

Ryman Hospitality Properties, Inc.
Form 10-Q
August 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

or

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

Commission file number 1-13079

RYMAN HOSPITALITY PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

73-0664379
(I.R.S. Employer
Identification No.)

One Gaylord Drive

Nashville, Tennessee 37214

(Address of principal executive offices)

(Zip Code)

(615) 316-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class
Common Stock, par value \$.01

Outstanding as of July 31, 2013
50,501,479 shares

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RYMAN HOSPITALITY PROPERTIES, INC.

FORM 10-Q

For the Quarter Ended June 30, 2013

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Table of Contents**Part I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS.****RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands)**

| | June 30, 2013 | December 31, 2012 |
|---|--------------------------|------------------------------|
| ASSETS: | | |
| Property and equipment, net of accumulated depreciation | \$ 2,103,975 | \$ 2,148,999 |
| Cash and cash equivalents unrestricted | 44,400 | 97,170 |
| Cash and cash equivalents restricted | 14,483 | 6,210 |
| Notes receivable | 151,978 | 149,400 |
| Trade receivables, less allowance of \$655 and \$623, respectively | 74,450 | 55,343 |
| Deferred financing costs | 22,254 | 11,347 |
| Prepaid expenses and other assets | 55,345 | 63,982 |
| Total assets | \$ 2,466,885 | \$ 2,532,451 |
| LIABILITIES AND STOCKHOLDERS EQUITY: | | |
| Debt and capital lease obligations | \$ 1,154,663 | \$ 1,031,863 |
| Accounts payable and accrued liabilities | 147,438 | 218,461 |
| Deferred income tax liabilities, net | 38,274 | 88,938 |
| Deferred management rights proceeds | 184,884 | 186,346 |
| Dividends payable | 25,600 | |
| Other liabilities | 126,018 | 153,245 |
| Commitments and contingencies | | |
| Stockholders equity: | | |
| Preferred stock, \$.01 par value, 100,000 shares authorized, no shares issued or outstanding | | |
| Common stock, \$.01 par value, 400,000 shares authorized, 50,680 and 52,596 shares issued and outstanding, respectively | 507 | 526 |
| Additional paid-in capital | 1,264,208 | 1,250,975 |
| Treasury stock of 456 shares, at cost | (7,234) | (7,234) |
| Accumulated deficit | (452,442) | (366,066) |
| Accumulated other comprehensive loss | (15,031) | (24,603) |
| Total stockholders equity | 790,008 | 853,598 |
| Total liabilities and stockholders equity | \$ 2,466,885 | \$ 2,532,451 |

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

Table of Contents**RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****AND COMPREHENSIVE INCOME****(Unaudited)****(In thousands, except per share data)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------------|------------------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Rooms | \$ 96,073 | \$ 99,982 | \$ 181,582 | \$ 187,516 |
| Food and beverage | 99,309 | 101,224 | 197,497 | 209,300 |
| Other hotel revenue | 27,449 | 31,841 | 53,333 | 62,279 |
| Opry and Attractions | 22,352 | 20,182 | 34,884 | 33,049 |
| Total revenues | 245,183 | 253,229 | 467,296 | 492,144 |
| Operating expenses: | | | | |
| Rooms | 26,564 | 24,797 | 51,651 | 47,765 |
| Food and beverage | 60,406 | 60,644 | 121,654 | 122,258 |
| Other hotel expenses | 68,583 | 74,836 | 138,151 | 147,730 |
| Management fees | 3,724 | | 7,193 | |
| Total hotel operating expenses | 159,277 | 160,277 | 318,649 | 317,753 |
| Opry and Attractions | 14,629 | 14,075 | 25,915 | 24,832 |
| Corporate | 6,636 | 13,260 | 13,302 | 26,266 |
| REIT conversion costs | 5,420 | 3,375 | 20,412 | 6,428 |
| Casualty loss | 17 | 372 | 49 | 546 |
| Preopening costs | | 8 | | 339 |
| Impairment and other charges (non-REIT conversion costs) | 1,247 | | 1,247 | |
| Depreciation and amortization | 29,054 | 30,254 | 61,063 | 62,688 |
| Total operating expenses | 216,280 | 221,621 | 440,637 | 438,852 |
| Operating income | 28,903 | 31,608 | 26,659 | 53,292 |
| Interest expense, net of amounts capitalized | (17,424) | (14,451) | (30,747) | (28,813) |
| Interest income | 3,052 | 3,021 | 6,103 | 6,175 |
| Income from unconsolidated companies | | 109 | | 109 |
| Other gains and (losses), net | 53 | | 47 | |
| Income before income taxes and discontinued operations | 14,584 | 20,287 | 2,062 | 30,763 |
| (Provision) benefit for income taxes | 1,784 | (11,314) | 68,076 | (15,783) |
| Income from continuing operations | 16,368 | 8,973 | 70,138 | 14,980 |
| Income (loss) from discontinued operations, net of income taxes | 11 | (19) | 21 | 2 |
| Net income | 16,379 | 8,954 | 70,159 | 14,982 |
| Loss on call spread modification related to convertible notes | (4,869) | | (4,869) | |

