc. (Bass Pro), the Nashville Predators, the naming rights agreement related to the Nashville Predators and Opry Mills. The Company owns minority interests in Bass Pro, a leading retailer of premium outdoor sporting goods and fishing products, and the Nashville Predators, a National Hockey League professional team. Until the second quarter of 2002, the Company owned a minority interest in a partnership with The Mills Corporation that developed Opry Mills, a Nashville entertainment and retail complex, which opened in May 2000. The Company sold its interest in Opry Mills during 2002 to certain affiliates of The Mills Corporation, as further discussed in Note 7. The Company also sold its majority interest in the Oklahoma RedHawks, a minor league baseball team, during the fourth quarter of 2003. During the first quarter of 2002, the Company disclosed that it intended to dispose of its investment in the Nashville Predators.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. The Company s investments in non-controlled entities in which it has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method. The Company s investments in other entities are accounted for using the cost method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents Unrestricted

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents Restricted

Restricted cash and cash equivalents represent cash held in escrow for required capital expenditures, property taxes, insurance payments and other reserves required pursuant to the terms of the Company s debt agreements, as further described in Note 12, as well as guest advance deposits held in escrow for lodging reservations and deposits held on real estate transactions.

Supplemental Cash Flow Information

Cash paid for interest for the years ended December 31 was comprised of (amounts in thousands):

	2003	2002	2001
Debt interest paid	**$ 20,638**	$ 17,749	$ 23,405
Deferred financing costs paid	**18,289**		19,582
Capitalized interest	**(14,810)**	(6,825)	(18,781)
Cash paid for interest, net of capitalized interest	**$ 24,117**	$ 10,924	$ 24,206

Net cash refunds for income taxes were $1.0 million, $63.2 million and $21.7 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The Company s net cash flows provided by investing activities discontinued operations in 2003, 2002, and 2001 primarily consist of cash proceeds received from the sale of discontinued operations.

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On November 20, 2003, the Company acquired 100% of the outstanding common shares of ResortQuest in a tax-free stock for stock merger for a total purchase price of $114,698. The total purchase price of the ResortQuest acquisition was comprised of the following:

Fair value of common stock issued	$105,329
Fair value of stock options issued	5,596
Direct merger costs	3,773
Total	$114,698

The purchase price was allocated as follows:

Assets acquired, including cash acquired of $4,228	$ 283,019
Liabilities assumed	(169,708)
Deferred stock-based compensation	1,387
Net assets acquired	$ 114,698

Accounts Receivable

The Company s accounts receivable are primarily generated by meetings and convention attendees room nights, as well as vacation rental property management fees. Receivables arising from these sales are not collateralized. Credit risk associated with the accounts receivable is minimized due to the large and diverse nature of the customer base. No customers accounted for more than 10% of the Company s trade receivables at December 31, 2003.

Allowance for Doubtful Accounts

The Company provides allowances for doubtful accounts based upon a percentage of revenue and periodic evaluations of the aging of accounts receivable.

Deferred Financing Costs

Deferred financing costs consist of prepaid interest, loan fees and other costs of financing that are amortized over the term of the related financing agreements, using the effective interest method. For the years ended December 31, 2003, 2002 and 2001, deferred financing costs of $35.2 million, $36.2 million and $36.0 million, respectively, were amortized and recorded as interest expense in the accompanying consolidated statements of operations. The current portion of deferred financing costs at December 31, 2003 represents the amount of prepaid contract payments related to the secured forward exchange contract discussed in Note 10 that will be amortized in the coming year.

Property and Equipment

Property and equipment are stated at cost. Improvements and significant renovations that extend the lives of existing assets are capitalized. Interest on funds borrowed to finance the construction of major capital additions is included in the cost of the applicable capital addition. Maintenance and repairs are charged to

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expense as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	20 years
Attractions-related equipment	16 years
Furniture, fixtures and equipment	3-8 years
Leasehold improvements	The shorter of the lease term or useful life

Impairment of Long-Lived Assets

In accounting for the Company s long-lived assets other than goodwill, the Company applies the provisions of 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 2001 with an effective date of January 1, 2001. Under SFAS No. 144, the Company assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets or asset group may not be recoverable. Recoverability of long-lived assets that will continue to be used is measured by comparing the carrying amount of the asset or asset group to the related total future undiscounted net cash flows. If an asset or asset group s carrying value is not recoverable through those cash flows, the asset group is considered to be impaired. The impairment is measured by the difference between the assets carrying amount and their fair value, based on the best information available, including market prices or discounted cash flow analyses.

Goodwill and Intangibles

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations , and SFAS No. 142, Goodwill and Other Intangible Assets . SFAS No. 141 supersedes Accounting Principles Board (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. The Company adopted the provisions of SFAS No. 141 in June of 2001.

SFAS No. 142 supercedes APB Opinion No. 17, Intangible Assets , and changes the accounting for goodwill and intangible assets. Effective January 1, 2002, the Company adopted SFAS No. 142. Under SFAS No. 142, goodwill and other intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually and whenever events or circumstances occur indicating that these intangibles may be impaired. The Company performs its review of goodwill for impairment by comparing the carrying value of the applicable reporting unit to the fair value of the reporting unit. If the fair value is less than the carrying value then the Company measures potential impairment by allocating the fair value of the reporting unit to the tangible assets and liabilities of the reporting unit in a manner similar to a business combination purchase price allocation. The remaining fair value of the reporting unit after assigning fair values to all of the reporting unit s assets and liabilities represents the implied fair value of goodwill of the reporting unit. The impairment is measured by the difference between the carrying value of goodwill and the implied fair value of goodwill. The Company s goodwill and intangibles are discussed further in Note 19.

Leases

The Company is leasing a 65.3 acre site in Osceola County, Florida on which the Gaylord Palms is located and a 23 acre site in Grapevine, Texas on which the Gaylord Texan will be located and has various other leasing arrangements, including leases for office space and office equipment. The Company

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accounts for lease obligations in accordance with SFAS No. 13, Accounting for Leases , and related interpretations. The Company s leases are discussed further in Note 16.

Investments

The Company owns investments in marketable securities and has minority interest investments in certain businesses. Marketable securities are accounted for in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Generally, non-marketable investments (excluding limited partnerships) in which the Company owns less than 20 percent are accounted for using the cost method of accounting and investments in which the Company owns between 20 percent and 50 percent and limited partnerships are accounted for using the equity method of accounting.

Other Assets

Other current and long-term assets of continuing operations at December 31 consist of (amounts in thousands):

	2003	**2002**
Other current assets:		
Other current receivables	**$ 6,716**	$ 5,916
Note receivable current portion		10,000
Inventories	**4,828**	3,900
Prepaid expenses	**7,596**	3,850
Current income tax receivable		1,478
Other current assets	**981**	745
Total other current assets	**$20,121**	$25,889
Other long-term assets:		
Notes receivable	**$ 7,535**	$ 7,500
Deferred software costs, net	**15,904**	11,101
Other long-term assets	**5,668**	5,722
Total other long-term assets	**$29,107**	$24,323

Other current assets

Other current receivables result primarily from non-operating income and are due within one year. Inventories consist primarily of merchandise for resale and are carried at the lower of cost or market. Cost is computed on an average cost basis. Prepaid expenses consist of prepayments for insurance and contracts that will be expensed during the subsequent year.

Other long-term assets

Long-term notes receivable primarily consists of an unsecured note receivable from Bass Pro. This long-term note receivable bears interest at a variable rate which is payable quarterly and matures in 2009.

During 1998, ResortQuest recorded a note receivable of $4.0 million as a result of cash advances made to a primary stockholder (Debtor) of the predecessor company who is no longer an affiliate of ResortQuest. The note is collateralized by a third mortgage on residential real estate owned by the Debtor. Due to the failure to make interest payments, the note receivable is now in default. The Company has

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accelerated the note and demanded payment in full, although the Company has agreed to forebear collection until July 2004. The Company also contracted an independent external third party to appraise the property by which the note is secured, confirm the outstanding senior claims on the property and assess the associated credit risk. Based on this assessment, the Company recognized a valuation allowance of $4.0 million against the note receivable which was recorded as an adjustment of the purchase price allocation.

The Company capitalizes the costs of computer software developed for internal use in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use . Accordingly, the Company capitalized the external costs to acquire and develop computer software and certain internal payroll costs during 2002 and 2001. Deferred software costs are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years.

The Company accounts for the costs of computer software developed or obtained for internal use that is also sold or otherwise marketed in accordance with FASB Statement No. 86 Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed.

These costs are being amortized on a straight-line basis over the estimated useful lives of the related projects ranging from three to ten years. In accordance with Statement No. 86, the Company periodically, or upon the occurrence of certain events, reviews these capitalized software cost balances for impairment.

Preopening Costs

In accordance with AICPA SOP 98-5, Reporting on the Costs of Start-Up Activities , the Company expenses the costs associated with preopening expenses related to the construction of new hotels, start-up activities and organization costs as incurred.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of continuing operations at December 31 consist of (amounts in thousands):

	2003	2002
Trade accounts payable	**$ 9,737**	$ 7,524
Accrued construction in progress	**18,993**	17,484
Property and other taxes payable	**19,820**	15,854
Deferred revenues	**60,271**	11,879
Accrued salaries and benefits	**16,860**	7,679
Restructuring accruals	**289**	701
Accrued self-insurance reserves	**3,683**	3,755
Accrued interest payable	**3,232**	554
Accrued advertising and promotion	**7,422**	4,206
Other accrued liabilities	**14,645**	11,049
Total accounts payable and accrued liabilities	**$154,952**	$80,685

Deferred revenues consist primarily of deposits on advance bookings of rooms and vacation properties and advance ticket sales at the Company s tourism properties. The increase in deferred revenues from 2002 is due to the acquisition of ResortQuest. The Company is self-insured up to a stop loss for certain losses relating to workers compensation claims, employee medical benefits and general liability claims. The

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company recognizes self-insured losses based upon estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry or the Company s historical experience.

Income Taxes

In accordance with SFAS No. 109, Accounting for Income Taxes , the Company establishes deferred tax assets and liabilities based on the difference between the financial statement and income tax carrying amounts of assets and liabilities using existing tax laws and tax rates. See Note 13 for more detail on the Company s income taxes.

Minority Interests of Discontinued Operations

Minority interests of discontinued operations relate to the interests in consolidated companies that the Company does not wholly own. The Company allocates income or loss to the minority interests based on the percentage ownership not owned by the Company as it may change throughout the year. As of December 31, 2003, the Company has no minority interests recorded on its consolidated balance sheet due to the sale of the Company s interest in the Oklahoma RedHawks.

Revenue Recognition

Revenues from rooms are recognized as earned on the close of business each day. Revenues from concessions and food and beverage sales are recognized at the time of the sale. The Company recognizes revenues from the Opry and Attractions segment when services are provided or goods are shipped, as applicable.

The Company earns revenues from the ResortQuest segment through property management fees, service fees, and other sources. The Company receives property management fees when the properties are rented, which are generally a percentage of the rental price of the vacation property. Management fees range from approximately 3% to over 40% of gross lodging revenues collected based upon the type of services provided to the property owner and the type of rental units managed. Revenues are recognized ratably over the rental period based on the Company s proportionate share of the total rental price of the vacation condominium or home. The Company provides or arranges through third parties certain services for property owners or guests. Service fees include reservations, housekeeping, long-distance telephone, ski rentals, lift tickets, beach equipment and pool cleaning. Internally provided services are recognized as service fee revenue when the service is provided. Services provided by third parties are generally billed directly to property owners and are not included in the accompanying consolidated financial statements. The Company recognizes other revenues primarily related to real estate broker commissions and software and maintenance sales. The Company recognizes revenues on real estate sales when the transactions are complete, and such revenue is recorded net of the related agent commissions. The Company also sells a fully integrated software package, First Resort Software, specifically designed for the vacation property management business, along with ongoing service contracts. Software and maintenance revenues are recognized when the systems are installed and ratably over the service period, respectively, in accordance with SOP 97-2, Software Revenue Recognition. Provision for returns and other adjustments are provided for in the same period the revenue was recognized.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs from continuing operations were $17.5 million, $22.8 million and $25.7 million for the years ended December 31, 2003, 2002 and 2001, respectively.

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation

SFAS No. 123, Accounting for Stock-Based Compensation , encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for employee stock-based compensation using the intrinsic value method as prescribed in APB Opinion No. 25, Accounting for Stock Issued to Employees , and related interpretations, under which no compensation cost related to employee stock options has been recognized. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of SFAS No. 123 . SFAS No. 148 amends SFAS No. 123 to provide two additional methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of SFAS No. 123 to require certain disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company adopted the amended disclosure provisions of SFAS No. 148 on December 31, 2002, and the information contained in this report reflects the disclosure requirements of the new pronouncement. The Company will continue to account for employee stock-based compensation in accordance with APB Opinion No. 25.

If compensation cost for these plans had been determined consistent with SFAS No. 123, the Company s net income (loss) (in thousands) and income (loss) per share (in dollars) for the years ended December 31 would have been reduced (increased) to the following pro forma amounts:

	2003	2002	2001
NET INCOME (LOSS):			
As reported	**$ 826**	$ 95,144	$ (47,796)
Stock-based employee compensation, net of tax effect	**3,067**	3,190	2,412
Pro forma	**$ (2,241)**	$ 91,954	$ (50,208)
INCOME (LOSS) PER SHARE:			
As reported	**$ 0.02**	$ 2.82	$ (1.42)
Pro forma	**$ (0.07)**	$ 2.72	$ (1.50)
INCOME (LOSS) PER SHARE ASSUMING DILUTION:			
As reported	**$ 0.02**	$ 2.82	$ (1.42)
Pro forma	**$ (0.07)**	$ 2.72	$ (1.50)

The Company s stock-based compensation is further described in Note 15.

Discontinued Operations

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . SFAS No. 144 superseded 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 retained the requirements of SFAS No. 121 for the recognition and measurement of an impairment loss and broadened the presentation of discontinued operations to include a component of an

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

entity (rather than a segment of a business). The Company adopted the provisions of SFAS No. 144 during 2001 with an effective date of January 1, 2001.

In accordance with the provisions of SFAS No. 144, the Company has presented the operating results, financial position and cash flows of the following businesses as discontinued operations in the accompanying consolidated financial statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003: WSM-FM and WWTN(FM); Word Entertainment (Word), the Company s contemporary Christian music business; the Acuff-Rose Music Publishing entity; GET Management, the Company s artist management business which was sold during 2001; the Company s ownership interest in the Oklahoma RedHawks, a minor league baseball team based in Oklahoma City, Oklahoma; the Company s international cable networks; the businesses sold to affiliates of The Oklahoma Publishing Company (OPUBCO) in 2001 consisting of Pandora Films, Gaylord Films, Gaylord Sports Management, Gaylord Event Television and Gaylord Production Company; and the Company s water taxis that were sold in 2001. The results of operations of these businesses, including impairment and other charges, restructuring charges and any gain or loss on disposal, have been reflected as discontinued operations, net of taxes, in the accompanying consolidated statements of operations and the assets and liabilities of these businesses are reflected as discontinued operations in the accompanying consolidated balance sheets, as further described in Note 5.

Income (Loss) Per Share

SFAS No. 128, Earnings Per Share , established standards for computing and presenting earnings per share. Under the standards established by SFAS No. 128, earnings per share is measured at two levels: basic earnings per share and diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding after considering the effect of conversion of dilutive instruments, calculated using the treasury stock method. Income per share amounts are calculated as follows for the years ended December 31 (income and share amounts in thousands):

	2003		
	Income	**Shares**	**Per Share**
Net income	**$826**	**34,460**	**$0.02**
Effect of dilutive stock options			
Net income assuming dilution	**$826**	**34,460**	**$0.02**

	2002		
	Income	**Shares**	**Per Share**
Net income	$95,144	33,763	$2.82
Effect of dilutive stock options		31	
Net income assuming dilution	$95,144	33,794	$2.82

	2001		
	Loss	**Shares**	**Per Share**

Net loss	$(47,796)	33,562	$(1.42)
Effect of dilutive stock options			
Net loss assuming dilution	$(47,796)	33,562	$(1.42)

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2003 and 2001, the effect of dilutive stock options was the equivalent of approximately 74,000 and 99,000 shares of common stock outstanding, respectively. Because the Company had a loss from continuing operations in the years ended December 31, 2003 and 2001, these incremental shares were excluded from the computation of diluted earnings per share for those years as the effect of their inclusion would be anti-dilutive.

Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income , requires that changes in the amounts of certain items, including gains and losses on certain securities, be shown in the financial statements as a component of comprehensive income. The Company s comprehensive income (loss) is presented in the accompanying consolidated statements of stockholders equity.