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| | | | | |
|--|-----------|----------|-----------|-----------|
| Net income available to common shareholders | \$ 11,510 | \$ 8,954 | \$ 65,290 | \$ 14,982 |
| <u>Basic income per share available to common shareholders:</u> | | | | |
| Income from continuing operations | \$ 0.22 | \$ 0.18 | \$ 1.26 | \$ 0.31 |
| Income from discontinued operations, net of income taxes | | | | |
| Net income | \$ 0.22 | \$ 0.18 | \$ 1.26 | \$ 0.31 |
| <u>Fully diluted income per share available to common shareholders:</u> | | | | |
| Income from continuing operations | \$ 0.18 | \$ 0.17 | \$ 0.99 | \$ 0.29 |
| Income from discontinued operations, net of income taxes | | | | |
| Net income | \$ 0.18 | \$ 0.17 | \$ 0.99 | \$ 0.29 |
| Dividends declared per common share | \$ 0.50 | \$ | \$ 1.00 | \$ |
| Comprehensive income, net of deferred taxes | \$ 24,789 | \$ 8,954 | \$ 79,731 | \$ 14,982 |

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

Table of Contents**RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Months Ended June 30, 2013 and 2012****(Unaudited)****(In thousands)**

| | 2013 | 2012 |
|---|-------------|-------------|
| Cash Flows from Operating Activities: | | |
| Net income | \$ 70,159 | \$ 14,982 |
| Amounts to reconcile net income to net cash flows provided by operating activities: | | |
| Income from discontinued operations, net of taxes | (21) | (2) |
| Income from unconsolidated companies | | (109) |
| Impairment and other charges | 1,786 | |
| Provision (benefit) for deferred income taxes | (69,493) | 15,363 |
| Depreciation and amortization | 61,063 | 62,688 |
| Amortization of deferred financing costs | 2,642 | 2,423 |
| Amortization of discount on convertible notes | 7,337 | 6,754 |
| Write-off of deferred financing costs related to senior notes | 544 | |
| Write-off of deferred financing costs related to credit facility | 1,301 | |
| Stock-based compensation expense | 4,635 | 5,277 |
| Excess tax benefit from stock-based compensation | (4) | |
| Changes in: | | |
| Trade receivables | (19,107) | (12,255) |
| Interest receivable | (2,578) | (2,394) |
| Accounts payable and accrued liabilities | (72,198) | (16,228) |
| Other assets and liabilities | 4,947 | 2,600 |
| Net cash flows provided by (used in) operating activities – continuing operations | (8,987) | 79,099 |
| Net cash flows provided by operating activities – discontinued operations | 79 | 51 |
| Net cash flows provided by (used in) operating activities | (8,908) | 79,150 |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | (15,181) | (58,788) |
| Collection of notes receivable | | 2,870 |
| Increase in restricted cash and cash equivalents | (8,273) | |
| Other investing activities | 226 | 424 |
| Net cash flows used in investing activities – continuing operations | (23,228) | (55,494) |
| Net cash flows used in investing activities – discontinued operations | | |
| Net cash flows used in investing activities | (23,228) | (55,494) |
| Cash Flows from Financing Activities: | | |
| Net borrowings (repayments) under credit facility | (82,000) | (45,000) |
| Issuance of senior notes | 350,000 | |
| Early redemption of senior notes | (152,180) | |
| Deferred financing costs paid | (15,395) | |

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| | | |
|---|-----------|-----------|
| Repurchase of Company stock for retirement | (100,028) | |
| Payment of dividend | (25,823) | |
| Proceeds from exercise of stock option and purchase plans | 5,145 | 6,833 |
| Excess tax benefit from stock-based compensation | 4 | |
| Other financing activities, net | (357) | (373) |
| | | |
| Net cash flows used in financing activities continuing operations | (20,634) | (38,540) |
| Net cash flows provided by financing activities discontinued operations | | |
| | | |
| Net cash flows used in financing activities | (20,634) | (38,540) |
| | | |
| Net change in cash and cash equivalents | (52,770) | (14,884) |
| Cash and cash equivalents unrestricted, beginning of period | 97,170 | 44,388 |
| | | |
| Cash and cash equivalents unrestricted, end of period | \$ 44,400 | \$ 29,504 |

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

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RYMAN HOSPITALITY PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION:

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

The Company conducts its business through an umbrella partnership REIT, in which its assets are held by, and operations are conducted through, RHP Hotel Properties, LP, a subsidiary operating partnership (the Operating Partnership) that the Company formed in connection with the REIT conversion. The Company is the sole limited partner of the Operating Partnership and currently owns, either directly or indirectly, all of the partnership units of the Operating Partnership.

The Company principally operates, through its subsidiaries and its property managers, as applicable, in the following business segments: Hospitality, Opry and Attractions, and Corporate and Other.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the financial information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim periods have been included. All adjustments are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year because of seasonal and short-term variations.

Reclassifications

The Company is electing REIT status for the year ending December 31, 2013. In connection with the Company s conversion to a REIT and the restructuring of the Company s business operations as further discussed in Note 3, the Company has revised the presentation of its condensed consolidated balance sheets and condensed consolidated statements of operations and comprehensive income to be more consistent with its peers within the hospitality REIT industry. For the condensed consolidated balance sheets, these changes consisted of presenting an unclassified balance sheet. For the condensed consolidated statements of operations and comprehensive income, the changes consist of providing revenues and operating expenses as Rooms, Food and Beverage, Other Hotel Revenues/Expenses, Opry and Attractions, and Corporate. As a result, certain amounts in previously issued financial statements have been reclassified to conform to the 2013 presentation as follows:

a reduction of \$10.7 million in total assets and \$10.7 million in total liabilities in the Company s consolidated balance sheet as of December 31, 2012, as a result of the change in presentation for deferred income taxes under an unclassified balance sheet;

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a reclassification of \$139.2 million of operating costs for the three months ended June 30, 2012 as hotel operating expenses (\$125.9 million), Opry and Attractions operating expenses (\$10.3 million) and Corporate operating expenses (\$3.0 million);

a reclassification of \$274.2 million of operating costs for the six months ended June 30, 2012 as hotel operating expenses (\$250.6 million), Opry and Attractions operating expenses (\$17.5 million) and Corporate operating expenses (\$6.1 million);

a reclassification of \$51.8 million of selling, general and administrative expense for the three months ended June 30, 2012 as hotel operating expenses (\$34.4 million), Opry and Attractions operating expenses (\$3.8 million), Corporate operating expenses (\$10.2 million) and REIT conversion costs (\$3.4 million); and

a reclassification of \$101.1 million of selling, general and administrative expense for the six months ended June 30, 2012 as hotel operating expenses (\$67.2 million), Opry and Attractions operating expenses (\$7.3 million), Corporate operating expenses (\$20.2 million) and REIT conversion costs (\$6.4 million).

The Company believes the 2013 presentation is more aligned with its peers in the hospitality REIT industry.

2. NEWLY ISSUED ACCOUNTING STANDARDS:

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-02, Topic 220, *Comprehensive Income*, which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The ASU is intended to help entities improve the transparency of changes in other comprehensive income and items reclassified out of accumulated other comprehensive income in their financial statements. It does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. The Company adopted this ASU in the first quarter of 2013 and this adoption did not have a material impact on the Company's consolidated financial statements.

3. REIT CONVERSION:

The Company completed a plan to restructure the Company's business operations to facilitate the Company's qualification as a REIT for federal income tax purposes (the REIT conversion) during 2012 and will elect to be taxed as a REIT for the year ending December 31, 2013. In connection with the REIT conversion, the Company completed the Merger and made a one-time earnings and profits distribution to distribute all of the Company's C corporation earnings and profits attributable to taxable periods ending prior to January 1, 2013 as a special dividend to stockholders. The special dividend was paid on December 21, 2012 to shareholders of record as of November 13, 2012, as discussed more fully in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

On October 1, 2012, the Company consummated its agreement to sell the Gaylord Hotels brand and rights to manage the Gaylord Opryland Resort and Convention Center (Gaylord Opryland), the Gaylord Palms Resort and Convention Center (Gaylord Palms), the Gaylord Texan Resort and Convention Center (Gaylord Texan) and the Gaylord National Resort and Convention Center (Gaylord National), which the Company refers to collectively as the Gaylord Hotels properties , to Marriott International, Inc. (Marriott) for \$210.0 million in cash (the Marriott sale transaction). Effective October 1, 2012, Marriott assumed responsibility for managing the day-to-day operations of the Gaylord Hotels properties pursuant to a management agreement for each Gaylord Hotel property.

On October 1, 2012, the Company received \$210.0 million in cash from Marriott in exchange for rights to manage the Gaylord Hotels properties (the Management Rights) and certain intellectual property (the IP Rights). The

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Company allocated \$190.0 million of the purchase price to the Management Rights and \$20.0 million to the IP Rights. The allocation was based on the Company's estimates of the fair values for the respective components. The Company estimated the fair value of each component by constructing distinct discounted cash flow models.

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

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

The Company has segregated all costs related to the REIT conversion from normal operations and reported these amounts as REIT conversion costs in the accompanying condensed consolidated statements of operations. During the three months and six months ended June 30, 2013, the Company incurred \$5.4 million and \$20.4 million, respectively, of various costs associated with these transactions. REIT conversion costs incurred during the three months ended June 30, 2013 include employment and severance costs (\$2.7 million), professional fees (\$0.9 million), and various other transition costs (\$1.8 million). REIT conversion costs incurred during the six months ended June 30, 2013 include employment and severance costs (\$13.9 million), professional fees (\$2.0 million), and various other transition costs (\$4.5 million). During the three months and six months ended June 30, 2012, the Company incurred \$3.4 million and \$6.4 million, respectively, of REIT conversion costs, which were comprised almost exclusively of professional fees.

Including the costs noted above, the Company currently estimates that it will incur approximately \$25.7 million in one-time costs during 2013 related to the REIT conversion. The Company also anticipates that it has incurred federal income taxes, including those associated with the receipt of the purchase price in the Marriott sale transaction and other transactions related to the REIT conversion, net of the effect of remaining net operating losses, of approximately \$5.0 million to \$7.0 million, which will be paid in 2013.

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------|------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Weighted average shares outstanding basic | 51,244 | 48,974 | 51,832 | 48,844 |
| Effect of dilutive stock-based compensation | 504 | 675 | 533 | 654 |
| Effect of convertible notes | 7,464 | 2,803 | 7,682 | 1,904 |
| Effect of common stock warrants | 5,678 | 722 | 5,940 | |
| Weighted average shares outstanding diluted | 64,890 | 53,174 | 65,987 | 51,402 |

The Company had stock-based compensation awards outstanding with respect to approximately 0.1 million and 0.8 million shares of common stock for the three months ended June 30, 2013 and 2012, respectively, and approximately 0.1 million and 0.9 million shares of common stock for the six months ended June 30, 2013 and 2012, respectively, that could potentially dilute earnings per share in the future but were excluded from the computation of diluted earnings per share for the respective periods as the effect of their inclusion would have been anti-dilutive.

As discussed more fully in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, in 2009 the Company issued 3.75% Convertible Senior Notes due 2014 (the "Convertible Notes"). The Company intends to settle the outstanding face value of the Convertible Notes in cash upon conversion/maturity. Any conversion spread associated with the conversion/maturity of the Convertible Notes may be settled in cash or shares of the Company's common stock. The Convertible Notes are currently convertible through September 30, 2013; however, other than as described in Note 16, the Company has not settled the conversion of any of the Convertible Notes.