Financial Instruments

The Company has issued $350.0 million in aggregate principal amount of Senior Notes due 2013, which are discussed further in Note 12. These Senior Notes accrue interest at a fixed rate of 8%. The Company has entered into fixed to variable interest rate swaps with respect to $125.0 million principal amount of the Senior Notes. The carrying value of $125.0 million of the Senior Notes covered by this interest rate swap approximates fair value based upon the variable nature of this financial instrument s interest rate. However, the $225.0 million carrying value of the remaining Senior Notes does not approximate fair value. The fair value of this financial instrument, based upon quoted market prices, was $237.9 million as of December 31, 2003. The carrying value of the Senior Loan, which is also discussed in Note 12, approximates fair value based upon the variable nature of this financial instrument s interest rate. The carrying value of the Company s long-term notes receivable approximates fair value based upon the variable nature of these financial instruments interest rates. Certain of the Company s investments are carried at fair value determined using quoted market prices as discussed further in Note 9. The carrying amount of short-term financial instruments (cash, trade receivables, accounts payable and accrued liabilities) approximates fair value due to the short maturity of those instruments. The concentration of credit risk on trade receivables is minimized by the large and diverse nature of the Company s customer base.

Derivatives and Hedging Activities

The Company utilizes derivative financial instruments to reduce interest rate risks and to manage risk exposure to changes in the value of certain owned marketable securities as discussed in Note 11 and portions of its fixed rate debt as discussed in Note 12. Effective January 1, 2001, the Company records derivatives in accordance with the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , which was subsequently amended by SFAS No. 138 and SFAS No. 149. SFAS No. 133, as amended, established 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. Changes in the fair value of those instruments are reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the 2003 financial statement presentation.

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Newly Issued Accounting Standards

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities . SFAS No. 146 replaces Emerging Issues Task Force (EITF) No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF No. 94-3 required recognition of the liability at the commitment date to an exit plan. The Company adopted the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002 and the adoption did not have a material effect on the Company s consolidated results of operations or financial position.

In November 2002, the FASB issued Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others (FIN No. 45). FIN No. 45 elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of FIN No. 45, including, among others, residual value guarantees under capital lease arrangements and loan commitments. The disclosure requirements of FIN No. 45 were effective as of December 31, 2002. The recognition requirements of FIN No. 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Company s consolidated results of operations, financial position, or liquidity.

In January 2003, the FASB issued FASB Interpretation 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46). In December 2003, the FASB modified FIN No. 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN No. 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. FIN No. 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE s activities, is entitled to receive a majority of the VIE s residual returns (if no party absorbs a majority of the VIE s losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE s assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN No. 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has significant variable interest.

FIN No. 46 was effective immediately for VIEs created after January 31, 2003. The provisions of FIN No. 46, as revised, were adopted as of December 31, 2003 for the Company s interests in VIEs that are special purpose entities (SPEs). The adoption of FIN No. 46 for interests in SPEs on December 31, 2003 did not have a material effect on the Company s consolidated balance sheet. The Company expects to adopt the provisions of FIN No. 46 for the Company s variable interests in all VIEs as of March 31,

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2004. The effect of adopting the provisions of FIN No. 46 for all the Company s variable interests is not expected to have a material impact on the Company s consolidated balance sheet at March 31, 2004.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity . SFAS No. 150 requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of SFAS No. 150 on July 1, 2003. The Company did not enter into any financial instruments within the scope of SFAS No. 150 after May 31, 2003. Adoption of this statement did not have any effect on the Company s consolidated financial statements.

In December 2003, the FASB issued a revision to SFAS No. 132, Employer s Disclosure about Pension and Other Postretirement Benefits . This revised statement requires that companies provide more detailed disclosures about the plan assets, benefit obligations, cash flows, benefit costs, and investment policies of their pension and postretirement benefit plans. This statement is effective for financial statements with fiscal years ending after December 15, 2003. The Company adopted the provisions of this statement on December 31, 2003 and the information contained in this report reflects the disclosures required under the revised standard.

2. Construction Funding Requirements

As of December 31, 2003, the Company had $121.0 million in unrestricted cash, $88.7 million available under its revolving line of credit, and the net cash flows from certain operations to fund its cash requirements including the Company s 2004 construction commitments related to its hotel construction projects. The Company believes that these resources are adequate to fund all of the Company s 2004 construction commitments. The Company has entered into a purchase agreement with respect to a tract of land for the development of a hotel in the Washington, D.C. area. The purchase agreement is subject to designated closing conditions and provides for liquidated damages, currently in the amount of $1.0 million, in the event the Company elects not to purchase the property once the closing conditions have been satisfied. If the Company elects to purchase the property and develop the hotel, the Company would be required to obtain additional long term financing to fund the construction costs.

3. Impairment and Other Charges

During 2001, the Company named a new chairman and a new chief executive officer, and had numerous changes in senior management. The new management team instituted a corporate reorganization and the reevaluation of the Company s businesses and other investments (the 2001 Strategic Assessment). As a result of the 2001 Strategic Assessment, the Company determined that the carrying value of certain long-lived assets were not fully recoverable and recorded pretax impairment and other charges from continuing operations during 2001 and 2003 in accordance with the provisions of SFAS No. 144.

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the impairment and other charges related to continuing operations for the years ended December 31 are as follows (amounts in thousands):

Additional impairment and other charges of $53.7 million during 2001 are included in discontinued operations.

	2003	2002	2001
Programming, film and other content	**$856**		$ 6,858
Gaylord Digital and other technology investments			4,576
Property and equipment			2,828
Total impairment and other charges	**$856**		$14,262

2001 Impairment and Other Charges

The Company began production of an IMAX movie during 2000 to portray the history of country music. As a result of the 2001 Strategic Assessment, the carrying value of the IMAX film asset was reevaluated on the basis of its estimated future cash flows resulting in an impairment charge of $6.9 million.

At December 31, 2000, the Company held 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 and, subsequently, the Company was notified that this technology business had been unsuccessful in arranging financing, resulting in an impairment charge of $4.6 million. The Company also recorded an impairment charge related to idle real estate of $2.0 million during 2001 based upon an assessment of the value of the property. The Company sold this idle real estate during the second quarter of 2002. Proceeds from the sale approximated the carrying value of the property. In addition, the Company recorded an impairment charge for other idle property and equipment totaling $0.8 million during 2001 primarily due to the consolidation of offices resulting from personnel reductions as discussed in Note 4.

2003 Impairment and Other Charges

In the third quarter of 2003, based on the revenues generated by the theatrical release of the IMAX movie, the asset was again reevaluated on the basis of estimated future cash flows. As a result, an additional impairment charge of $0.9 million was recorded in the third quarter of 2003. The carrying value of the asset was $1.2 million as of December 31, 2003.

4. Restructuring Charges

The following table summarizes the activities of the restructuring charges for continuing operations for the years ended December 31, 2003, 2002 and 2001 (amounts in thousands):

	Balance at December 31, 2002	Restructuring charges and adjustments	Payments	Balance at December 31, 2003
2001 restructuring charges	**$431**	**$**	**$337**	**$ 94**
2000 restructuring charge	**270**		**75**	**195**
	$701	**$**	**$412**	**$289**

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Balance at December 31, 2001	Restructuring charges and adjustments	Payments	Balance at December 31, 2002
2002 restructuring charge	$	$ 1,062	$1,062	$
2001 restructuring charges	4,168	(1,079)	2,658	431
2000 restructuring charge	1,569		1,299	270
	$5,737	$ (17)	$5,019	$701

	Balance at December 31, 2000	Restructuring charges and adjustments	Payments	Balance at December 31, 2001
2001 restructuring charges	$	$ 5,848	$1,680	$4,168
2000 restructuring charge	10,825	(3,666)	5,590	1,569
	$10,825	$ 2,182	$7,270	$5,737

2002 Restructuring Charge

As part of the Company s ongoing assessment of operations, the Company identified certain duplication of duties within divisions and realized the need to streamline those tasks and duties. Related to this assessment, during the second quarter of 2002 the Company adopted a plan of restructuring resulting in a pretax restructuring charge of $1.1 million related to employee severance costs and other employee benefits unrelated to the discontinued operations. These restructuring charges were recorded in accordance with EITF Issue No. 94-3. As of December 31, 2002, the Company had recorded cash payments of $1.1 million against the 2002 restructuring accrual. During the fourth quarter of 2002, the outplacement agreements expired related to the 2002 restructuring charge. Therefore, the Company reversed the remaining $67,000 accrual. There was no remaining balance of the 2002 restructuring accrual at December 31, 2002.

2001 Restructuring Charges

During 2001, the Company recognized net pretax restructuring charges from continuing operations of $5.8 million related to streamlining operations and reducing layers of management. These restructuring charges were recorded in accordance with EITF Issue No. 94-3. During the second quarter of 2002, the Company entered into two subleases to lease certain office space the Company previously had recorded in the 2001 restructuring charges. As a result, the Company reversed $0.9 million of the 2001 restructuring charges during 2002 related to continuing operations based upon the occurrence of certain triggering events. Also during the second quarter of 2002, the Company evaluated the 2001 restructuring accrual and determined certain severance benefits and outplacement agreements had expired and adjusted the previously recorded amounts by $0.2 million. As of December 31, 2003, the Company has recorded cash payments of $4.7 million against the 2001 restructuring accrual. The remaining balance of the 2001 restructuring accrual at December 31, 2003 of $0.1 million is included in accounts payable and accrued liabilities in the consolidated balance sheets. The Company expects the remaining balances of the 2001 restructuring accrual to be paid by the end of 2005.

2000 Restructuring Charge

During 2000, the Company completed an assessment of its strategic alternatives related to its operations and capital requirements and developed a strategic plan designed to refocus the Company s operations, reduce its operating losses, and reduce its negative cash flows (the 2000 Strategic Assessment). As part of the Company s 2000 Strategic Assessment, the Company recognized pretax restructuring charges of

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$13.1 million related to continuing operations during 2000, in accordance with EITF Issue No. 94-3. Additional restructuring charges of $3.2 million during 2000 were included in discontinued operations. During 2001, the Company negotiated reductions in certain contract termination costs, which allowed the reversal of $3.7 million of the restructuring charges originally recorded during 2000. During the second quarter of 2002, the Company entered into a sublease that reduced the liability the Company was originally required to pay, and the Company reversed $0.1 million of the 2000 restructuring charge related to the reduction in required payments. As of December 31, 2003, the Company has recorded cash payments of $9.3 million against the 2000 restructuring accrual related to continuing operations. The remaining balance of the 2000 restructuring accrual at December 31, 2003 of $0.2 million, from continuing operations, is included in accounts payable and accrued liabilities in the consolidated balance sheets, which the Company expects to be paid by the end of 2005.

5. Discontinued Operations

As discussed in Note 1, the Company has reflected the following businesses as discontinued operations, consistent with the provisions of SFAS No. 144 and APB No. 30. The results of operations, net of taxes, (prior to their disposal, where applicable) and the carrying value of the assets and liabilities of these businesses have been reflected in the accompanying consolidated financial statements as discontinued operations in accordance with SFAS No. 144 for all periods presented. These required revisions to the prior year financial statements did not impact cash flows from operating, investing or financing activities.

WSM-FM and WWTN(FM)

During the first quarter of 2003, the Company committed to a plan of disposal of WSM-FM and WWTN(FM). Subsequent to committing to a plan of disposal during the first quarter of 2003, the Company, through a wholly-owned subsidiary, entered into an agreement to sell the assets primarily used in the operations of the Radio Operations to Cumulus Broadcasting, Inc. (Cumulus) in exchange for approximately $62.5 million in cash. In connection with this agreement, the Company also entered into a local marketing agreement with Cumulus pursuant to which, from April 21, 2003 until the closing of the sale of the assets, the Company, for a fee, made available to Cumulus substantially all of the broadcast time on WSM-FM and WWTN(FM). In turn, Cumulus provided programming to be broadcast during such broadcast time and collected revenues from the advertising that it sold for broadcast during this programming time. On July 22, 2003, the Company finalized the sale of the Radio Operations for approximately $62.5 million, at which time, net proceeds of approximately $50 million were placed in an escrow account for completion of the Gaylord Texan. Concurrently, the Company also entered into a joint sales agreement with Cumulus for WSM-AM in exchange for $2.5 million in cash. The Company will continue to own and operate WSM-AM, and under the terms of the joint sales agreement with Cumulus, Cumulus will be responsible for all sales of commercial advertising on WSM-AM and provide certain sales promotion, billing and collection services relating to WSM-AM, all for a specified commission. The joint sales agreement has a term of five years.

Acuff-Rose Music Publishing

During the second quarter of 2002, the Company committed to a plan of disposal of its Acuff-Rose Music Publishing catalog entity.

During the third quarter of 2002, the Company finalized the sale of the Acuff-Rose Music Publishing entity to Sony/ ATV Music Publishing for approximately $157.0 million in cash. The Company recognized a pretax gain of $130.6 million during the third quarter of 2002 related to the sale, which is recorded in the income from discontinued operations in the consolidated statement of operations. Proceeds of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$25.0 million were used to reduce the Company s outstanding indebtedness as further discussed in Note 12.

Oklahoma RedHawks

During 2002, the Company committed to a plan of disposal of its approximately 78% ownership interest in the Oklahoma RedHawks, a minor league baseball team based in Oklahoma City, Oklahoma. During the fourth quarter of 2003, the Company sold its interests in the RedHawks and received cash proceeds of approximately $6.0 million. The Company recognized a loss of $0.6 million, net of taxes, related to the sale in discontinued operations in the accompanying consolidated statement of operations.

Word Entertainment

During 2001, the Company committed to a plan to sell Word Entertainment. As a result of the decision to sell Word Entertainment, the Company reduced the carrying value of Word Entertainment to its estimated fair value by recognizing a pretax charge of $30.4 million in discontinued operations during 2001. The estimated fair value of Word Entertainment s net assets was determined based upon ongoing negotiations with potential buyers. Related to the decision to sell Word Entertainment, a pretax restructuring charge of $1.5 million was recorded in discontinued operations in 2001. The restructuring charge consisted of $0.9 million related to lease termination costs and $0.6 million related to severance costs. In addition, the Company recorded a reversal of $0.1 million of restructuring charges originally recorded during 2000. During the first quarter of 2002, the Company sold Word Entertainment s domestic operations to an affiliate of Warner Music Group for $84.1 million in cash. The Company recognized a pretax gain of $0.5 million in discontinued operations during the first quarter of 2002 related to the sale of Word Entertainment. Proceeds from the sale of $80.0 million were used to reduce the Company s outstanding indebtedness as further discussed in Note 12. During the third quarter of 2003, due to the expiration of certain indemnification periods as specified in the sales contract, a previously established indemnification reserve of $1.5 million was reversed and is included in the consolidated statement of operations.

International Cable Networks

During the second quarter of 2001, the Company adopted a formal plan to dispose of its international cable networks. As part of this plan, the Company hired investment bankers to facilitate the disposition process, and formal communications with potentially interested parties began in July 2001. In an attempt to simplify the disposition process, in July 2001, the Company acquired an additional 25% ownership interest in its music networks in Argentina, increasing its ownership interest from 50% to 75%. In August 2001, the partnerships in Argentina finalized a pending transaction in which a third party acquired a 10% ownership interest in the companies in exchange for satellite, distribution and sales services, bringing the Company s interest to 67.5%.

In December 2001, the Company made the decision to cease funding of its cable networks in Asia and Brazil as well as its partnerships in Argentina if a sale had not been completed by February 28, 2002. At that time the Company recorded pretax restructuring charges of $1.9 million consisting of $1.0 million of severance and $0.9 million of contract termination costs related to the networks. Also during 2001, the Company negotiated reductions in the contract termination costs with several vendors that resulted in a reversal of $0.3 million of restructuring charges originally recorded during 2000. Based on the status of the Company s efforts to sell its international cable networks at the end of 2001, the Company recorded pretax impairment and other charges of $23.3 million during 2001. Included in this charge are the impairment of an investment in the two Argentina-based music channels totaling $10.9 million, the impairment of fixed assets, including capital leases associated with certain transponders leased by the Company, of $6.9 million,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the impairment of a receivable of $3.0 million from the Argentina-based channels, current assets of $1.5 million, and intangible assets of $1.0 million.

During the first quarter of 2002, the Company finalized a transaction to sell certain assets of its Asia and Brazil networks, including the assignment of certain transponder leases. Also during the first quarter of 2002, the Company ceased operations based in Argentina. The transponder lease assignment required the Company to guarantee lease payments in 2002 from the acquirer of these networks. As such, the Company recorded a lease liability for the amount of the assignee s portion of the transponder lease.

Businesses Sold to OPUBCO

During 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 $22.0 million in cash and the assumption of debt of $19.3 million. The Company recognized a pretax loss of $1.7 million related to the sale in discontinued operations in the accompanying consolidated statement of operations. OPUBCO owns a minority interest in the Company. During 2002, three of the Company s directors were also directors of OPUBCO and voting trustees of a voting trust that controls OPUBCO. Additionally, these three directors collectively owned a significant ownership interest in the Company.