In connection with the issuance of the Convertible Notes, the Company sold common stock purchase warrants to counterparties affiliated with the initial purchasers of the Convertible Notes whereby the warrant holders may purchase shares of the Company's stock. As of June 30, 2013, approximately 16.4 million shares of the Company's common stock were issuable pursuant to the warrants, with an adjusted strike price of \$26.35 per share, which includes the adjustments made in connection with the dividend paid by the Company on July 15, 2013. The number of shares underlying the warrants and the strike price thereof are subject to further anti-dilution adjustments, including for quarterly cash dividends paid by the Company. If the average closing price of the Company's stock during a reporting period exceeds this strike price, these warrants will be dilutive. The warrants may only be settled at maturity in shares of the Company's common stock, net of the strike price. See Note 16 for further disclosure.

In June 2013, the Company entered into agreements with the note-hedge counterparties to proportionately reduce the number of Purchased Options (as defined below) and the warrants discussed above. These agreements were considered modifications to the Purchased Options and the warrants, and based on the terms of the agreements, the Company recognized a charge of \$4.9 million in the three months and six months ended June 30, 2013, which is recorded as an increase to accumulated deficit and additional paid-in-capital in the accompanying condensed consolidated balance sheets. This charge also represents a deduction from net income in calculating net income available to common shareholders and earnings per share available to common shareholders in the accompanying condensed consolidated statements of operations. As further described in Note 16, the related repurchase of a portion of the Company's Convertible Notes settled in July 2013, and will be recorded in the third quarter of 2013.

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The Company's balance in accumulated other comprehensive loss is composed of amounts related to the Company's minimum pension liability. During the three months and six months ended June 30, 2013, the Company recorded \$13.6 million in other comprehensive income, which primarily represents the decrease in the Company's pension plan liability as described in Note 10, and reclassified \$0.1 million and \$0.2 million, respectively, from accumulated other comprehensive loss into operating expenses in the Company's condensed consolidated statements of operations included herein. During the three months and six months ended June 30, 2013, the Company also recorded \$5.2 million and \$4.2 million, respectively, in tax expense for accumulated other comprehensive income, primarily related to a change in tax rate on the items included in accumulated other comprehensive income due to the Company's REIT conversion.

6. PROPERTY AND EQUIPMENT:

Property and equipment of continuing operations at June 30, 2013 and December 31, 2012 is recorded at cost and summarized as follows (in thousands):

| | June 30, 2013 | December 31, 2012 |
|-----------------------------------|--------------------------|------------------------------|
| Land and land improvements | \$ 241,814 | \$ 241,292 |
| Buildings | 2,302,173 | 2,297,343 |
| Furniture, fixtures and equipment | 575,501 | 563,622 |
| Construction-in-progress | 21,262 | 27,534 |
| | 3,140,750 | 3,129,791 |
| Accumulated depreciation | (1,036,775) | (980,792) |
| Property and equipment, net | \$ 2,103,975 | \$ 2,148,999 |

7. NOTES RECEIVABLE:

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

During the three months ended June 30, 2013 and 2012, the Company recorded interest income of \$3.1 million and \$2.9 million, respectively, on these bonds. During the six months ended June 30, 2013 and 2012, the Company recorded interest income of \$6.1 million on these bonds. The Company received payments of \$3.5 million and \$6.6 million during the six months ended June 30, 2013 and 2012, respectively, relating to these notes receivable.

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The Company's debt and capital lease obligations related to continuing operations at June 30, 2013 and December 31, 2012 consisted of (in thousands):

| | June 30, 2013 | December 31, 2012 |
|---|---------------------|----------------------|
| \$1 Billion Credit Facility, interest at LIBOR plus 1.75%, maturing April 18, 2017 | \$ 463,000 | \$ |
| \$925 Million Credit Facility, interest at LIBOR plus 2.0%, originally maturing August 1, 2015 | | 545,000 |
| Convertible Senior Notes, interest at 3.75%, maturing October 1, 2014, net of unamortized discount of \$19,624 and \$26,961 | 340,376 | 333,039 |
| Senior Notes, interest at 5.0%, maturing April 15, 2021 | 350,000 | |
| Senior Notes, interest at 6.75%, originally maturing November 15, 2014 | | 152,180 |
| Capital lease obligations | 1,287 | 1,644 |
| Total debt | 1,154,663 | 1,031,863 |
| Less amounts due within one year | (626) | (130,358) |
| Total long-term debt | \$ 1,154,037 | \$ 901,505 |

The above decrease in amounts due within one year results from the Company's intent and ability to refinance all of its convertible notes on a long-term basis if the notes were to be converted at June 30, 2013. At December 31, 2012, because of lower availability to borrow additional funds under its revolving credit facility, the Company had the ability to refinance only a portion of any conversions on a long-term basis.

As of June 30, 2013, the Company was in compliance with all of its covenants related to its debt.

\$1 Billion Credit Facility

On April 18, 2013, the Company refinanced its previous \$925 million credit facility by entering into a \$1 billion senior secured credit facility by and among the Operating Partnership, the Company, and certain subsidiaries of the Company party thereto, as guarantors, the lenders party thereto, and Wells Fargo Bank, N.A., as administrative agent (the "\$1 billion credit facility"). The \$1 billion credit facility consists of a \$700.0 million senior secured revolving credit facility, of which \$154.0 million was drawn at closing, and a \$300.0 million senior secured term loan facility, which was fully funded at closing. The \$1 billion credit facility also includes an accordion feature that allows the Company to increase the \$1 billion credit facility by a total of up to \$500.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The \$1 billion credit facility matures on April 18, 2017 and borrowings bear interest at an annual rate of LIBOR plus an adjustable margin (the "Applicable Margin") based on the Company's consolidated funded indebtedness to total asset value ratio (as defined in the \$1 billion credit facility), or the base rate (as defined in the \$1 billion credit facility) plus the Applicable Margin. Interest is payable quarterly, in arrears, for base rate-based loans and at the end of each interest rate period for LIBOR-based loans. Principal is payable in full at maturity. The Company is required to pay a commitment fee of 0.3% to 0.4% per year of the average unused portion of the \$700.0 million revolving credit facility. The purpose of the \$1 billion credit facility is for working capital, capital expenditures, and other corporate purposes.

The \$1 billion credit facility is guaranteed by the Company, each of the four wholly-owned subsidiaries that own the Gaylord Hotels properties, and certain other of the Company's subsidiaries. The \$1 billion credit facility is secured by (i) a first mortgage lien on the real property of each of the Gaylord Hotels properties, (ii) pledges of equity interests in the Company's subsidiaries that own the Gaylord Hotels properties, (iii) pledges of equity interests in the Operating Partnership, the subsidiaries that guarantee the \$1 billion credit facility, and certain other of the Company's subsidiaries, and (iv) the Company's personal property and the personal property of the Operating Partnership and the subsidiaries that guarantee the \$1 billion credit facility.

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In addition, the \$1 billion credit facility contains certain covenants which, among other things, limits the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances and other matters customarily restricted in such agreements.

If an event of default shall occur and be continuing under the \$1 billion credit facility, the commitments under the \$1 billion credit facility may be terminated and the principal amount outstanding under the \$1 billion credit facility, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

As a result of the refinancing of its previous \$925 million credit facility, the Company wrote off \$1.3 million of deferred financing costs in the three months ended June 30, 2013, which are included in interest expense in the accompanying condensed consolidated statements of operations for the three months and six months ended June 30, 2013.

3.75% Convertible Senior Notes

In 2009, the Company issued \$360.0 million of the Convertible Notes. The Convertible Notes are convertible, under certain circumstances as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, at the holder's option, into shares of the Company's common stock, at an adjusted conversion rate of 45.5431 shares of common stock per \$1,000 principal amount of the Convertible Notes, which is equivalent to an adjusted conversion price of approximately \$21.96 per share and reflects the adjustment made for the Company's dividend that was paid on July 15, 2013. Additional adjustments will be made for quarterly cash dividends paid by the Company pursuant to customary anti-dilution adjustments. The Company may elect, at its option, to deliver shares of its common stock, cash or a combination of cash and shares of its common stock in satisfaction of its obligations upon conversion of the Convertible Notes or at their maturity.

Based on the Company's stock price during the three months ended June 30, 2013, a condition permitting conversion (as defined in the indenture governing the Convertible Notes) had been satisfied, and thus the Convertible Notes are currently convertible through September 30, 2013. Other than as described in Note 16, the Company has not settled the conversion of any of the Convertible Notes. Based on the Company's borrowing capacity under its \$1 billion credit facility as of June 30, 2013, the Convertible Notes have been classified as long-term debt in the above table as of June 30, 2013.

Concurrently with the offering of the Convertible Notes, the Company entered into convertible note hedge transactions with respect to its common stock (the Purchased Options) with counterparties affiliated with the initial purchasers of the Convertible Notes, for purposes of reducing the potential dilutive effect upon conversion of the Convertible Notes. The Purchased Options entitle the Company to purchase shares of the Company's common stock. As of June 30, 2013, the Purchased Options covered approximately 16.4 million shares, with an adjusted strike price of \$21.96 per share (the same as the adjusted conversion price of the Convertible Notes), which includes adjustments made in connection with the dividend paid by the Company on July 15, 2013. The number of shares underlying the Purchased Options and the strike price thereof are subject to further customary anti-dilution adjustments substantially similar to the Convertible Notes, including for quarterly cash dividends. The Company may settle the Purchased Options in shares, cash or a combination of cash and shares, at the Company's option. Proportionate reductions to the number of shares underlying the Purchased Options may be made in connection with the Company's repurchase, if any, of Convertible Notes prior to their maturity. See Note 16 for further disclosure.

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Separately and concurrently with entering into the Purchased Options, the Company also entered into warrant transactions whereby it sold common stock purchase warrants to each of the hedge counterparties. The warrants entitle the counterparties to purchase shares of the Company's common stock. As of June 30, 2013, the warrants covered approximately 16.4 million shares, with an adjusted strike price of \$26.35 per share, which includes adjustments made in connection with the dividend paid by the Company on July 15, 2013. The number of shares underlying the warrants and the strike price thereof are subject to further customary anti-dilution adjustments similar to the adjustments of the Convertible Notes and Purchased Options, including for quarterly cash dividends. The warrants may only be settled at maturity in shares of the Company's common stock, net of the exercise price. Proportionate reductions to the number of shares underlying the warrants may be made in connection with the Company's repurchase, if any, of Convertible Notes prior to their maturity. See Note 16 for further disclosure.