The following table reflects the results of operations of businesses accounted for as discontinued operations for the years ended December 31 (amounts in thousands):

	2003	2002	2001
REVENUES:			
Radio Operations	$3,703	$10,240	$ 8,207
Acuff-Rose Music Publishing		7,654	14,764
RedHawks	5,034	6,289	6,122
Word Entertainment		2,594	115,677
International cable networks		744	5,025
Businesses sold to OPUBCO			2,195
Other			609
Total revenues	$8,737	$27,521	$152,599
OPERATING INCOME (LOSS):			
Radio Operations	$ 615	$ 1,305	$ 2,184
Acuff-Rose Music Publishing	16	933	2,119
RedHawks	436	841	363
Word Entertainment	22	(917)	(5,710)
International cable networks		(1,576)	(6,375)
Businesses sold to OPUBCO	(620)		(1,816)
Other			(383)
Impairment and other charges			(53,716)
Restructuring charges		(20)	(2,959)
Total operating income (loss)	469	566	(66,293)
INTEREST EXPENSE	(1)	(81)	(797)
INTEREST INCOME	8	81	199

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2003	2002	2001
OTHER GAINS AND (LOSSES)			
Radio Operations	$54,555	$	$
Acuff-Rose Music Publishing	450	130,465	(11)
RedHawks	(1,159)	(193)	(134)
Word Entertainment	1,503	1,553	(1,059)
International cable networks	497	3,617	(1,002)
Businesses sold to OPUBCO			(1,674)
Other			(251)
Total other gains and (losses)	55,846	135,442	(4,131)
Income (loss) before provision (benefit) for income taxes	56,322	136,008	(71,022)
PROVISION (BENEFIT) FOR INCOME TAXES	21,951	50,251	(22,189)
Net income (loss) from discontinued operations	$34,371	$ 85,757	$(48,833)

Included in other gains and losses in 2003 is a pre-tax gain of $54.6 million on the sale of the Radio Operations and a pre-tax loss of $1.0 million on the sale of the RedHawks. Included in other gains and losses in 2002 are pre-tax gains of $130.6 million on the sale of Acuff-Rose Music Publishing, $0.5 million on the sale of Word Entertainment, and $3.8 million on the sale of International Cable Networks. Included in other gains and losses in 2001 is a pretax loss of $1.7 million on the sale of businesses sold to OPUBCO. The remaining gains and losses in 2003, 2002, and 2001 are primarily comprised of gains and losses on the sale of fixed assets and the subsequent reversal of liabilities accrued at the time of disposal of these businesses for various contingent items.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The assets and liabilities of the discontinued operations presented in the accompanying consolidated balance sheets at December 31 are comprised of (amounts in thousands):

	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	**$ 19**	$ 1,812
Trade receivables, less allowance of $0 and $2,938, respectively		1,954
Inventories		163
Prepaid expenses		97
Other current assets		69
Total current assets	**19**	4,095
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		5,157
GOODWILL		3,527
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION		3,942
MUSIC AND FILM CATALOGS		
OTHER LONG-TERM ASSETS		702
Total long-term assets		13,328
Total assets	**$ 19**	$ 17,423
CURRENT LIABILITIES:		
Current portion of long-term debt	**$**	$ 94
Accounts payable and accrued liabilities	**2,930**	6,558
Total current liabilities	**2,930**	6,652
LONG-TERM DEBT, NET OF CURRENT PORTION		
OTHER LONG-TERM LIABILITIES	**825**	789
Total long-term liabilities	**825**	789
Total liabilities	**3,755**	7,441
MINORITY INTEREST OF DISCONTINUED OPERATIONS		1,885
TOTAL LIABILITIES & MINORITY INTEREST OF DISCONTINUED OPERATIONS	**$ 3,755**	$ 9,326

6. Acquisition

On November 20, 2003, pursuant to the Agreement and Plan of Merger dated as of August 4, 2003, Gaylord acquired 100% of the outstanding common shares of ResortQuest in a tax-free, stock-for-stock merger. ResortQuest is one of the nation s largest vacation rental property management companies with approximately 19,300 units under management in 50 premier destination resorts located in the continental United States and Canada. Under the terms of the agreement, ResortQuest stockholders received 0.275 shares of Gaylord common stock for each outstanding share of ResortQuest common stock, and the ResortQuest option holders received 0.275 options to purchase Gaylord common stock

for each outstanding option to purchase one share of ResortQuest common stock. Based on the number of shares of ResortQuest common stock outstanding as of November 20, 2003 (19,339,502), the exchange ratio (0.275 Gaylord common share for each ResortQuest common share) and the average market price of Gaylord s common stock ($19.81, which is based on an average of the closing prices for two days before, the day of,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and two days after the date of the definitive agreement, August 4, 2003), Gaylord issued 5,318,363 shares of Gaylord common stock. In addition, based on the total number of ResortQuest options outstanding at November 20, 2003, Gaylord exchanged ResortQuest options for options to purchase 573,863 shares of Gaylord common stock. Together with the direct merger costs, this resulted in an aggregate purchase price of $114.7 million plus the assumption of ResortQuest s outstanding indebtedness as of November 20, 2003, which totaled $85.1 million.

The total purchase price of the ResortQuest acquisition is as follows (amounts in thousands):

Fair value of Gaylord common stock issued	$105,329
Fair value of Gaylord stock options issued	5,596
Direct merger costs incurred by Gaylord	3,773
Total	$114,698

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

The purchase price allocation as of November 20, 2003, was as follows:

(in thousands)	
Cash acquired	$ 4,228
Tangible assets acquired	47,511
Amortizable intangible assets	29,718
Trade names	38,835
Goodwill	162,727
Total assets acquired	283,019
Liabilities assumed	(84,608)
Debt assumed	(85,100)
Deferred stock-based compensation	1,387
Net assets acquired	$114,698

Tangible assets acquired totaled $47.5 million which included $9.8 million of restricted cash, $26.1 million of property and equipment and $7.0 million of net trade receivables.

As of November 20, 2003 and December 31, 2003, goodwill totaled $162.7 million which is reported within the ResortQuest segment. Approximately $73.5 million of the goodwill is expected to be deductible for income tax purposes. Approximately $29.7 million has been allocated to amortizable intangible assets

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

consisting primarily of existing property management contracts and ResortQuest s customer database. Property management contracts represent existing contracts with property owners, homeowner associations and other direct ancillary service contracts. Property management contracts are amortized on a straight-line basis over the remaining useful life of the contracts. Contracts originating in Hawaii are estimated to have a remaining useful life of ten years from acquisition, while contracts in the continental United States and Canada have a remaining estimated useful life of seven years from acquisition. Gaylord is amortizing the customer database over a two-year period. Included in the tangible assets acquired is ResortQuest s vacation rental management software, First Resort Software (FRS) which is being amortized over a remaining estimated useful life of five years.

Of the total purchase price, approximately $38.8 million has been allocated to trade names consisting primarily of the ResortQuest trade name which is deemed to have an indefinite remaining useful life and therefore will not be amortized.

The Company recorded approximately $4.0 million of reserves and adjustments related to the Company s plans to consolidate certain support functions, to adjust for employee benefits, and to account for outstanding legal claims filed against ResortQuest as an adjustment to the purchase price allocation.

7. Divestitures

During 1998, the Company entered into a partnership with The Mills Corporation to develop the Opry Mills Shopping Center in Nashville, Tennessee. The Company held a one-third interest in the partnership as well as the title to the land on which the shopping center was constructed, which was being leased to the partnership. During the second quarter of 2002, the Company sold its partnership share to certain affiliates of The Mills Corporation for approximately $30.8 million in cash proceeds. In accordance with the provisions of SFAS No. 66, Accounting for Sales of Real Estate , and other applicable pronouncements, the Company deferred approximately $20.0 million of the gain representing the estimated fair value of the continuing land lease interest between the Company and the Opry Mills partnership at June 30, 2002. The Company recognized the remainder of the proceeds, net of certain transaction costs, as a gain of approximately $10.6 million during the second quarter of 2002. During the third quarter of 2002, the Company sold its interest in the land lease to an affiliate of the Mills Corporation and recognized the remaining $20.0 million deferred gain, less certain transaction costs.

During 2001, the indemnification period related to the Company s 1999 disposition of television station KTVT in Dallas-Fort Worth ended, resulting in the recognition of a pretax gain of $4.6 million related to the reversal of previously recorded contingent liabilities. The gain is included in other gains and losses in the accompanying consolidated statements of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Property and Equipment

Property and equipment of continuing operations at December 31 is recorded at cost and summarized as follows (amounts in thousands):

	2003	2002
Land and land improvements	**$ 133,449**	$ 128,972
Buildings	**838,276**	819,610
Furniture, fixtures and equipment	**336,735**	312,690
Construction in progress	**397,969**	207,215
	1,706,429	1,468,487
Accumulated depreciation	**(408,901)**	(358,324)
Property and equipment, net	**$1,297,528**	$1,110,163

The increase in construction in progress during 2003 primarily relates to the construction of the Gaylord Texan, which is scheduled to open in April, 2004. Depreciation expense of continuing operations for the years ended December 31, 2003, 2002 and 2001 was $53.9 million, $52.7 million and $34.7 million, respectively. Capitalized interest for the years ended December 31, 2003, 2002 and 2001 was $14.8 million, $6.8 million and $18.8 million, respectively.

9. Investments

Investments related to continuing operations at December 31 are summarized as follows (amounts in thousands):

	2003	2002
Viacom Class B non-voting common stock	**$488,313**	$448,482
Bass Pro	**60,598**	60,598
Total investments	**$548,911**	$509,080

The Company acquired CBS Series B convertible preferred stock (CBS Stock) during 1999 as consideration in the divestiture of television station KTVT. CBS merged with Viacom in May 2000. As a result of the merger of CBS and Viacom, the Company received 11,003,000 shares of Viacom Class B non-voting common stock (Viacom Stock). The original carrying value of the CBS Stock was $485.0 million.

At December 31, 2000, the Viacom Stock was classified as available-for-sale as defined by SFAS No. 115, and accordingly, the Viacom Stock was recorded at market value, based upon the quoted market price, with the difference between cost and market value recorded as a component of other comprehensive income, net of deferred income taxes. In connection with the Company s adoption of SFAS No. 133, effective January 1, 2001, the Company recorded a nonrecurring pretax gain of $29.4 million, related to reclassifying its investment in the Viacom Stock from available-for-sale to trading as defined by SFAS No. 115. This gain, net of taxes of $11.4 million, had been previously recorded as a component of stockholders equity. As trading securities, the Viacom Stock continues to be recorded at market value, but changes in market value are included as gains and losses in the consolidated statements of operations. For the year ended December 31, 2003, the Company recorded net pretax gains of $39.8 million related to the increase in fair value of the Viacom Stock. For the year ended December 31, 2002, the Company recorded net pretax losses of $37.3 million related to the decrease in fair value of the Viacom Stock. For the year

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ended December 31, 2001, the Company recorded net pretax losses of $28.6 million related to the decrease in fair value of the Viacom Stock subsequent to January 1, 2001.

Bass Pro completed a restructuring at the end of 1999 whereby certain assets, including a resort hotel in Southern Missouri and an interest in a manufacturer of fishing boats, are no longer owned by Bass Pro. Subsequent to the Bass Pro restructuring, the Company s ownership interest in Bass Pro equaled 19.1% and, accordingly, the Company accounts for the investment using the cost method of accounting.

During 1997, the Company purchased a 19.9% limited partnership interest in the Nashville Predators for $12.0 million. The Company accounts for its investment using the equity method as required by EITF Issue No. 02-14, Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means . The Company recorded losses of $1.4 million and $3.9 million during 2002 and 2001, respectively, resulting from the Nashville Predators net losses. The carrying value of the investment in the Predators was zero at December 31, 2003 and 2002 and $1.4 million at December 31, 2001. The Company has not recognized its share of losses in 2003 or reduced its investment below zero as the Company is not obligated to make future contributions to the Predators. Through dilution, the Company holds a 10.5% ownership interest in the Nashville Predators as of December 31, 2003.

10. Secured Forward Exchange Contract

During May 2000, the Company entered into a seven-year secured forward exchange contract (SFEC) with an affiliate of Credit Suisse First Boston with respect to 10,937,900 shares of Viacom Stock. The seven-year SFEC has a notional amount of $613.1 million and required contract payments based upon a stated 5% rate. The SFEC protects the Company against decreases in the fair market value of the Viacom Stock while providing for participation in increases in the fair market value, as discussed below. The Company realized cash proceeds from the SFEC of $506.5 million, net of discounted prepaid contract payments and prepaid interest related to the first 3.25 years of the contract and transaction costs totaling $106.6 million. In October 2000, the Company prepaid the remaining 3.75 years of contract interest payments required by the SFEC of $83.2 million. As a result of the prepayment, the Company will not be required to make any further contract payments during the seven-year term of the SFEC. Additionally, as a result of the prepayment, the Company was released from certain covenants of the SFEC, which related to sales of assets, additional indebtedness and liens. The unamortized balances of the prepaid contract interest are classified as current assets of $26.9 million as of December 31, 2003 and 2002 and long-term assets of $64.3 million and $91.2 million in the accompanying consolidated balance sheets as of December 31, 2003 and 2002, respectively. The Company is recognizing the prepaid contract payments and deferred financing charges associated with the SFEC as interest expense over the seven-year contract period using the effective interest method. The Company utilized $394.1 million of the net proceeds from the SFEC to repay all outstanding indebtedness under its 1997 revolving credit facility. As a result of the SFEC, the 1997 revolving credit facility was terminated.

The Company s obligation under the SFEC is collateralized by a security interest in the Company s Viacom Stock. At the end of the seven-year contract term, the Company may, at its option, elect to pay in cash rather than by delivery of all or a portion of the Viacom Stock. The SFEC protects the Company against decreases in the fair market value of the Viacom stock by way of a put option at a strike price below $56.05 per share, while providing for participation in increases in the fair market value by way of a call option at a strike price of $75.30 per share, as of December 31, 2003. Future dividend distributions received from Viacom may result in an adjusted call strike price. For any appreciation above $75.30 per share, the Company will participate in the appreciation at a rate of 25.93%.

In accordance with the provisions of SFAS No. 133, as amended, certain components of the secured forward exchange contract are considered derivatives, as discussed in Note 11.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Derivative Financial Instruments

The Company utilizes derivative financial instruments to reduce certain of its interest rate risks and to manage risk exposure to changes in the value of its Viacom Stock.

The Company adopted the provisions of SFAS No. 133 on January 1, 2001. In connection with the adoption of SFAS No. 133, as amended, the Company recorded a gain of $11.2 million, net of taxes of $7.1 million, as a cumulative effect of an accounting change effective January 1, 2001 to record the derivatives associated with the SFEC at fair value. Upon adoption of SFAS No. 133, the Company valued the SFEC based on pricing provided by a financial institution and reviewed by the Company. The financial institution s market prices are prepared for each quarter close period on a mid-market basis by reference to proprietary models and do not reflect any bid/offer spread. For the years ended December 31, 2003, 2002 and 2001, the Company recorded net pretax gains (losses) in the Company s consolidated statement of operations of ($33.2) million, $86.5 million and $54.3 million, respectively, related to the increase (decrease) in the fair value of the derivatives associated with the SFEC.

During 2001, the Company entered into three contracts to cap its interest rate risk exposure on its long-term debt. Two of the contracts capped the Company s exposure to one-month LIBOR rates on up to $375.0 million of outstanding indebtedness at 7.5%. Another interest rate cap, which capped the Company s exposure on one-month Eurodollar rates on up to $100.0 million of outstanding indebtedness at 6.625%, expired in October 2002. These interest rate caps qualified for treatment as cash flow hedges in accordance with the provisions of SFAS No. 133, as amended. As such, the effective portion of the gain or loss on the derivative instrument is initially recorded in accumulated other comprehensive income as a separate component of stockholders equity and subsequently reclassified into earnings in the period during which the hedged transaction is recognized in earnings. The ineffective portion of the gain or loss, if any, is recognized as income or expense immediately.

The Company also purchased LIBOR rate swaps as required by the 2003 Loans as discussed in Note 12. The Company hedged a notional amount of $200.0 million, although the 2003 Loans only required that 50% of the outstanding amount be hedged. The LIBOR rate swap effectively locks the variable interest rate at a fixed interest rate at 1.48% in year one and 2.09% in year two. The LIBOR rate swaps qualify for treatment as cash flow hedges in accordance with the provisions of SFAS No. 133, as amended. Anticipating the issuance of the Senior Notes and the subsequent repayment of the 2003 Loans, the Company terminated $100.0 million of the LIBOR rate swaps effective October 31, 2003. Upon issuance of the Senior Notes and the repayment of the 2003 Loans, the Company terminated the remaining $100.0 million of the LIBOR rate swaps effective November 12, 2003. The Company received proceeds from the termination of these LIBOR rate swaps in the amount of $0.2 million.