5% Senior Notes

On April 3, 2013, the Operating Partnership and RHP Finance Corporation, a subsidiary of the Company, completed the private placement of \$350.0 million in aggregate principal amount of senior notes due 2021 (the 5% Senior Notes), which are guaranteed by the Company and certain of its subsidiaries. The 5% Senior Notes and guarantees were issued pursuant to an indenture by and among the issuing subsidiaries and the guarantors and U.S. Bank National Association, as trustee. The 5% Senior Notes have a maturity date of April 15, 2021 and bear interest at 5% per annum, payable semi-annually in cash in arrears on April 15 and October 15 of each year, beginning October 15, 2013. The 5% Senior Notes are general unsecured and unsubordinated obligations of the issuing subsidiaries and rank equal in right of payment with such subsidiaries existing and future senior unsecured indebtedness and senior in right of payment to future subordinated indebtedness, if any. The 5% Senior Notes are effectively subordinated to the issuing subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness. The guarantees rank equally in right of payment with the applicable guarantor's existing and future senior unsecured indebtedness and senior in right of payment to any future subordinated indebtedness of such guarantor. The 5% Senior Notes are effectively subordinated to any secured indebtedness of any guarantor to the extent of the value of the assets securing such indebtedness and structurally subordinated to all indebtedness and other obligations of the Operating Partnership's subsidiaries that do not guarantee the 5% Senior Notes. The issuing subsidiaries may redeem the 5% Senior Notes on or before April 16, 2016, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date plus a make-whole redemption premium. The 5% Senior Notes will be redeemable, in whole or in part, at any time on or after April 15, 2016 at a redemption price expressed as a percentage of the principal amount thereof, which percentage is 103.75%, 102.50%, 101.25%, and 100.00% beginning on April 15, 2016, 2017, 2018 and 2019, respectively, plus accrued and unpaid interest thereon to, but not including, the redemption date.

The net proceeds from the issuance of the 5% Senior Notes totaled approximately \$342.0 million, after deducting the initial purchasers discounts, commissions and offering expenses. The Company used substantially all of these proceeds to repay amounts outstanding under its revolving credit facility.

6.75% Senior Notes

On January 17, 2013, the Company redeemed all of its outstanding 6.75% senior notes at par, which was funded using borrowings under the revolving credit line of the \$925 million credit facility. As a result of this redemption, the Company wrote off \$0.5 million of deferred financing costs during the six months ended June 30, 2013, which is included in interest expense in the accompanying condensed consolidated statements of operations.

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

During the six months ended June 30, 2013, the Company granted 37,000 restricted stock units to certain members of its management team which may vest in 2016 based on the level of performance during the performance period and subject to continued employment. The number of awards that will ultimately vest is based on the Company's total shareholder return over the three-year performance period ended December 31, 2015 relative to the total shareholder return of a peer group of companies during the same period. The weighted-average grant date fair value of \$45.01 per award was determined using a Monte Carlo simulation model, which assumed a risk-free rate of 0.4%, an expected life of 3.0 years and historical volatilities that ranged from 23% to 64%. As these awards include a market condition, the Company records compensation expense for these awards based on the grant date fair value of the award recognized ratably over the vesting period.

During 2011, the Company granted 67,400 restricted stock units to certain members of its management team which may vest in 2014. The number of awards that will ultimately vest will be based on Company performance relative to the annual budgets approved by the Company's board of directors. The Company began recognizing compensation expense related to the weighted-average grant-date fair value of \$44.39 for these awards in the first quarter of 2013 when the 2013 budget was approved and the key terms and conditions of the awards was deemed to be established and a grant date had occurred.

At June 30, 2013 and December 31, 2012, 524,596 and 574,933 restricted stock units were outstanding, respectively.

The compensation expense that has been charged against pre-tax income for all of the Company's stock-based compensation plans was \$2.0 million and \$2.9 million for the three months ended June 30, 2013 and 2012, respectively, and \$4.6 million and \$5.3 million for the six months ended June 30, 2013 and 2012, respectively.

10. RETIREMENT AND POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS:

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest cost | \$ 947 | \$ 1,087 | \$ 1,940 | \$ 2,174 |
| Expected return on plan assets | (1,283) | (1,173) | (2,574) | (2,346) |
| Recognized net actuarial loss | 262 | 1,170 | 580 | 2,340 |
| Net settlement loss | 1,290 | | 1,290 | |
| Total net periodic pension expense | \$ 1,216 | \$ 1,084 | \$ 1,236 | \$ 2,168 |

As a result of increased lump-sum distributions from the Company's qualified retirement plan during the three months and six months ended June 30, 2013, partially due to the transfer of a large number of the retirement plan participants to Marriott in connection with the REIT conversion, which resulted in an increase in the number of participants eligible for distributions, a net settlement loss of \$1.3 million was recognized in the three months and

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six months ended June 30, 2013. The net settlement loss of \$0.6 million related to lump-sum distributions to former employees affected by the REIT conversion has been classified as REIT conversion costs. The net settlement loss of \$0.7 million related to lump-sum distributions to former employees not affected by the REIT conversion has been classified as corporate operating expenses.

In addition, the increase in lump-sum distributions required the Company to re-measure its liability under its pension plan as of May 31, 2013. As a result of the lump-sum distributions and an increase in the plan's assumed discount rate from 3.6% at December 31, 2012 to 4.0% at May 31, 2013, the Company recorded a \$9.5 million reduction in its liability under the plan, which was recorded as a decrease in other liabilities and accumulated other comprehensive loss in the accompanying condensed consolidated balance sheet as of June 30, 2013.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|---------------|------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ | \$ 15 | \$ | \$ 29 |
| Interest cost | 33 | 253 | 97 | 507 |
| Amortization of net actuarial loss | 142 | 176 | 238 | 352 |
| Amortization of prior service credit | (380) | (131) | (665) | (261) |
| Total net postretirement benefit expense | \$ (205) | \$ 313 | \$ (330) | \$ 627 |

11. INCOME TAXES:

As a REIT, generally the Company will not be subject to federal corporate income taxes on ordinary taxable income and capital gains income from real estate investments that it distributes to its stockholders. The Company will, however, be subject to corporate income taxes on built-in gains (the excess of fair market value over tax basis at January 1, 2013) on the sale of property held by the REIT during the first ten years following the REIT conversion. In addition, the Company will continue to be required to pay federal corporate income taxes on earnings of its taxable REIT subsidiaries (TRSs).

For the three months ended June 30, 2013, the Company recorded an income tax benefit of \$1.8 million, consisting of a tax benefit of \$2.8 million related to the current period operations of the Company, partially offset by discrete expense of \$1.0 million related to an increase in deferred tax liabilities associated with the Company's REIT conversion.

For the six months ended June 30, 2013, the Company recorded an income tax benefit of \$68.1 million. This benefit was primarily due to the reversal of \$136.5 million in net deferred tax liabilities that are no longer applicable as a result of the Company's REIT conversion, partially offset by a valuation allowance of \$76.1 million on the net deferred tax assets of the TRSs, as further described below. In addition, the Company recorded \$6.7 million in tax benefit related primarily to the reversal of liabilities associated with unrecognized tax positions during the six months ended June 30, 2013, as described below. The Company recorded income tax benefit of \$1.0 million related to the current period operations of the Company.

As a result of the Company's conversion to a REIT, certain net deferred tax liabilities related to the real estate of the Company were reversed, as the REIT will generally not pay federal corporate income tax related to those deferred tax liabilities. In addition, the Company assessed the need for a valuation allowance on the net deferred tax assets of the TRSs. Based on the evidence available at June 30, 2013, the Company determined that a valuation allowance of \$76.1 million was necessary on certain of its deferred tax assets for federal and state purposes.

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The Internal Revenue Service has completed its examination of the Company's federal income tax returns for fiscal years 2008, 2009 and 2010. As a result, issues related to 2010 and earlier years have been effectively settled. The Company has not been notified of any other federal or state audits. Due to the favorable resolution of the federal examination, the Company's reserve for unrecognized tax benefits decreased \$12.4 million during the six months ended June 30, 2013, of which \$4.8 million was recorded as an income tax benefit. In addition, the Company recorded a reduction to the related accrued interest of \$2.1 million as an income tax benefit in the six months ended June 30, 2013.

As of June 30, 2013 and December 31, 2012, the Company had \$0.8 million and \$13.2 million of unrecognized tax benefits, respectively, of which \$0.8 million and \$6.7 million, respectively, would affect the Company's effective tax rate if recognized. These liabilities are recorded in other liabilities in the accompanying condensed consolidated balance sheets. The Company estimates the overall decrease in unrecognized tax benefits in the next twelve months will be approximately \$0.8 million, mainly due to the expiration of various statutes of limitations. As of June 30, 2013 and December 31, 2012, the Company had accrued \$0.1 million and \$2.2 million, respectively, of interest and no penalties related to uncertain tax positions.

12. COMMITMENTS AND CONTINGENCIES:

Through joint venture arrangements with two private real estate funds, the Company previously invested in two joint ventures which were formed to own and operate hotels in Hawaii. As part of the joint venture arrangements, the Company entered into contribution agreements with the majority owners, which owners had guaranteed certain recourse liabilities under third-party loans to the joint ventures. The guarantees of the joint venture loans guaranteed each of the subsidiaries' obligations under its third party loans for as long as those loans remain outstanding (i) in the event of certain types of fraud, breaches of environmental representations or warranties, or breaches of certain special purpose entity covenants by the subsidiaries, or (ii) in the event of bankruptcy or reorganization proceedings of the subsidiaries. The Company agreed that, in the event a majority owner is required to make any payments pursuant to the terms of these guarantees of joint venture loans, it will contribute to the majority owner an amount based on its proportional commitment in the applicable joint venture. The Company estimates that the maximum potential amount for which the Company could be liable under the contribution agreements is \$16.9 million, which represents its pro rata share of the \$86.4 million of total debt that is subject to the guarantees. As of June 30, 2013, the Company had not recorded any liability in the condensed consolidated balance sheet associated with the contribution agreements.

The Company is self-insured up to a stop loss for certain losses related to workers' compensation claims and general liability claims through September 30, 2012, and for certain losses related to employee medical benefits through December 31, 2012. The Company's insurance program has subsequently transitioned to a low or no deductible program. The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of claims relating to workers' compensation, employee medical benefits and general liability for which it is self-insured.

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

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

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13. STOCKHOLDERS' EQUITY:

Stock Repurchases

On December 17, 2012, the Company announced that its board of directors authorized a share repurchase program for up to \$100.0 million of the Company's common stock using cash on hand and borrowings under its revolving credit line, to be implemented through open market transactions on U.S. exchanges or in privately negotiated transactions, in accordance with applicable securities laws, with any market purchases to be made during open trading window periods or pursuant to any applicable Securities and Exchange Commission Rule 10b5-1 trading plans.

During the six months ended June 30, 2013, the Company completed its repurchases under the repurchase program by repurchasing approximately 2.3 million shares of its common stock for an aggregate purchase price of approximately \$100.0 million, which the Company funded using cash on hand and borrowings under the revolving credit line of the the Company's credit facility. The repurchased stock was cancelled by the Company and has been reflected as a reduction of retained earnings in the accompanying condensed consolidated financial statements.

Dividends

On February 14, 2013, the Company's board of directors declared the Company's first quarter cash dividend in the amount of \$0.50 per share of common stock, or an aggregate of approximately \$25.8 million in cash, which was paid on April 12, 2013 to stockholders of record as of the close of business on March 28, 2013.