Upon issuance of the Senior Notes, the Company entered into two interest rate swap agreements with a notional amount of $125.0 million to convert the fixed rate on a certain portion of the Senior Notes to a variable rate in order to access the lower borrowing costs currently available on floating-rate debt. Under these swap agreements, which mature on November 15, 2013, the Company receives a fixed rate of 8% and pays a variable rate, in arrears, equal to six-month LIBOR plus 2.95%. The terms of the swap agreement mirror the terms of the Senior Notes, including semi-annual settlements on the 15th of May and November each year. Under the provisions of SFAS No. 133, as amended, changes in the fair value of this interest rate swap agreement must be offset against the corresponding change in fair value of the Senior Notes through earnings. The Company has determined that there will not be an ineffective portion of this hedge and therefore, no impact on earnings. As of December 31, 2003, the Company determined that, based upon dealer quotes, the fair value of these interest rate swap agreements was ($1.5) million. The Company has recorded a derivative liability and an offsetting reduction in the balance of the Senior Notes accordingly.

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12. Debt

The Company s debt and capital lease obligations related to continuing operations at December 31 consist of (amounts in thousands):

	2003	2002
Senior Loan	**$199,181**	$213,185
Mezzanine Loan		66,000
Term Loan		60,000
Senior Notes	**350,000**	
Fair value derivatives effective for Senior Notes	**(1,544)**	
Notes payable	**200**	
Capital lease obligations	**922**	1,453
Total debt	**548,759**	340,638
Less amounts due within one year	**(8,584)**	(8,526)
Total long-term debt	**$540,175**	$332,112

Annual maturities of long-term debt, excluding capital lease obligations and derivatives, are as follows (amounts in thousands). Note 16 discusses the capital lease obligations in more detail, including annual maturities.

2004	$ 8,104
2005	8,104
2006	183,173
2007	
2008	
Years thereafter	350,000
Total	$549,381

Accrued interest payable at December 31, 2003 and 2002 was $3.2 million and $0.6 million, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

Senior Loan and Mezzanine Loan

In 2001, the Company, through wholly owned subsidiaries, entered into two loan agreements, a $275.0 million senior loan (the Senior Loan) and a $100.0 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 Gaylord Opryland and is due in 2004. Amounts outstanding under the Senior Loan bear interest at one-month LIBOR plus approximately 1.02%. The Mezzanine Loan, which was repaid and terminated in November 2003 using proceeds of the Senior Notes discussed below, was secured by the equity interest in the wholly-owned subsidiary that owns Gaylord Opryland, was due in April 2004 and bore interest at one-month LIBOR plus 6.0%. At the Company s option, the Senior Loan may be extended for two additional one-year terms beyond its scheduled maturity, subject to Gaylord Opryland meeting certain financial ratios and other criteria. The Nashville Hotel Loans required monthly principal payments of approximately $0.7 million during their three-year terms in addition to monthly interest payments. The terms of the Senior Loan and the Mezzanine Loan required the Company to purchase interest rate hedges in notional amounts equal to

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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 purchased instruments that cap its exposure to one-month LIBOR at 7.5% as discussed in Note 11. The Company used $235.0 million of the proceeds from the Nashville Hotel Loans to refinance the remaining outstanding portion of $235.0 million of an interim loan obtained from Merrill Lynch Mortgage Capital, Inc. in 2000. At closing, the Company was required to escrow certain amounts, including $20.0 million related to future renovations and related capital expenditures at Gaylord Opryland. The net proceeds from the Nashville Hotel Loans after refinancing of an interim loan and paying required escrows and fees were approximately $97.6 million. At December 31, 2003 and 2002, the unamortized balance of the deferred financing costs related to the Nashville Hotel Loans was $0.8 million and $7.3 million, respectively. The weighted average interest rates for the Senior Loan for 2003 and 2002, including amortization of deferred financing costs, were 4.2% and 4.5%, respectively. The weighted average interest rates for the Mezzanine Loan for 2003 and 2002, including amortization of deferred financing costs, were 10.7% and 10.5%, respectively.

The terms of the Nashville Hotel Loans required that the Company maintain certain escrowed cash balances and comply with certain financial covenants, and impose limits on transactions with affiliates and indebtedness. The financial covenants under the Mezzanine Loan were structured such that failure to meet certain ratios at one level triggers certain cash management restrictions and failure to meet certain ratios at a second level results in an event of default under the Mezzanine Loan. Based upon the financial covenant calculations at December 31, 2002, the cash management restrictions were in effect which required that all excess cash flows, as defined, be escrowed and may be used to repay principal amounts owed on the Senior Loan. During 2002, the Company negotiated certain revisions to the financial covenants under the Mezzanine Loan. After these revisions, the Company was in compliance with the covenants under the Nashville Hotel Loans for which the failure to comply would result in an event of default at December 31, 2002. During the second quarter of 2003, the Company s ratios had improved such that the cash management restrictions were lifted. As of December 31, 2003, the Mezzanine Loan was repaid and the Company was in compliance with all covenants and the cash management restrictions were not in effect. There can be no assurance that the Company will remain in compliance with the covenants that would result in an event of default under the Nashville Hotel Loans. The Company believes it has certain other possible alternatives to reduce borrowings outstanding under the Nashville Hotel Loans which would allow the Company to remedy any event of default. Any event of noncompliance that results in an event of default under the Senior Loan would enable the lenders to demand payment of all outstanding amounts, which would have a material adverse effect on the Company s financial position, results of operations and cash flows.

During November, 2003, the Company used the proceeds of the Senior Notes, as discussed below, to repay $66.0 million outstanding under the Mezzanine Loan portion of the Nashville Hotel Loans. As a result of the prepayment of the Mezzanine Loan, the Company wrote off $0.7 million in deferred financing costs, which is recorded as interest expense in the consolidated statement of operations. The remaining terms of the Senior Loan are the same as discussed above.

Term Loan

During 2001, the Company entered into a three-year delayed-draw senior term loan (the Term Loan) of up to $210.0 million with Deutsche Banc Alex. Brown Inc., Salomon Smith Barney, Inc. and CIBC World Markets Corp. (collectively the Banks). During May 2003, the Company used $60 million of the proceeds from the 2003 Loans, as discussed below, to pay off the Term Loan. Concurrent with the payoff the Term Loan, the Company wrote off the remaining, unamortized deferred financing costs of $1.5 million related to the Term Loan, which is recorded as interest expense in the consolidated statement of operations. Proceeds of the Term Loan were used to finance the construction of Gaylord Palms and the

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initial construction phases of the Gaylord Texan, as well as for general operating purposes. The Term Loan was primarily secured by the Company s ground lease interest in Gaylord Palms.

At the Company s option, amounts outstanding under the Term Loan bore interest at the prime interest rate plus 2.125% or the one-month Eurodollar rate plus 3.375%. The terms of the Term Loan required the purchase of interest rate hedges in notional amounts equal to $100.0 million in order to protect against adverse changes in the one-month Eurodollar rate. Pursuant to these agreements, the Company purchased instruments that cap its exposure to the one-month Eurodollar rate at 6.625% as discussed in Note 11. In addition, the Company was required to pay a commitment fee equal to 0.375% per year of the average unused portion of the Term Loan.

During the first three months of 2002, the Company sold Word s domestic operations as described in Note 5, which required the prepayment of the Term Loan in the amount of $80.0 million. As required by the Term Loan, the Company used $15.9 million of the net cash proceeds, as defined under the Term Loan agreement, received from the 2002 sale of the Opry Mills investment described in Note 7 to reduce the outstanding balance of the Term Loan. In addition, the Company used $25.0 million of the net cash proceeds, as defined under the Term Loan agreement, received from the sale of Acuff-Rose Music Publishing to reduce the outstanding balance of the Term Loan. Also during 2002, the Company made a principal payment of approximately $4.1 million under the Term Loan. Net borrowings under the Term Loan for 2002 were $85.0 million. As of December 31, 2002, the Company had outstanding borrowings of $60.0 million under the Term Loan. Proceeds from the 2003 Loans, as discussed below, were used to repay the Term Loan in 2003.

The terms of the Term Loan required the Company to purchase an interest rate instrument which capped the interest rate paid by the Company. This instrument expired in the fourth quarter of 2002. Due to the expiration of the interest rate instrument, the Company was out of compliance with the terms of the Term Loan. Subsequent to December 31, 2002, the Company obtained a waiver from the lenders whereby this event of non-compliance was waived as of December 31, 2002 and also removed the requirement to maintain such instruments for the remaining term of the Term Loan.

2003 Loans

During May of 2003, the Company finalized a $225 million credit facility (the 2003 Loans) with Deutsche Bank Trust Company Americas, Bank of America, N.A., CIBC Inc. and a syndicate of other lenders. The 2003 Loans consisted of a $25 million senior revolving facility, a $150 million senior term loan and a $50 million subordinated term loan. The 2003 Loans were due in 2006. The senior loan bore interest of LIBOR plus 3.5%. The subordinated loan bore interest of LIBOR plus 8.0%. The 2003 Loans were secured by the Gaylord Palms assets and the Gaylord Texan assets. At the time of closing the 2003 Loans, the Company engaged LIBOR interest rate swaps which fixed the LIBOR rates of the 2003 Loans at 1.48% in year one and 2.09% in year two. The interest rate swaps related to the 2003 Loans are discussed in more detail in Note 11. The Company was required to pay a commitment fee equal to 0.5% per year of the average daily unused portion of the 2003 Loans. Proceeds of the 2003 Loans were used to pay off the Term Loan of $60 million as discussed above and the remaining net proceeds of approximately $134 million were deposited into an escrow account for the completion of the construction of the Gaylord Texan. The provisions of the 2003 Loans contain covenants and restrictions including compliance with certain financial covenants, restrictions on additional indebtedness, escrowed cash balances, as well as other customary restrictions.

In connection with the offering of the Senior Notes, on November 12, 2003 the Company amended the 2003 Loans to, among other things, permit the ResortQuest acquisition and the issuance of the Senior Notes, maintain the $25.0 million revolving credit facility portion of the 2003 Loans, to repay and eliminate the $150 million senior term loan portion and the $50 million subordinated term loan portion of

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the 2003 Loans and make certain other amendments to the 2003 Loans. During November, 2003, as discussed below, the Company used the proceeds of the Senior Notes to repay all amounts outstanding under the 2003 Loans. As a result of the prepayment of the 2003 Loans, the Company wrote off $6.6 million in deferred financing costs, which is included in interest expense in the consolidated statement of operations.

Senior Notes

On November 12, 2003, the Company completed its offering of $350 million in aggregate principal amount of senior notes due 2013 (the Senior Notes) in an institutional private placement. The interest rate of the Senior Notes is 8%, although the Company has entered into fixed to variable interest rate swaps with respect to $125 million principal amount of the Senior Notes which results in an effective interest rate of LIBOR plus 2.95% with respect to that portion of the Senior Notes. The Senior Notes, which mature on November 15, 2013, bear interest semi-annually in arrears on May 15 and November 15 of each year, starting on May 15, 2004. The Senior Notes are redeemable, in whole or in part, at any time on or after November 15, 2008 at a designated redemption amount, plus accrued and unpaid interest. In addition, the Company may redeem up to 35% of the Senior Notes before November 15, 2006 with the net cash proceeds from certain equity offerings. The Senior Notes rank equally in right of payment with the Company s other unsecured unsubordinated debt, but are effectively subordinated to all the Company s secured debt to the extent of the assets securing such debt. The Senior Notes are guaranteed on a senior unsecured basis by each of the Company s subsidiaries that was a borrower or guarantor under the 2003 Loans, and as of November 2003, to the new revolving credit facility. In connection with the offering of the Senior Notes, the Company paid approximately $9.4 million in deferred financing costs. The net proceeds from the offering of the Senior Notes, together with $22.5 million of the Company s cash on hand, were used as follows:

$275.5 million was used to repay the $150 million senior term loan portion and the $50 million subordinated term loan portion of the 2003 Loans, as discussed above, as well as the remaining $66 million of the Company s $100 million Mezzanine Loan and to pay certain fees and expenses related to the ResortQuest acquisition; and

$79.2 million was placed in escrow pending consummation of the ResortQuest acquisition. As of November 20, 2003, the $79.2 million together with $8.2 million of the available cash, was used to repay ResortQuest s senior notes and its credit facility, the principal amount of which aggregated $85.1 million at closing and a related prepayment penalty. The Company wrote off $0.4 million in deferred financing costs, which is recorded as interest expense in the consolidated statements of operations.

New Revolving Credit Facility

On November 20, 2003, the Company entered into a new $65.0 million revolving credit facility, which subsequently was increased to $100.0 million. The new revolving credit facility, which replaced the revolving credit portion under the 2003 Florida/ Texas senior secured credit facility, matures in May 2006 and borrowings thereunder bear interest at a rate of either LIBOR plus 3.50% or the lending banks base rate plus 2.25%. Borrowings may be made with interest periods ranging from one to three months, at the election of the Company and all principal amounts may be continued until maturity. The Company may elect to reduce principal amounts outstanding under the revolving credit facility from time to time without penalty or premium. The new revolving credit facility is guaranteed by the Company s subsidiaries that were guarantors or borrowers under our 2003 Florida/ Texas senior secured credit facility and is secured by a leasehold mortgage on the Gaylord Palms. The new revolving credit facility requires the Company to achieve substantial completion and initial opening of the Gaylord Texan by June 30, 2004. As of

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December 31, 2003, no borrowings were outstanding under the new revolving credit facility, but the lending banks had issued a total of $11.3 million in letters of credit under the credit facility for the Company. The Company is required to pay a commitment fee equal to 0.5% per year of the average daily unused revolving portion of the new revolving credit facility.

13. Income Taxes

The provision (benefit) for income taxes from continuing operations consists of the following (amounts in thousands):

	2003	2002	2001
CURRENT:			
Federal	**$(18,367)**	$	$
State	**(3,284)**	1,336	(32)
Total current provision (benefit)	**(21,651)**	1,336	(32)
DEFERRED:			
Federal	**901**	32	(8,657)
State	**(4,053)**	(1,393)	(453)
Foreign	**134**		
Total deferred benefit	**(3,018)**	(1,361)	(9,110)
Effect of tax law change		1,343	
Total provision (benefit) for income taxes	**$(24,669)**	$ 1,318	$(9,142)

The tax benefits associated with the exercise of stock options during the years ended 2003, 2002, and 2001 were $0.9 million, $0.03 million and $0.7 million, respectively, and are reflected as an increase in additional paid-in capital in the accompanying consolidated statements of stockholders equity.

During 2002, the Tennessee legislature increased the corporate income tax rate from 6% to 6.5%. As a result, the Company increased the deferred tax liability by $1.3 million and increased 2002 tax expense by $1.3 million. Due to the utilization of state net operating loss carryforwards from the sale of the Radio Operations in 2003, as discussed in Note 5, the Company released a portion of the valuation allowance to increase the deferred tax asset by $2.4 million and to reduce the tax expense by $2.4 million.

In addition to the income tax provision or (benefit) discussed above, the Company recognized additional income tax provision (benefit) related to discontinued operations as discussed in Note 5 in the amounts of $22.0 million, $50.3 million and $(22.2 million) for the years ended December 31, 2003, 2002 and 2001, respectively. The Company also recognized an additional income tax provision (benefit) during the years ended December 31, 2002 and 2001 in the amount of $(1.6 million) and $7.1 million, respectively, as discussed in Note 19 and Note 11, respectively, related to a cumulative effect of accounting change.

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

	2003	2002	2001
U.S. federal statutory rate	**35%**	35%	35%
State taxes (net of federal tax benefit and change in valuation allowance)	**8**		2
Effective tax law change		7	
Previously accrued income taxes		(37)	16
Other	**(1)**	5	(6)
	42%	10%	47%

Provision is made for deferred federal and state income taxes in recognition of certain temporary differences in reporting items of income and expense for financial statement purposes and income tax purposes. Significant components of the Company s deferred tax assets and liabilities at December 31 are as follows (amounts in thousands):

	2003	2002
DEFERRED TAX ASSETS:		
Accounting reserves and accruals	**$ 20,895**	$ 20,553
Defined benefit plan	**8,944**	8,360
Goodwill and other intangibles		5,149
Investments in stock	**3,458**	4,681
Forward exchange contract	**38,609**	28,111
Rent escalation and naming rights	**6,752**	
Net operating loss carryforwards	**24,998**	15,296
Tax credits and other carryforwards	**7,833**	7,085
Other assets	**2,832**	540
Total deferred tax assets	**114,321**	89,775
Valuation allowance	**(9,918)**	(11,403)
Total deferred tax assets, net of valuation allowance	**104,403**	78,372
DEFERRED TAX LIABILITIES:		
Goodwill and other intangibles	**24,376**	
Property and equipment, net	**87,705**	72,085
Investments in stock & derivatives	**229,942**	227,379
Investments in partnerships	**1,939**	
Other liabilities	**2,727**	2,727
Total deferred tax liabilities	**346,689**	302,191
Net deferred tax liabilities	**$242,286**	$223,819

At December 31, 2003, the Company had federal net operating loss carryforwards of $28.3 million which will begin to expire in 2020. In addition, the Company had federal minimum tax credits of $5.4 million that will not expire and other federal tax credits of $0.8 million that will

begin to expire in 2018. The Company acquired net operating losses of $20.1 million and federal minimum tax credits of $0.2 million as a result of the acquisition of ResortQuest as described in Note 6. The Company s utilization of these tax

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attributes will be limited due to the ownership change that resulted from the acquisition. However, management currently believes that these carryforwards will be ultimately fully utilized. State net operating loss carryforwards at December 31, 2003 totaled $349.8 million and will expire between 2004 and 2018. Foreign net operating loss carryforwards at December 31, 2003 totaled $0.2 million and will expire in 2010. The use of certain state and foreign net operating losses and other state and foreign deferred tax assets are limited to the future taxable earnings of separate legal entities. As a result, a valuation allowance has been provided for certain state and foreign deferred tax assets, including loss carryforwards. The change in valuation allowance was $(1.5) million, $(0.7) million and $(0.7) million in 2003, 2002 and 2001, respectively. Based on the expectation of future taxable income, management believes that it is more likely than not that the results of operations will generate sufficient taxable income to realize the deferred tax assets after giving consideration to the valuation allowance.

Deferred income taxes resulting from the unrealized gain on the investment in the Viacom Stock were $11.4 million at December 31, 2000 and were reflected as a reduction in stockholders equity. Effective January 1, 2001, the Company reclassified its investment in the Viacom Stock from available-for-sale to trading as defined by SFAS No. 115, which required the recognition of a deferred tax provision of $11.4 million for the year ended December 31, 2001. These amounts are reflected in the accompanying consolidated statement of operations. At December 31, 2003, the deferred tax liability relating to the Viacom Stock and the related SFEC (see Note 10) was $229.9 million, which amounts will be payable upon expiration of the SFEC which is scheduled for May 2007.

During the years ended 2002 and 2001, the Company recognized benefits of $4.9 million and $3.2 million, respectively, related to the settlement of certain federal income tax issues with the Internal Revenue Service (IRS) as well as the closing of open tax years for federal and state tax purposes. The Company reached a $2.0 million partial settlement of Internal Revenue Service audits of the Company s 1996-1997 tax returns during 2001. The IRS has completed and closed its audits of the Company s tax returns through 1998. The IRS has also completed its audits of the Company s tax returns for the years 1999 through 2001. The Company does not believe the resolution of those audits will have a material effect on the Company s consolidated results of operations or financial position.

During the second quarter of 2002, the Company received an income tax refund of $64.6 million in cash from the U.S. Department of Treasury as a result of the net operating loss carry back provisions of the Job Creation and Worker Assistance Act of 2002. Net cash refunds for income taxes were approximately $1.0 million, $63.2 million and $21.7 million in 2003, 2002 and 2001, respectively.

14. Stockholders Equity

Holders of common stock are entitled to one vote per share. During 2000, the Company s Board of Directors voted to discontinue the payment of dividends on its common stock.

15. Stock Plans

At December 31, 2003 and 2002, 3,327,325 and 3,241,037 shares, respectively, of the Company s common stock were reserved for future issuance pursuant to the exercise of stock options under the stock option and incentive plan. Under the terms of this plan, stock options are granted with an exercise price equal to the fair market value at the date of grant and generally expire ten years after the date of grant. Generally, stock options granted to non-employee directors are exercisable immediately, while options granted to employees are exercisable one to four years from the date of grant. The Company accounts for this plan under APB Opinion No. 25 and related interpretations, under which no compensation expense for employee and non-employee director stock options has been recognized.

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2003, 2002 and 2001, respectively: risk-free interest rates of 2.8%, 4.1% and 4.7%; expected volatility of 35.5%, 33.1% and 34.2%; expected lives of 4.8, 4.3 and 5.4 years; expected dividend rates of 0% for all years. The weighted average fair value of options granted was $7.40, $8.16 and $10.10 in 2003, 2002 and 2001, respectively.

Stock option awards available for future grant under the stock plan at December 31, 2003 and 2002 were 2,113,252 and 956,181 shares of common stock, respectively. Stock option transactions under the plan and options converted at the ResortQuest acquisition are summarized as follows:

	2003		**2002**		**2001**	
	Number of Shares	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	**3,241,037**	**$26.21**	3,053,737	$26.60	2,352,712	$26.38
Granted	**777,390**	**21.21**	635,475	24.26	1,544,600	25.35
Converted at ResortQuest acquisition	**573,863**	**21.18**				
Exercised	**(235,860)**	**17.75**	(29,198)	22.63	(203,543)	11.44
Canceled	**(612,813)**	**26.52**	(418,977)	26.33	(640,032)	27.59
Outstanding at end of year	**3,743,617**	**24.88**	3,241,037	26.21	3,053,737	26.60
Exercisable at end of year	**1,840,310**	**27.02**	1,569,697	27.27	1,235,324	27.39

A summary of stock options outstanding at December 31, 2003 is as follows:

	Options Outstanding			**Options Exercisable**	
Option Exercise Price Range	**Number of Shares**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number of Shares Exerciseable**	**Weighted Average Exercise Price**
$12.58-20.00	325,383	5.1	$15.42	111,905	$14.92
20.01-25.00	1,181,990	7.7	21.65	289,332	22.94
25.01-30.00	1,964,844	6.6	26.86	1,176,839	27.16
30.01-35.00	153,012	4.2	32.56	143,846	32.60
35.01-40.00	116,326	4.3	40.00	116,326	40.00
40.01-58.18	2,062	5.3	57.12	2,062	57.12
12.58-58.18	3,743,617	6.6	24.88	1,840,310	27.02

The plan also provides for the award of restricted stock. At December 31, 2003 and 2002, awards of restricted stock of 111,350 and 86,025 shares, respectively, of common stock were outstanding. The market value at the date of grant of these restricted shares was recorded as unearned compensation as a component of stockholders equity. Unearned compensation is amortized and expensed over the vesting period of the

restricted stock. At December 31, 2003, there was approximately $1.4 million in unearned deferred compensation related to restricted unit grants recorded as other stockholders equity in the accompanying consolidated balance sheet.

Included in compensation expense for 2003 is $1.6 million related to the grant of 620,500 units under the Company s Performance Accelerated Restricted Stock Unit Program which was implemented in the second quarter of 2003.

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The Company has an employee stock purchase plan whereby substantially all employees are eligible to participate in the purchase of designated shares of the Company s common stock at a price equal to the lower of 85% of the closing price at the beginning or end of each quarterly stock purchase period. The Company issued 12,888, 14,753 and 11,965 shares of common stock at an average price of $16.95, $17.47 and $18.27 pursuant to this plan during 2003, 2002 and 2001, respectively.

16. Commitments and Contingencies

Capital leases

During 2003 and 2002, the Company entered into one and three capital leases, respectively. There were no capital leases in effect at December 31, 2001. In the accompanying consolidated balance sheets, the following amounts of assets under capitalized lease agreements are included in property and equipment and other long-term assets and the related obligations are included in debt (amounts in thousands):

	2003	2002
Property and equipment	**$1,563**	$1,965
Other long-term assets	**898**	412
Accumulated depreciation	**(567)**	(144)
Net assets under capital leases in property and equipment	**$1,894**	$2,233
Current lease obligations	**$ 480**	$ 522
Long-term lease obligations	**442**	931
Capital lease obligations	**$ 922**	$1,453

Operating leases

Rental expense related to continuing operations for operating leases was $13.6 million, $13.1 million and $2.7 million for 2003, 2002 and 2001, respectively. The increase in 2002 is related to the operating land lease for Gaylord Palms as discussed below. Non-cash lease expense for 2003 and 2002 was $6.5 million, as discussed below.

Future minimum cash lease commitments under all non-cancelable leases in effect for continuing operations at December 31, 2003 are as follows (amounts in thousands):

	Capital Leases	Operating Leases
2004	$ 553	$ 11,350
2005	237	9,777
2006	133	7,698
2007	59	7,197
2008	10	6,138
Years thereafter		692,695
Total minimum lease payments	992	$734,855

Less amount representing interest	(70)
Total present value of minimum payments	922
Less current portion of obligations	(480)
Long-term obligations	$ 442

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company entered into a 75-year operating lease agreement during 1999 for 65.3 acres of land located in Osceola County, Florida for the development of Gaylord Palms. The lease requires annual lease payments of approximately $3.2 million. The lease agreement provides for an annual 3% escalation of base rent beginning in 2007. As required by SFAS No. 13, and related interpretations, the terms of this lease require that the Company recognize lease expense on a straight-line basis, which resulted in an annual lease expense of approximately $9.8 million for 2003 and 2002. This rent included approximately $6.5 million of non-cash expenses during 2003 and 2002. The Company is currently attempting to renegotiate certain terms of the lease in an attempt to more closely align the economic cost of the lease with the impact on the Company s results of operations. At the end of the 75-year lease term, the Company may extend the operating lease to January 31, 2101, at which point the buildings and fixtures will be transferred to the lessor. The Company also records contingent rentals based upon net revenues associated with the Gaylord Palms operations. The Company recorded $0.7 million and $0.6 million of contingent rentals related to the Gaylord Palms in 2003 and 2002, respectively.

Other commitments and contingencies

During 1999, the Company entered into a 20-year naming rights agreement related to the Nashville Arena with the Nashville Predators. The Nashville Arena has been renamed the Gaylord Entertainment Center as a result of the agreement. The contractual commitment required the Company to pay $2.1 million during the first year of the contract, with a 5% escalation each year for the remaining term of the agreement. The Company is accounting for the naming rights agreement expense on a straight-line basis over the 20-year contract period. The Company recognized naming rights expense of $3.4 million for the years ended December 31, 2003, 2002 and 2001, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

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

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

In connection with the Company s execution of the Agreement of Limited Partnership of the Nashville Hockey Club, L.P. on June 25, 1997, the Company, its subsidiary CCK, Inc., Craig Leipold, Helen Johnson-Leipold (Mr. Leipold s wife) and Samuel C. Johnson (Mr. Leipold s father-in-law) entered into a guaranty agreement executed in favor of the National Hockey League (NHL). This agreement provides for a continuing guarantee of the following obligations for as long as any of these obligations remain outstanding: (i) all obligations under the expansion agreement between the Nashville Hockey Club, L.P. and the NHL; and (ii) all operating expenses of the Nashville Hockey Club, L.P. The maximum potential amount which the Company and CCK, collectively, could be liable under the guaranty agreement is $15.0 million, although the Company and CCK would have recourse against the other guarantors if required to make payments under the guarantee. As of December 31, 2003, the Company had not recorded any liability in the consolidated balance sheet associated with this guarantee.

The Company is a party to the lawsuit styled *Nashville Hockey Club Limited Partnership v. Gaylord Entertainment Company,* Case No. 03-1474, now pending in the Chancery Court for Davidson County, Tennessee. In its complaint for breach of contract, Nashville Hockey Club Limited Partnership alleged that the Company failed to honor its payment obligation under a Naming Rights Agreement for the multi-purpose arena in Nashville known as the Gaylord Entertainment Center. Specifically, Plaintiff alleged that the Company failed to make a semi-annual payment to Plaintiff in the amount of $1,186,566 when due on January 1, 2003 and in the amount of $1,245,894 when due on July 1, 2003. The Company contended that it effectively fulfilled its obligations due under the Naming Rights Agreement by way of set off against

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

obligations owed by Plaintiff to CCK Holdings, LLC (CCK) under a put option CCK exercised pursuant to the Partnership Agreement between CCK and Plaintiff. CCK has assigned the proceeds of its put option to the Company. The Company vigorously contested this case by filing an answer and counterclaim denying any liability to Plaintiff, specifically alleging that all payments due to Plaintiff under the Naming Rights Agreement had been paid in full and asserting a counterclaim for amounts owing on the put option under the Partnership Agreement. Plaintiff filed a motion for summary judgment which was argued on February 6, 2004, and on March 10, 2004 the Chancellor granted the Plaintiff s motion, requiring the Company to make payments (including $4.1 million payable to date) under the Naming Rights Agreement in cash and finding that conditions to the satisfaction of the Company s put option have not been met. The Company intends to appeal this decision and continue to vigorously assert its rights in this litigation. Because the Company continued to recognize the expense under the Naming Rights Agreement, payment of the accrued amounts under the Naming Rights Agreement will not affect the Company s results of operation.

As previously disclosed in January 2003, the Company restated its historical financial statements for 2000, 2001 and the first nine months of 2002 to reflect certain non-cash changes, which resulted primarily from a change to the Company s income tax accrual and the manner in which the Company accounted for its investment in the Nashville Predators. The Company has been advised by the Securities and Exchange Commission (the SEC) Staff that it is conducting a formal investigation into the financial results and transactions that were the subject of the restatement by the Company. The SEC Staff is reviewing documents provided by the Company and its independent public accountants and has taken or will take testimony from former and current employees of the Company. The Company has been cooperating with the SEC staff and intends to continue to do so. Nevertheless, if the SEC makes a determination adverse to the Company, the Company may face sanctions, including, but not limited to, monetary penalties and injunctive relief.

One of the Company s ResortQuest subsidiaries is a party to the lawsuit styled *Awbrey et al. v. Abbott Realty Services, Inc.*, Case No. 02-CA-1203, now pending in the Okaloosa County, Florida Circuit Court. The plaintiffs are owners of 16 condominium units at the Jade East condominium development in Destin, Florida, and they have filed suit alleging, among other things, nondisclosure and misrepresentation by the Company s real estate sales agents in the sale of Plaintiffs units. Plaintiffs seek unspecified damages and a jury trial. The Company has filed pleadings denying the plaintiffs allegations and asserting several affirmative defenses, among them that the claims of the plaintiffs have been released in connection with the April 2001 settlement of a 1998 lawsuit filed by the Jade East condominium owners association against the original condominium s developer. The Company has also filed a motion for summary judgment which has been set for hearing in May 2004. At this stage it is difficult to ascertain the likelihood of an unfavorable outcome. The damages sought by each plaintiff will be in excess of $200,000, making the total exposure to the sixteen unit owners in excess of $3.2 million. Those damages are disputed by the Company as overstated and unproven, and the Company intends to vigorously defend this case.

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

17. Retirement Plans

Prior to January 1, 2001, the Company maintained a noncontributory defined benefit pension plan in which substantially all of its employees were eligible to participate upon meeting the pension plan s participation requirements. The benefits were based on years of service and compensation levels. On January 1, 2001 the Company amended its defined benefit pension plan to determine future benefits using a cash balance formula. On December 31, 2000, benefits credited under the plan s previous formula were frozen. Under

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the cash formula, each participant had an account which was credited monthly with 3% of qualified earnings and the interest earned on their previous month-end cash balance. In addition, the Company included a grandfather clause which assures that the participant will receive the greater of the benefit calculated under the cash balance plan and the benefit that would have been payable if the defined benefit plan had remained in existence. The benefit payable to a vested participant upon retirement at age 65, or age 55 with 15 years of service, is equal to the participant s account balance, which increases based upon length of service and compensation levels. At retirement, the employee generally receives the balance in the account as a lump sum. The funding policy of the Company is to contribute annually an amount which equals or exceeds the minimum required by applicable law.

The following table sets forth the funded status at December 31 (amounts in thousands):

	2003	2002
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	**$ 59,214**	$ 58,712
Service cost		
Interest cost	**4,031**	3,964
Actuarial loss	**6,874**	5,359
Benefits paid	**(3,490)**	(5,021)
Curtailment		(3,800)
Benefit obligation at end of year	**66,629**	59,214
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	**37,105**	44,202
Actual gain (loss) on plan assets	**5,495**	(3,870)
Employer contributions	**3,819**	1,794
Benefits paid	**(3,490)**	(5,021)
Fair value of plan assets at end of year	**42,929**	37,105
Funded status	**(23,700)**	(22,109)
Unrecognized net actuarial loss	**24,943**	22,944
Adjustment for minimum liability	**(24,943)**	(22,944)
Employer contribution after measurement date	**821**	
Accrued pension cost	**$ (22,879)**	$ (22,109)

Net periodic pension expense reflected in the accompanying consolidated statements of operations included the following components for the years ended December 31 (amounts in thousands):

	2003	2002	2001
Service cost	**$**	$	$ 2,592
Interest cost	**4,031**	3,964	4,288
Expected return on plan assets	**(2,991)**	(3,395)	(4,131)
Recognized net actuarial loss	**2,371**	710	169
Amortization of prior service cost			402
Curtailment loss		3,750	

Total net periodic pension expense	**$ 3,411**	$ 5,029	$ 3,320

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The accumulated benefit obligation for the defined benefit pension plan was $66.6 million and $59.2 million at December 31, 2003 and 2002.

Assumptions

The weighted-average assumptions used to determine the benefit obligation at December 31 are as follows:

	2003	2002
Discount rate	**6.25%**	7.00%
Rate of compensation increase	**N/A**	4.00%
Measurement date	**9/30/03**	9/30/02

The rate of increase in future compensation levels was not applicable for 2003 due to the Company amending the plan to freeze the cash balance benefit as described below.

The weighted-average assumptions used to determine the net periodic pension expense for years ended December 31 are as follows:

	2003	2002
Discount rate	**7.00%**	7.50%
Rate of compensation increase	**N/A**	4.00%
Expected long term rate of return on plan assets	**8.00%**	8.00%
Measurement date	**9/30/03**	9/30/02

The Company determines the overall expected long term rate of return on plan assets based on its estimate of the return that plan assets will provide over the period that benefits are expected to be paid out. In preparing this estimate, the Company considers its targeted allocation of plan assets among securities with various risk and return profiles, as well as the actual returns provided by plan assets in prior periods.

Plan Assets

The allocation of the defined benefit pension plan s assets as of September 30, by asset categories, are as follows:

Asset Category	2003	2002
Equity securities	**61%**	49%
Fixed income securities	**33%**	48%
Cash	**6%**	3%
Total	**100%**	100%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The defined benefit pension plan s investment strategy is to invest plan assets in a diverse group of equity and fixed income securities with the objective of achieving returns that will provide the plan with sufficient assets to make benefit payments as they become due, while maintaining a risk profile that is commensurate with this objective. Consistent with that strategy, the plan has set the following target asset allocation percentages for each major category of plan assets:

Asset Category	Target Allocation
Equity securities	60%
Fixed income securities	35%
Cash	5%
Total	100%

Expected Contributions and Benefit Payments

The Company expects to contribute $3.0 million to its defined benefit pension plan in 2004. Based on the Company s assumptions discussed above, the Company expects to make the following estimated future benefit payments under the plan during the years ending December 31:

2004	$ 3,419
2005	2,268
2006	1,850
2007	3,365
2008	2,547
2009-2013	18,304
Total	$31,753

Other Information

The Company also maintains non-qualified retirement plans (the Non-Qualified Plans) to provide benefits to certain key employees. The Non-Qualified Plans are not funded and the beneficiaries rights to receive distributions under these plans constitute unsecured claims to be paid from the Company s general assets. At December 31, 2003, the Non-Qualified Plans projected benefit obligations and accumulated benefit obligations were $11.4 million.

The Company s accrued cost related to its qualified and non-qualified retirement plans of $34.5 million and $32.4 million at December 31, 2003 and 2002, respectively, is included in other long-term liabilities in the accompanying consolidated balance sheets. The 2003 increase in the minimum liability related to the Company s retirement plans resulted in a charge to equity of $1.8 million, net of taxes of $1.1 million. The 2002 increase in the minimum liability related to the Company s retirement plans resulted in a charge to equity of $7.2 million, net of taxes of $4.7 million. The 2003 and 2002 charges to equity due to the increase in the minimum liability are included in other comprehensive loss in the accompanying consolidated statements of stockholders equity.

The Company also has contributory retirement savings plans in which substantially all employees are eligible to participate. The Company contributes an amount equal to the lesser of one-half of the amount of the employee s contribution or 3% of the employee s salary. In addition, effective January 1, 2002, the Company contributes 2% to 4% of the employee s salary, based upon the Company s financial performance. Company contributions under the retirement savings plans were $4.1 million, $3.8 million and $1.5 million for 2003, 2002 and 2001,

respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective December 31, 2001, the Company amended its retirement plans and its retirement savings plan whereby the retirement cash balance benefit was frozen and whereby future Company contributions to the retirement savings plan will include 2% to 4% of the employee s salary, based upon the Company s financial performance, in addition to the one-half match of the employee s salary up to a maximum of 3% as described above. As a result of these changes to the retirement plans, the Company recorded a pretax charge to operations of $5.7 million in the first quarter of 2002 related to the write-off of unamortized prior service cost in accordance with SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits , and related interpretations.

18. Postretirement Benefits Other Than Pensions

The Company sponsors unfunded defined benefit postretirement health care and life insurance plans for certain employees. The Company contributes toward the cost of health insurance benefits and contributes the full cost of providing life insurance benefits. In order to be eligible for these postretirement benefits, an employee must retire after attainment of age 55 and completion of 15 years of service, or attainment of age 65 and completion of 10 years of service. The Company s Benefits Trust Committee determines retiree premiums.

The following table reconciles the change in benefit obligation of the postretirement plans to the accrued postretirement liability as reflected in other liabilities in the accompanying consolidated balance sheets at December 31 (amounts in thousands):

	2003	2002
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	**$19,722**	$13,665
Service cost	**341**	306
Interest cost	**1,380**	1,353
Actuarial (gain) loss	**(485)**	862
Contributions by plan participants		142
Benefits paid	**(755)**	(987)
Remeasurements		9,054
Amendments		(4,673)
Benefit obligation at end of year	**20,203**	19,722
Unrecognized net actuarial loss	**(1,520)**	(2,015)
Unrecognized prior service cost	**3,074**	4,073
Unrecognized curtailment gain	**2,103**	2,348
Accrued postretirement liability	**$23,860**	$24,128

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net postretirement benefit expense reflected in the accompanying consolidated statements of operations included the following components for the years ended December 31 (amounts in thousands):

	2003	2002	2001
Service cost	**$ 341**	$ 306	$ 688
Interest cost	**1,380**	1,353	946
Curtailment gain		(2,105)	
Recognized net actuarial (gain) loss	**10**	(41)	(424)
Amortization of prior service cost	**(999)**	(999)	(158)
Amortization of curtailment gain	**(244)**	(244)	(244)
Net postretirement benefit expense	**$ 488**	$ (1,730)	$ 808

The weighted-average assumptions used to determine the benefit obligation at December 31 are as follows:

	2003	2002
Discount rate	**6.25%**	7.00%
Measurement date	**9/30/03**	9/30/02

The weighted-average assumptions used to determine the net postretirement benefit expense for years ended December 31 are as follows:

	2003	2002
Discount rate	**7.00%**	7.50%
Measurement date	**9/30/03**	9/30/02

The health care cost trend is projected to be 10.1% in 2004, declining each year thereafter to an ultimate level trend rate of 5.0% per year for 2012 and beyond. The health care cost trend rates are not applicable to the life insurance benefit plan. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a 1% increase in the assumed health care cost trend rate each year would increase the accumulated postretirement benefit obligation as of December 31, 2003 by approximately 10% and the aggregate of the service and interest cost components of net postretirement benefit expense would increase approximately 10%. Conversely, a 1% decrease in the assumed health care cost trend rate each year would decrease the accumulated postretirement benefit obligation as of December 31, 2003 by approximately 9% and the aggregate of the service and interest cost components of net postretirement benefit expense would decrease approximately 9%.

The Company expects to contribute $0.9 million to the plan in 2004. Based on the Company s assumptions discussed above, the Company expects to make the following estimated future benefit payments under the plan during the years ending December 31:

2004	$ 898
2005	980
2006	1,095
2007	1,017
2008	1,397
2009-2013	9,184
Total	$ 14,571

The Company amended the plans effective December 31, 2001 such that only active employees whose age plus years of service total at least 60 and who have at least 10 years of service as of December 31, 2001

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

remain eligible. The amendment and curtailment of the plans were recorded in accordance with SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions , and related interpretations.

19. Goodwill and Intangibles

The transitional provisions of SFAS No. 142 require the Company to perform an assessment of whether goodwill is impaired as of the beginning of the fiscal year in which the statement is adopted. Under the transitional provisions of SFAS No. 142, the first step is for the Company to evaluate whether the reporting unit s carrying amount exceeds its fair value. If the reporting unit s carrying amount exceeds it fair value, the second step of the impairment test must be completed. During the second step, the Company must compare the implied fair value of the reporting unit s goodwill, determined by allocating the reporting unit s fair value to all of its assets and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount.

The Company completed the transitional goodwill impairment reviews required by SFAS No. 142 during the second quarter of 2002. In performing the impairment reviews, the Company estimated the fair values of the reporting units using a present value method that discounted estimated future cash flows. Such valuations are sensitive to assumptions associated with cash flow growth, discount rates and capital rates. In performing the impairment reviews, the Company determined one reporting unit s goodwill to be impaired. Based on the estimated fair value of the reporting unit, the Company impaired the recorded goodwill amount of $4.2 million associated with the Radisson Hotel at Opryland in the hospitality segment. The circumstances leading to the goodwill impairment assessment for the Radisson Hotel at Opryland primarily relate to the effect of the September 11, 2001 terrorist attacks on the hospitality and tourism industries. In accordance with the provisions of SFAS No. 142, the Company has reflected the impairment charge as a cumulative effect of a change in accounting principle in the amount of $2.6 million, net of tax benefit of $1.6 million, as of January 1, 2002 in the accompanying consolidated statements of operations.

The Company performed the annual impairment review on all goodwill at December 31, 2003 and determined that no further impairment charges were required during 2003.

The changes in the carrying amounts of goodwill by business segment for the twelve months ended December 31, 2003 and 2002 are as follows (amounts in thousands):

	Balance as of December 31, 2002	Impairment Losses	Acquisitions	Balance as of December 31, 2003
Hospitality	**$**	**$**	**$**	**$**
Opry and Attractions	**6,915**			**6,915**
ResortQuest			**162,727**	**162,727**
Corporate and other				
Total	**$6,915**	**$**	**$162,727**	**$169,642**

	Balance as of December 31, 2001	Transitional Impairment Losses	Acquisitions	Balance as of December 31, 2002
Hospitality	$ 4,221	$(4,221)	$	$
Opry and Attractions	6,915			6,915
Corporate and other				
Total	$11,136	$(4,221)	$	$6,915

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents a reconciliation of net income and income per share assuming the non-amortization provisions of SFAS No. 142 were applied during the years ended December 31 (amounts in thousands, except per share data):

	2003	2002	2001
Reported net income (loss)	**$ 826**	$95,144	$(47,796)
Add back: Goodwill amortization, net of tax			1,360
Adjusted net income (loss)	**$ 826**	$95,144	$(46,436)
Basic earnings (loss) per share			
Reported net income (loss)	**$0.02**	$ 2.82	$ (1.42)
Add back: Goodwill amortization, net of tax			0.04
Adjusted net income (loss)	**$0.02**	$ 2.82	$ (1.38)
Diluted earnings (loss) per share			
Reported net income (loss)	**$0.02**	$ 2.82	$ (1.42)
Add back: Goodwill amortization, net of tax			0.04
Adjusted net income (loss)	**$0.02**	$ 2.82	$ (1.38)

The Company also reassessed the useful lives and classification of identifiable finite-lived intangible assets and determined the lives of these intangible assets to be appropriate.

The carrying amount of indefinite lived intangible assets not subject to amortization was $40.6 million and $1.8 million at December 31, 2003 and 2002. The increase in indefinite lived intangible assets during 2003 is due to trade names obtained in the acquisition of ResortQuest. The gross carrying amount of amortized intangible assets in continuing operations was $30.1 million and $0.4 million at December 31, 2003 and 2002, respectively. The increase in amortized intangible assets during 2003 is primarily related to property management contracts with vacation rental property owners obtained in the acquisition of ResortQuest. The related accumulated amortization of intangible assets in continuing operations was $588,000 and $131,000 at December 31, 2003 and 2002, respectively. The amortization expense related to intangibles from continuing operations during the twelve months ended December 31, 2003 and 2002 was $457,000 and $58,000, respectively. The estimated amounts of amortization expense for the next five years are equivalent to $3.8 million per year.

20. Financial Reporting By Business Segments

The following information (amounts in thousands) from continuing operations is derived directly from the segments internal financial reports used for corporate management purposes. The Company revised its reportable segments during the first quarter of 2003 due to the Company s decision to divest of the Radio Operations and due to the acquisition of ResortQuest.

	2003	2002	2001
REVENUES:			
Hospitality	**$369,263**	$339,380	$228,712
Opry and Attractions	**61,433**	65,600	67,064
ResortQuest	**17,920**		
Corporate and Other	**184**	272	290

Total	**$448,800**	$405,252	$296,066

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2003	2002	2001
DEPRECIATION AND AMORTIZATION:			
Hospitality	**$ 46,536**	$ 44,924	$ 25,593
Opry and Attractions	**5,129**	5,778	6,270
ResortQuest	**1,186**		
Corporate and Other	**6,099**	5,778	6,542
Total	**$ 58,950**	$ 56,480	$ 38,405
OPERATING INCOME (LOSS):			
Hospitality	**$ 42,347**	$ 25,972	$ 34,270
Opry and Attractions	**(600)**	1,596	(5,010)
ResortQuest	**(2,616)**		
Corporate and Other	**(43,396)**	(42,111)	(40,110)
Preopening costs	**(11,562)**	(8,913)	(15,927)
Gain on sale of assets		30,529	
Impairment and other charges	**(856)**		(14,262)
Restructuring charges		17	(2,182)
Interest expense, net of amounts capitalized	**(52,804)**	(46,960)	(39,365)
Interest income	**2,461**	2,808	5,554
Unrealized gain (loss) on Viacom stock	**39,831**	(37,300)	782
Unrealized gain (loss) on derivatives	**(33,228)**	86,476	54,282
Other gains and losses	**2,209**	1,163	2,661
Total	**$ (58,214)**	$ 13,277	$ (19,307)
IDENTIFIABLE ASSETS:			
Hospitality	**$1,209,124**	$1,056,434	$ 947,646
Opry and Attractions	**91,837**	85,530	90,912
ResortQuest	**288,992**		
Corporate and Other	**987,291**	1,019,304	998,916
Discontinued operations	**19**	17,423	140,170
Total	**$2,577,263**	$2,178,691	$2,177,644

The following table represents the capital expenditures for continuing operations by segment for the years ended December 31 (amounts in thousands).

	2003	2002	2001
CAPITAL EXPENDITURES:			
Hospitality	**$211,043**	$163,926	$277,643
Opry and Attractions	**9,133**	2,673	2,471
ResortQuest	**1,504**		
Corporate and other	**2,040**	8,805	807
Total	**$223,720**	$175,404	$280,921

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Quarterly Financial Information (Unaudited)

The following is selected unaudited quarterly financial data for the fiscal years ended December 31, 2003 and 2002 (amounts in thousands, except per share data).

The sum of the quarterly per share amounts may not equal the annual totals due to rounding.

	2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$114,380	$105,470	$ 98,101	$130,849
Depreciation and amortization	14,573	14,304	14,567	15,506
Operating income (loss)	4,958	(1,539)	(8,753)	(11,349)
Income (loss) of continuing operations before income taxes and discontinued operations	(10,859)	17,878	(43,479)	(21,754)
Provision (benefit) for income taxes	(4,236)	7,334	(19,072)	(8,695)
Income (loss) of continuing operations before discontinued operations	(6,623)	10,544	(24,407)	(13,059)
Income (loss) from discontinued operations, net of taxes	167	809	35,150	(1,755)
Net income (loss)	(6,456)	11,353	10,743	(14,814)
Net income (loss) per share	(0.19)	0.34	0.32	(0.41)
Net income (loss) per share assuming dilution	(0.19)	0.33	0.32	(0.41)

During May of 2003, the Company finalized the 2003 Loans, which consisted of a $25 million senior revolving facility, a $150 million senior term loan, and a $50 million subordinated term loan. Proceeds of the 2003 Loans were used to pay off the Term Loan of $60 million and the remaining net proceeds of approximately $134 million were deposited into an escrow account for the completion of the construction of the Gaylord Texan. During November 2003, the Company used the proceeds of the Senior Notes to repay all amounts outstanding under the 2003 Loans. As a result of the prepayment of the 2003 Loans, the Company wrote off $6.6 million in deferred financing costs, which is included in interest expense in the consolidated statement of operations.

During the third quarter of 2003, the Company sold WSM-FM and WWTN(FM) to Cumulus and recorded a net of tax gain of approximately $33.3 million. This gain is recorded in income from discontinued operations in the consolidated statement of operations.

During the fourth quarter of 2003, the Company sold its interest in the Oklahoma RedHawks minor-league baseball team and received cash proceeds of approximately $6.0 million. The Company recognized a loss of $0.6 million, net of taxes, related to the sale in discontinued operations in the accompanying consolidated statement of operations.

On November 20, 2003, the Company acquired 100% of the outstanding common shares of ResortQuest in a tax-free, stock for stock merger. The results of operations of ResortQuest for the period November 20, 2003 to December 31, 2003 are included in the consolidated financial statements.

During November 2003, the Company completed its offering of the Senior Notes. In connection with the offering of the Senior Notes, the Company paid approximately $9.4 million in deferred financing costs. The net proceeds from the offering of the Senior Notes, together with $22.5 million of the Company s cash on hand, were used as follows:

$275.5 million was used to repay the $150 million senior term loan portion and the $50 million subordinated term loan portion of the 2003 Loans, as discussed above, as well as the remaining

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$66 million of the Company s $100 million Mezzanine Loan and to pay certain fees and expenses related to the ResortQuest acquisition; and

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

	2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 99,657	$ 95,937	$ 100,421	$ 109,237
Depreciation and amortization	15,230	12,762	13,933	14,555
Operating income (loss)	(15,671)	8,749	18,294	(4,282)
Income (loss) of continuing operations before income taxes, discontinued operations and accounting change	(10,627)	2,869	26,617	(5,582)
Provision (benefit) for income taxes	(4,094)	(1,584)	7,283	(287)
Income (loss) of continuing operations before discontinued operations and accounting change	(6,533)	4,453	19,334	(5,295)
Income from discontinued operations, net of taxes	958	1,425	80,710	2,664
Cumulative effect of accounting change, net of taxes	(2,572)			
Net income (loss)	(8,147)	5,878	100,044	(2,631)
Net income (loss) per share	(0.24)	0.17	2.96	(0.08)
Net income (loss) per share assuming dilution	(0.24)	0.17	2.96	(0.08)

During the second quarter of 2002, the Company sold its partnership share of the Opry Mills partnership to certain affiliates of The Mills Corporation for approximately $30.8 million in cash proceeds upon the disposition. The Company deferred approximately $20.0 million of the gain representing the estimated present value of the continuing land lease interest between the Company and the Opry Mills partnership at June 30, 2002. The Company recognized the remainder of the proceeds, net of certain transaction costs, as a gain of approximately $10.6 million during the second quarter of 2002.

Also during the second quarter of 2002, the Company adopted a plan of restructuring to streamline certain operations and duties. Accordingly, the Company recorded a pretax restructuring charge of $1.1 million related to employee severance costs and other employee benefits. The second quarter 2002 restructuring charge was offset by a reversal of $1.1 million of the fourth quarter 2001 restructuring charge.

During the third quarter of 2002, the Company sold its interest in the land lease discussed above in relation to the sale of the Opry Mills partnership and recognized the remaining $20.0 million deferred gain, less certain transaction costs.

During the third quarter of 2002, the Company finalized the sale of Acuff-Rose Music Publishing to Sony/ ATV Music Publishing for approximately $157.0 million in cash. The Company recognized a pretax gain of $130.6 million during the third quarter of 2002 related to the sale in discontinued operations. The gain on the sale of Acuff-Rose Music Publishing is recorded in the income from discontinued operations in the consolidated statement of operations.

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Information Concerning Guarantor and Non-Guarantor Subsidiaries

Not all of the Company s subsidiaries guarantee the $350 million Senior Notes. All of the Company s subsidiaries that are borrowers or have guaranteed under the Company s new revolving credit facility or previously, the Company s 2003 Florida/Texas senior secured credit facility, are guarantors (the Guarantors) of the Senior Notes. Certain of the Company s subsidiaries, including those that incurred the Company s Nashville Hotel Loan or own or manage the Nashville loan borrower (the Non-Guarantors), do not guarantee the Senior Notes. The condensed consolidating financial information includes certain allocations of revenues and expenses based on management s best estimates, which are not necessarily indicative of financial position, results of operations and cash flows that these entities would have achieved on a stand alone basis.

The following consolidating schedules condensed financial information of the Company, the guarantor subsidiaries and non-guarantor subsidiaries as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003.

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2003

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 67,311	$208,844	$215,265	$(42,620)	$448,800
Operating expenses:					
Operating costs	23,255	127,799	137,237	(11,354)	276,937
Selling, general and administrative	35,664	49,772	31,713	29	117,178
Management fees		14,620	16,675	(31,295)	
Preopening costs		11,562			11,562
Impairment and other charges	856				856
Restructuring charges, net					
Depreciation	5,559	24,350	24,032		53,941
Amortization	3,085	681	1,243		5,009
Operating income (loss)	(1,108)	(19,940)	4,365		(16,683)
Interest expense, net	(43,142)	(34,048)	(22,061)	46,447	(52,804)
Interest income	38,679	1,323	8,906	(46,447)	2,461
Unrealized loss on Viacom stock	39,831				39,831
Unrealized gain on derivatives	(33,228)				(33,228)
Other gains and (losses)	2,238	(10)	(19)		2,209
Income (loss) before income taxes, discontinued operations, and cumulative effect of accounting change	3,270	(52,675)	(8,809)		(58,214)
Provision (benefit) for income taxes	1,416	(22,767)	(3,318)		(24,669)
Equity in subsidiaries (earnings) losses, net	1,028			(1,028)	
Income (loss) from continuing operations	826	(29,908)	(5,491)	1,028	(33,545)
Gain (loss) from discontinued operations, net		871	33,500		34,371
Cumulative effect of accounting change, net					
Net income (loss)	$ 826	$ (29,037)	$ 28,009	$ 1,028	$ 826

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2002

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 63,549	$176,149	$206,132	$(40,578)	$405,252
Operating expenses:					
Operating costs	16,399	112,497	135,685	(9,998)	254,583
Selling, general and administrative	39,814	39,286	29,998	(366)	108,732
Management fees		13,196	17,454	(30,650)	
Preopening costs		8,913			8,913
Gain on sale of assets		(30,529)			(30,529)
Restructuring charges, net	(1,086)	104	965		(17)
Depreciation	6,238	22,895	23,561		52,694
Amortization	2,343	595	848		3,786
Operating income (loss)	(159)	9,192	(2,379)	436	7,090
Interest expense, net	(36,598)	(30,037)	(27,095)	46,770	(46,960)
Interest income	45,499	290	3,789	(46,770)	2,808
Unrealized loss on Viacom stock	(37,300)				(37,300)
Unrealized gain on derivatives	86,476				86,476
Other gains and (losses)	1,753	(643)	53		1,163
Income (loss) before income taxes, discontinued operations, and cumulative effect of accounting change	59,671	(21,198)	(25,632)	436	13,277
Provision (benefit) for income taxes	20,157	(9,462)	(9,813)	436	1,318
Equity in subsidiaries (earnings) losses, net	(55,630)			55,630	
Income (loss) from continuing operations	95,144	(11,736)	(15,819)	(55,630)	11,959
Gain (loss) from discontinued operations, net		9,803	75,954		85,757
Cumulative effect of accounting change, net		(2,572)			(2,572)
Net income (loss)	$ 95,144	$ (4,505)	$ 60,135	$(55,630)	$ 95,144

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2001

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Revenues	$ 45,649	$ 60,909	$222,073	$(32,565)	$296,066
Operating expenses:					
Operating costs	19,498	46,402	143,027	(7,628)	201,299
Selling, general and administrative	27,851	9,810	29,551		67,212
Management fees		9,004	16,227	(25,231)	
Preopening costs		15,927			15,927
Impairment and other charges	6,858	845	6,559		14,262
Restructuring charges, net	2,182				2,182
Depreciation	6,900	4,339	23,499		34,738
Amortization	2,091	934	642		3,667
Operating income (loss)	(19,731)	(26,352)	2,568	294	(43,221)
Interest expense, net	(33,412)	(9,994)	(42,062)	46,103	(39,365)
Interest income	47,388	2,194	2,075	(46,103)	5,554
Unrealized loss on Viacom stock	782				782
Unrealized gain on derivatives	54,282				54,282
Other gains and (losses)	(10,565)	13,112	114		2,661
Income (loss) before income taxes, discontinued operations, and cumulative effect of accounting change	38,744	(21,040)	(37,305)	294	(19,307)
Provision (benefit) for income taxes	14,465	(8,193)	(15,708)	294	(9,142)
Equity in subsidiaries (earnings) losses, net	83,277			(83,277)	
Income (loss) from continuing operations	(58,998)	(12,847)	(21,597)	83,277	(10,165)
Gain (loss) from discontinued operations, net		(26,136)	(22,697)		(48,833)
Cumulative effect of accounting change, net	11,202				11,202
Net income (loss)	$(47,796)	$(38,983)	$ (44,294)	$ 83,277	$ (47,796)

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2003

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
		ASSETS:			
Current assets:					
Cash and cash equivalents unrestricted	$ 116,413	$ 2,958	$ 1,594	$	$ 120,965
Cash and cash equivalents restricted	4,651	17,738	15,334		37,723
Trade receivables, net	464	21,753	21,122	(17,238)	26,101
Deferred financing costs	26,865				26,865
Deferred income taxes	4,903	2,333	1,517		8,753
Other current assets	6,271	10,656	3,323	(129)	20,121
Intercompany receivables, net	838,904		46,645	(885,549)	
Current assets of discontinued operations			19		19
Total current assets	998,471	55,438	89,554	(902,916)	240,547
Property and equipment, net	87,157	860,144	350,227		1,297,528
Amortized intangible assets, net	160	29,341	4		29,505
Goodwill		169,642			169,642
Indefinite lived intangible assets	1,480	39,111			40,591
Investments	835,134	16,747	60,598	(363,568)	548,911
Estimated fair value of derivative assets	146,278				146,278
Long-term deferred financing costs	73,569	810	775		75,154
Other long-term assets	7,830	10,990	10,287		29,107
Long-term assets of discontinued operations					
Total assets	$ 2,150,079	$ 1,182,223	$ 511,445	$ (1,266,484)	$ 2,577,263
		LIABILITIES AND STOCKHOLDERS EQUITY:			
Current liabilities:					
Current portion of long-term debt	$ 558	$ 22	$ 8,004	$	$ 8,584
Accounts payable and accrued liabilities	35,080	138,032	(629)	(17,531)	154,952
Intercompany payables, net		971,587	(86,038)	(885,549)	
Current liabilities of discontinued operations		23	2,907		2,930
Total current liabilities	35,638	1,109,664	(75,756)	(903,080)	166,466
Secured forward exchange contract	613,054				613,054
Long-term debt	348,797	201	191,177		540,175
Deferred income taxes	165,247	38,140	47,652		251,039
Estimated fair value of derivative liabilities	21,969				21,969
Other long-term liabilities	60,724	18,337	1	164	79,226

Long-term liabilities of discontinued operations		825			825
Minority interest of discontinued operations					
Stockholders equity:					
Preferred stock					
Common stock	394	3,337	2	(3,339)	394
Additional paid-in capital	639,839	234,997	165,955	(400,952)	639,839
Retained earnings	283,624	(224,213)	183,490	40,723	283,624
Other stockholders equity	(19,207)	935	(1,076)		(19,348)
Total stockholders equity	904,650	15,056	348,371	(363,568)	904,509
Total liabilities and stockholders equity	$2,150,079	$1,182,223	$511,445	$(1,266,484)	$2,577,263

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2002

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
ASSETS:					
Current assets:					
Cash and cash equivalents unrestricted	$ 92,896	$ 3,644	$ 2,092	$	$ 98,632
Cash and cash equivalents restricted	2,732		16,591		19,323
Trade receivables, net	1,237	10,768	22,610	(12,241)	22,374
Deferred financing costs	26,865				26,865
Deferred income taxes	4,310	1,481	1,257		7,048
Other current assets	5,330	6,295	14,264		25,889
Intercompany receivables, net	488,251			(488,251)	
Current assets of discontinued operations			4,095		4,095
Total current assets	621,621	22,188	60,909	(500,492)	204,226
Property and equipment, net	85,132	661,151	363,880		1,110,163
Amortized intangible assets, net		43	197		240
Goodwill		6,915			6,915
Indefinite lived intangible assets	1,480	276			1,756
Investments	748,143	22,202	60,598	(321,863)	509,080
Estimated fair value of derivative assets	207,727				207,727
Long-term deferred financing costs	93,660		7,273		100,933
Other long-term assets	11,432	2,351	10,540		24,323
Long-term assets of discontinued operations			13,328		13,328
Total assets	$1,769,195	$ 715,126	$ 516,725	$(822,355)	$2,178,691
LIABILITIES AND STOCKHOLDERS EQUITY:					
Current liabilities:					
Current portion of long-term debt	$ 522	$	$ 8,004	$	$ 8,526
Accounts payable and accrued liabilities	16,008	44,114	33,098	(12,535)	80,685
Intercompany payables, net		655,381	(167,130)	(488,251)	
Current liabilities of discontinued operations		1,523	5,129		6,652
Total current liabilities	16,530	701,018	(120,899)	(500,786)	95,863
Secured forward exchange contract	613,054				613,054
Long-term debt	60,931		271,181		332,112
Deferred income taxes	177,462	5,122	48,283		230,867
Estimated fair value of derivative liabilities	48,647				48,647
Other long-term liabilities	64,581	(11,450)	14,470	294	67,895
Long-term liabilities of discontinued operations		(22,691)	23,480		789
Minority interest of discontinued operations			1,885		1,885

Stockholders equity:					
Preferred stock					
Common stock	338	3,337	2	(3,339)	338
Additional paid-in capital	520,796	235,126	123,093	(358,219)	520,796
Retained earnings	282,798	(195,176)	155,481	39,695	282,798
Other stockholders equity	(15,942)	(160)	(251)		(16,353)
Total stockholders equity	787,990	43,127	278,325	(321,863)	787,579
Total liabilities and stockholders equity	$1,769,195	$ 715,126	$ 516,725	$(822,355)	$2,178,691

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2003

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Net cash provided by continuing operating activities	$(249,422)	$ 271,090	$ 52,248	$	$ 73,916
Net cash provided by discontinued operating activities		22,887	(19,997)		2,890
Net cash provided by operating activities	(249,422)	293,977	32,251		76,806
Purchases of property and equipment	(8,686)	(203,947)	(11,087)		(223,720)
Cash of business acquired		4,228			4,228
Sale of assets			175		175
Other investing activities	(1,017)	(289)	(1,022)		(2,328)
Net cash used in investing activities continuing operations	(9,703)	(200,008)	(11,934)		(221,645)
Net cash provided by investing activities discontinued operations		5,869	59,485		65,354
Net cash provided by investing activities	(9,703)	(194,139)	47,551		(156,291)
Proceeds from issuance of long-term debt	350,000	200,000			550,000
Repayment of long-term debt	(60,000)	(285,100)	(80,004)		(425,104)
Deferred financing costs paid	(9,344)	(8,643)	(302)		(18,289)
(Increase) decrease in restricted cash and cash equivalents	(1,919)	(7,898)	1,257		(8,560)
Proceeds from exercise of stock option and purchase plans	4,459				4,459
Other financing activities, net	(554)	1,117	(1,157)		(594)
Net cash used in financing activities continuing operations	282,642	(100,524)	(80,206)		101,912
Net cash used in financing activities discontinued operations			(94)		(94)
Net cash used in financing activities	282,642	(100,524)	(80,300)		101,818
Net change in cash	23,517	(686)	(498)		22,333
Cash and cash equivalents at beginning of year	92,896	3,644	2,092		98,632
Cash and cash equivalents at end of year	$ 116,413	$ 2,958	$ 1,594	$	$ 120,965

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2002

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Net cash provided by continuing operating activities	$ 110,765	$ 40,248	$ (67,184)	$	$ 83,829
Net cash provided by discontinued operating activities		(517)	3,968		3,451
Net cash provided by operating activities	110,765	39,731	(63,216)		87,280
Purchases of property and equipment	(9,887)	(153,396)	(12,121)		(175,404)
Sale of assets		30,875			30,875
Other investing activities	(4,064)	4,777	(1,668)		(955)
Net cash used in investing activities continuing operations	(13,951)	(117,744)	(13,789)		(145,484)
Net cash provided by investing activities discontinued operations		81,350	151,220		232,570
Net cash provided by investing activities	(13,951)	(36,394)	137,431		87,086
Proceeds from issuance of long-term debt	85,000				85,000
Repayment of long-term debt	(125,034)		(89,812)		(214,846)
(Increase) decrease in restricted cash and cash equivalents	28,089		17,581		45,670
Proceeds from exercise of stock option and purchase plans	919				919
Net cash used in financing activities continuing operations	(11,026)		(72,231)		(83,257)
Net cash used in financing activities discontinued operations			(1,671)		(1,671)
Net cash used in financing activities	(11,026)		(73,902)		(84,928)
Net change in cash	85,788	3,337	313		89,438
Cash and cash equivalents at beginning of year	7,108	307	1,779		9,194
Cash and cash equivalents at end of year	$ 92,896	$ 3,644	$ 2,092	$	$ 98,632

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2001

	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)		
Net cash provided by continuing operating activities	$ (84,464)	$ 251,963	$(152,377)	$	$ 15,122
Net cash provided by discontinued operating activities		4,848	(4,480)		368
Net cash provided by operating activities	(84,464)	256,811	(156,857)		15,490
Purchases of property and equipment	(5,184)	(262,420)	(13,317)		(280,921)
Other investing activities	889	4,850	(2,706)		3,033
Net cash used in investing activities continuing operations	(4,295)	(257,570)	(16,023)		(277,888)
Net cash provided by investing activities discontinued operations		452	17,342		17,794
Net cash provided by investing activities	(4,295)	(257,118)	1,319		(260,094)
Proceeds from issuance of long-term debt	100,000		435,000		535,000
Repayment of long-term debt	(500)		(241,003)		(241,503)
Deferred financing costs paid	(3,642)		(15,940)		(19,582)
(Increase) decrease in restricted cash and cash equivalents	(26,861)		(25,465)		(52,326)
Proceeds from exercise of stock option and purchase plans	2,548				2,548
Net cash used in financing activities continuing operations	71,545		152,592		224,137
Net cash used in financing activities discontinued operations			2,904		2,904
Net cash used in financing activities	71,545		155,496		227,041
Net change in cash	(17,214)	(307)	(42)		(17,563)
Cash and cash equivalents at beginning of year	24,322	614	1,821		26,757
Cash and cash equivalents at end of year	$ 7,108	$ 307	$ 1,779	$	$ 9,194

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REPORT OF INDEPENDENT AUDITORS

To Gaylord Entertainment Company:

We have audited the consolidated financial statements of Gaylord Entertainment Company as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, and have issued our report thereon dated February 9, 2004 (except for the ninth paragraph of Note 16, as to which the date is March 10, 2004) (included elsewhere in this Annual Report on Form 10-K/A.) Our audits also included the financial statement schedules listed in Item 15(A)(2) of this Annual Report on Form 10-K/A. These schedules are the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
February 9, 2004

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the Year Ended December 31, 2003
(Amounts in thousands)

	Balance at Beginning of Period	Additions Charged to		Deductions	Balance at End of Period
		Costs and Expenses	Other Accounts		
2000 restructuring charges continuing operations	$ 270	$	$	$ 75	$ 195
2001 restructuring charges continuing operations	431			337	94
Total continuing operations	701			412	289
2001 restructuring charges discontinuing operations	378			162	216
Total	$ 1,079	$	$	$ 574	$ 505

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the Year Ended December 31, 2002
(In thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Balance at End of Period
2000 restructuring charges continuing operations	$1,569	$	$	$1,299	$ 270
2001 restructuring charges continuing operations	4,168	(1,079)		2,658	431
2002 restructuring charges continuing operations		1,062		1,062	
Total continuing operations	5,737	(17)		5,019	701
2000 restructuring charges discontinued operations					
2001 restructuring charges discontinued operations	3,383			3,005	378
2002 restructuring charges discontinued operations		20		20	
Total discontinued operations	3,383	20		3,025	378
Total	$9,120	$ 3	$	$8,044	$1,079

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GAYLORD ENTERTAINMENT COMPANY AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the Year Ended December 31, 2001
(In thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Balance at End of Period
2000 restructuring charges continuing operations	$10,825	$(3,666)	$	$5,590	$1,569
2001 restructuring charges continuing operations		5,848		1,680	4,168
Total continuing operations	10,825	2,182		7,270	5,737
2000 restructuring charges discontinued operations	2,285	(424)		1,861	
2001 restructuring charges discontinued operations		3,383			3,383
Total discontinued operations	2,285	2,959		1,861	3,383
Total	$13,110	$ 5,141	$	$9,131	$9,120

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
	PLANS OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION:
2.1	Agreement and Plan of Merger, dated as of February 9, 1997, by and among Westinghouse Electric Corporation (Westinghouse), G Acquisition Corp. and the former Gaylord Entertainment Company (Old Gaylord) (incorporated by reference to Exhibit 2.1 to Old Gaylord s Current Report on Form 8-K dated February 9, 1997 (File No. 1-10881)).
2.2	Agreement and Plan of Merger, dated as of April 9, 1999, by and among Gaylord Entertainment Company (the Company), Gaylord Television Company, Gaylord Communications, Inc., CBS Corporation, CBS Dallas Ventures, Inc. and CBS Dallas Media, Inc. (incorporated by reference to Exhibit 2 to the Company s Current Report on Form 8-K dated April 19, 1999 (File No. 1-13079)).
2.3	First Amendment to the Agreement and Plan of Merger, dated as of October 8, 1999, by and among the Company, Gaylord Television Company, Gaylord Communications, Inc., CBS Corporation, CBS Dallas Ventures, Inc. and CBS Dallas Media, Inc. (incorporated by reference to Exhibit 2.3 to the Registration Statement on Form S-3 of CBS Corporation, as filed with the Securities and Exchange Commission (the SEC) on October 12, 1999 (File No. 333-88775)).
2.4	Securities Purchase Agreement, dated as of March 9, 2001, by and among the Company, Gaylord Creative Group, Inc., PaperBoy Productions, Inc., and Gaylord Sports, Inc. (incorporated by reference to Exhibit 2.8 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-13079)).
2.5	Purchase Agreement among WMGA, LLC and the Company, and the Company s subsidiary, Gaylord Creative Group, Inc. (incorporated by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K dated January 16, 2002 (File No. 1-13079)).
2.6	Asset Purchase Agreement, dated as of July 1, 2002, by and between Acuff-Rose Music Publishing, Inc., Acuff-Rose Music, Inc., Milene Music, Inc., Springhouse Music, Inc., and Hickory Records, Inc. and Sony/ ATV Music Publishing LLC (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-13079)).
2.7	Purchase and Sale Agreement, dated as of June 28, 2002, by and between The Mills Limited Partnership (as Purchaser) and Opryland Attractions, Inc. (as Seller) (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-13079)).
2.8	Asset Purchase Agreement among Gaylord Investments, Inc., Cumulus Broadcasting, Inc. and Cumulus Licensing Corp., dated as of March 24, 2003 (incorporated by reference to Exhibit 2.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 1-13079)).
2.9	Agreement and Plan of Merger, dated as of August 4, 2003, among the Company, GET Merger Sub, Inc. and ResortQuest International, Inc. (incorporated by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K filed with the SEC on August 5, 2003 (File No. 1-13079)).
	GOVERNING DOCUMENTS OF THE COMPANY
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3 to the Company s Current Report on Form 8-K dated October 7, 1997 (File No. 1-13079)).
3.2	Amendment to Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 1-13079)).
3.3	Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company s Registration Statement on Form 10, as amended on June 30, 1997 (File No. 1-13079)).

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EXHIBIT NUMBER	DESCRIPTION
	INSTRUMENTS DEFINING THE RIGHTS OF HOLDERS OF THE COMPANY S COMMON STOCK:
4.1	Specimen of Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form 10, as amended on June 30, 1997 (File No. 1-13079)).
4.2	Reference is made to Exhibits 3.1, 3.2 and 3.2 hereof for instruments defining the rights of common stockholders of the Company.
4.3	Stock Purchase Warrant, dated November 7, 2002, issued by the Company to Gilmore Entertainment Group, LLC (incorporated by reference to Exhibit 4.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 1-13079)).
	INSTRUMENTS DEFINING THE RIGHTS OF HOLDERS OF THE COMPANY S SENIOR NOTES DUE 2013:
4.4	Indenture, dated as of November 12, 2003, by and between the Company, certain of its subsidiaries and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated November 13, 2003 (File No. 1-13079)).
4.5	First Supplemental Indenture, dated as of November 20, 2003, by and between the Company, certain of its subsidiaries and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-4 dated January 9, 2004 (File No. 333-111812)).
4.6	Registration Rights Agreement, dated as of November 12, 2003, between the registrants signatory thereto and the Initial Purchasers (as defined therein) with respect to the Company s 8% Senior Notes Due 2013 (incorporated by reference to Exhibit 10.1 to the Company s Registration Statement on Form S-4 dated January 9, 2004 (File No. 333-111812)).
	MATERIAL CONTRACTS REGARDING THE 1997 RESTRUCTURING:
10.1	Tax Disaffiliation Agreement by and among Old Gaylord, the Company and Westinghouse, dated September 30, 1997 (incorporated by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K dated October 7, 1997 (File No. 1-13079)).
10.2	Agreement and Plan of Distribution, dated September 30, 1997, between Old Gaylord and the Company (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated October 7, 1997 (File No. 1-13079)).
10.3	Tax Matters Agreement, dated as of April 9, 1999, by and among the Company, Gaylord Television Company, Gaylord Communications, Inc. and CBS Corporation (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated April 19, 1999 (File No. 1-13079)).
10.4	Amended and Restated Tax Matters Agreement, dated as of October 8, 1999, by and among the Company, Gaylord Television Company, Gaylord Communications, Inc. and CBS Corporation (incorporated by reference to Exhibit 2.4 to the Registration Statement on Form S-3 of CBS Corporation, as filed with the SEC on October 12, 1999 (File No. 333-88775).
10.5	First Amendment to Post-Closing Covenants Agreement and Non-Competition Agreements, dated as of April 9, 1999, by and among the Company, CBS Corporation, Edward L. Gaylord and E. K. Gaylord, II (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated April 19, 1999 (File No. 1-13079)).
	MATERIAL CONTRACTS REGARDING THE NASHVILLE HOTEL LOANS:
10.6	Amended and Restated Loan and Security Agreement dated as of March 27, 2001, by and between Opryland Hotel Nashville, LLC, and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.13 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 13079)).
10.7	Mezzanine Loan Agreement dated as of March 27, 2001, by and between Merrill Lynch Mortgage Capital Inc. and OHN Holdings, LLC (incorporated by reference to Exhibit 10.14 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-13079)).

EXHIBIT NUMBER	DESCRIPTION
10.8	First Amendment dated January 18, 2002 to Mezzanine Loan Agreement, dated as of March 27, 2001 by and between Opryland Mezzanine Trust 2001-1, a Delaware business trust, and OHN Holdings, LLC (incorporated by reference to Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 1-13079)).
10.9	Second Amendment to Mezzanine Loan Agreement, dated April 30, 2003, by and between Opryland Mezzanine Trust 2001-1 and OHN Holdings, LLC (incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 1-13079)).
	MATERIAL CONTRACTS REGARDING THE 2003 TEXAS/FLORIDA CREDIT FACILITY:
10.10	Subordinated Credit Agreement among Gaylord Hotels, LLC, various lenders, the Company and Deutsche Bank Trust Company Americas, dated as of May 22, 2003 (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 1-13079)).
10.11	Senior Credit Agreement among Opryland Hotel-Florida Limited Partnership, Opryland Hotel-Texas Limited Partnership, the Company, various lenders and Deutsche Bank Trust Company Americas, dated as of May 22, 2003 (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 1-13079)).
10.12	First Amendment to Credit Agreement and Ratification of Guaranty dated as of November 10, 2003 among Opryland Hotel-Florida Limited Partnership and Opryland Hotel-Texas Limited Partnership as Co-Borrowers, the Company, certain lenders and Deutsche Bank Trust Company Americas, as Administrative Agent, and certain subsidiary Guarantors (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K dated November 12, 2003 (File No. 1-13079)).
10.13	Second Amendment to Credit Agreement and Ratification of Guaranty dated as of November 10, 2003 among Opryland Hotel-Florida Limited Partnership and Opryland Hotel-Texas Limited Partnership as Co-Borrowers, the Company, certain lenders and Deutsche Bank Trust Company Americas, as Administrative Agent, and certain subsidiary Guarantors (incorporated by reference to Exhibit 4.3 to the Company s Current Report on Form 8-K dated November 12, 2003 (File No. 1-13079)).
	MATERIAL CONTRACTS REGARDING THE $100.0 MILLION REVOLVING CREDIT FACILITY:
10.14	Credit Agreement, dated as of November 20, 2003, among Opryland Hotel-Florida Limited Partnership, as borrower, the Company, as parent guarantor, certain lenders party thereto, and Deutsche Bank Trust Company Americas, as administrative agent, with Deutsche Bank Securities Inc. and Banc of America Securities LLC, as joint book running managers and co-lead arrangers, and Bank of America, N.A., as syndication agent.
10.15	First Amendment to Credit Agreement and Ratification of Guaranty, dated as of December 17, 2003, among Opryland Hotel-Florida Limited Partnership, as borrower, the Company, as parent guarantor, certain lenders party thereto, Deutsche Bank Trust Company Americas, as administrative agent, and the certain subsidiary guarantors.
	MATERIAL CONTRACTS REGARDING THE GAYLORD PALMS:
10.16	Guaranteed Maximum Price (GMP) Construction Agreement dated as of November 8, 1999, by and among Opryland Hotel - Florida, L.P., Opryland Hospitality Group, and Perini/ Suitt (incorporated by reference to Exhibit 10.8 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-13079)).
10.17	First Amendment to Guaranteed Maximum Price (GMP) Construction Agreement dated as of September 5, 2000 by and among Opryland Hotel - Florida, L.P., Opryland Hospitality Group d/b/a OLH, G.P., and Perini/ Suitt (incorporated by reference to Exhibit 10.9 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-13079)).

EXHIBIT NUMBER	DESCRIPTION
10.18	Opryland Hotel-Florida Ground Lease, dated as of March 3, 1999, by and between Xentury City Development Company, L.L.C., and Opryland Hotel-Florida Limited Partnership (incorporated by reference to Exhibit 10.11 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-13079)).
	MATERIAL CONTRACTS REGARDING THE GAYLORD TEXAN:
10.19	Hotel/ Convention Center Sublease Agreement, dated as of May 16, 2000, by and between the City of Grapevine, Texas and Opryland Hotel-Texas Limited Partnership (incorporated by reference to Exhibit 10.21 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-13079)).
10.20	Sublease Addendum Number 1, dated July 28, 2000, by and between the City of Grapevine, Texas and Opryland Hotel-Texas Limited Partnership (incorporated by reference to Exhibit 10.22 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-13079)).
10.21	Guaranteed Maximum Price Construction Agreement, dated November 15, 2002, by and between Gaylord Entertainment Company and Centex Construction Company, Inc. (incorporated by reference to Exhibit 10.23 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-13079)).
	MATERIAL CONTRACTS REGARDING NASHVILLE PREDATORS INVESTMENT:
10.22	Naming Rights Agreement dated as of November 24, 1999, by and between the Company and Nashville Hockey Club Limited Partnership (incorporated by reference to Exhibit 10.24 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-13079)).
10.23	Guaranty dated as of June 25, 1997, by Craig Leipold, the Company, CCK, Inc. and other guarantors in favor of the Nashville Hockey League (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 1-13079)).
	MATERIAL CONTRACTS REGARDING VIACOM STOCK:
10.24	SAILS Mandatorily Exchangeable Securities Contract dated as of May 22, 2000, among the Company, OLH G.P., Credit Suisse First Boston International, and Credit Suisse First Boston Corporation, as agent (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated May 23, 2000 (File No. 1-13079)).
10.25	SAILS Pledge Agreement dated as of May 22, 2000, among the Company, Credit Suisse First Boston International, and Credit Suisse First Boston Corporation, as agent (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated May 23, 2000 (File No. 1-13079)).
	EXECUTIVE COMPENSATION PLANS AND MANAGEMENT CONTRACTS:
10.26	Gaylord Entertainment Company 1997 Omnibus Stock Option and Incentive Plan (as amended at May 2002 Stockholders Meeting) (incorporated by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-13079)).
10.27	Amended and Restated Gaylord Entertainment Company 1997 Omnibus Stock Option and Incentive Plan (including amendments adopted at the May 2003 Stockholders Meeting) (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 1-13079)).
10.28	The Opryland USA Inc. Supplemental Deferred Compensation Plan (incorporated by reference to Exhibit 10.11 to Old Gaylord s Registration Statement on Form S-1 (File No. 33-42329)).
10.29	Gaylord Entertainment Company Retirement Benefit Restoration Plan (incorporated by reference to Exhibit 10.19 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000) (File No. 1-13079)).
10.30	Form of Severance Agreement between the Company and certain of its executive officers (incorporated by reference to Exhibit 10.23 to Old Gaylord s Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-10881)).

EXHIBIT NUMBER	DESCRIPTION
10.31	Consulting Agreement, dated October 31, 2001, between the Company and Dave Jones (incorporated by reference to Exhibit 10.22 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-13079)).
10.32	Letter Agreement dated February 14, 2001 between the Company and Carl W. Kornmeyer (incorporated by reference to Exhibit 10.26 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-13079)).
10.33	Executive Employment Agreement of David C. Kloeppel, dated September 4, 2001, with the Company (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for quarter ended September 30, 2001 (File No. 1-13079)).
10.34	Executive Employment Agreement of Colin V. Reed, dated April 23, 2001, with the Company (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for quarter ended June 30, 2001 (File No. 1-13079)).
10.35	Indemnification Agreement, dated as of April 23, 2001, by and between the Company and Colin V. Reed (incorporated by reference to Exhibit 10.30 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-13079)).
10.36	Executive Employment Agreement of Michael D. Rose, dated April 23, 2001, with the Company (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for quarter ended June 30, 2001 (File No. 1-13079)).
10.37	Indemnification Agreement, dated as of April 23, 2001, by and between the Company and Michael D. Rose (incorporated by reference to Exhibit 10.31 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-13079)).
10.38	Executive Employment Agreement of Jay D. Sevigny, dated July 15, 2003, with the Company.
10.39	Executive Employment Agreement of Jim Olin, dated August 4, 2003, with the Company.
10.40	Form of Indemnification Agreement between the Company and each of its non-employee directors (incorporated by reference to Exhibit 10.36 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-13079)).
10.41	Gaylord Entertainment Company Director Compensation Policy (incorporated by reference to Exhibit 10.37 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-13079)).
	MISCELLANEOUS:
16	Letter from Arthur Andersen LLP regarding change in independent auditor (incorporated by reference to Exhibit 16.1 to the Company s Current Report on Form 8-K dated June 19, 2002 (File No. 1-13079)).
21	Subsidiaries of Gaylord Entertainment Company.
23.1*	Consent of Independent Auditors.
31.1*	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a 14(a) and Rule 15d 14(a).
31.2*	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a 14(a) and Rule 15d 14(a).
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

* Filed herewith.

Unless otherwise noted, exhibits were filed with the Form 10-K filed March 12, 2004.

As directed by Item 601(b)(2) of Regulation S-K, certain schedules and exhibits to this exhibit are omitted from this filing. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.