On June 3, 2013, the Company's board of directors declared the Company's second quarter cash dividend in the amount of \$0.50 per share of common stock, or an aggregate of approximately \$25.3 million in cash, which was paid on July 15, 2013 to stockholders of record as of the close of business on June 28, 2013.

14. FAIR VALUE MEASUREMENTS:

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

As of June 30, 2013 and December 31, 2012, the Company held certain assets that are required to be measured at fair value on a recurring basis. These included investments held in conjunction with the Company's non-qualified contributory deferred compensation plan.

The investments held by the Company in connection with its deferred compensation plan consist of mutual funds traded in an active market. The Company determined the fair value of these mutual funds based on the net asset value per unit of the funds or the portfolio, which is based upon quoted market prices in an active market. Therefore, the Company has categorized these investments as Level 1. The Company has consistently applied these valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of investments it holds.

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The Company had no liabilities required to be measured at fair value at June 30, 2013 and December 31, 2012. The Company's assets measured at fair value on a recurring basis at June 30, 2013 and December 31, 2012, were as follows (in thousands):

| | June 30, 2013 | Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--|------------------|--|-----------------------------------|-------------------------------------|
| Deferred compensation plan investments | \$ 17,018 | \$ 17,018 | \$ | \$ |
| Total assets measured at fair value | \$ 17,018 | \$ 17,018 | \$ | \$ |

| | December 31, 2012 | Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--|----------------------|--|-----------------------------------|-------------------------------------|
| Deferred compensation plan investments | \$ 15,580 | \$ 15,580 | \$ | \$ |
| Total assets measured at fair value | \$ 15,580 | \$ 15,580 | \$ | \$ |

The remainder of the assets and liabilities held by the Company at June 30, 2013 are not required to be measured at fair value. The carrying value of certain of these assets and liabilities do not approximate fair value, as described below.

As further discussed in Note 7 and the Company's Annual Report on Form 10-K for the year ended December 31, 2012, in connection with the development of Gaylord National, the Company received two bonds (a Series A Bond and a Series B Bond) from Prince George's County, Maryland which had aggregate carrying values of \$90.7 million and \$61.3 million, respectively, as of June 30, 2013. The maturity dates of the Series A Bond and the Series B Bond are July 1, 2034 and September 1, 2037, respectively. Based upon current market interest rates of notes receivable with comparable market ratings and current expectations about the timing of debt service payments under the notes, which the Company considers as Level 3, the fair value of the Series A Bond, which has the senior claim to the cash flows supporting these bonds, approximated carrying value as of June 30, 2013 and the fair value of the Series B Bond was approximately \$42 million as of June 30, 2013. While the fair value of the Series B Bond decreased to less than its carrying value during 2011 due to a change in the timing of the debt service payments, the Company has the intent and ability to hold this bond to maturity and expects to receive all debt service payments due under the note. Therefore, the Company does not consider the Series B Bond to be other than temporarily impaired as of June 30, 2013.

As of June 30, 2013, the Company had outstanding \$360.0 million in aggregate principal amount of Convertible Notes that accrue interest at a fixed rate of 3.75%. The carrying value of these notes on June 30, 2013 was \$340.4 million, net of discount. The fair value of the Convertible Notes, based upon the present value of cash flows discounted at current market interest rates, which the Company considers as Level 2, was approximately \$358 million as of June 30, 2013. See Note 16 for further disclosure.

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

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

Hospitality, which includes Gaylord Opryland, Gaylord Palms, Gaylord Texan, Gaylord National and the Inn at Opryland;

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

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

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Hospitality | \$ 222,831 | \$ 233,047 | \$ 432,412 | \$ 459,095 |
| Opry and Attractions | 22,352 | 20,182 | 34,884 | 33,049 |
| Corporate and Other | | | | |
| Total | \$ 245,183 | \$ 253,229 | \$ 467,296 | \$ 492,144 |
| Depreciation and amortization: | | | | |
| Hospitality | \$ 25,528 | \$ 26,347 | \$ 52,329 | \$ 54,883 |
| Opry and Attractions | 1,319 | 1,278 | 2,685 | 2,563 |
| Corporate and Other | 2,207 | 2,629 | 6,049 | 5,242 |
| Total | \$ 29,054 | \$ 30,254 | \$ 61,063 | \$ 62,688 |
| Operating income (loss): | | | | |
| Hospitality | \$ 38,026 | \$ 46,423 | \$ 61,434 | \$ 86,459 |
| Opry and Attractions | 6,404 | 4,829 | 6,284 | 5,654 |
| Corporate and Other | (8,843) | (15,889) | (19,351) | (31,508) |
| REIT conversion costs | (5,420) | (3,375) | (20,412) | (6,428) |
| Casualty loss | (17) | (372) | (49) | (546) |
| Preopening costs | | (8) | | (339) |
| Impairment and other charges (non-REIT conversion costs) | (1,247) | | (1,247) | |
| Total operating income | 28,903 | 31,608 | 26,659 | 53,292 |
| Interest expense, net of amounts capitalized | (17,424) | (14,451) | (30,747) | (28,813) |
| Interest income | 3,052 | 3,021 | 6,103 | 6,175 |
| Income from unconsolidated companies | | 109 | | 109 |
| Other gains and (losses), net | 53 | | 47 | |
| Income before income taxes and discontinued operations | \$ 14,584 | \$ 20,287 | \$ 2,062 | \$ 30,763 |

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16. SUBSEQUENT EVENTS:

In July 2013, the Company settled the repurchase and cancelled \$54.7 million of its Convertible Notes in private transactions for aggregate consideration of \$98.6 million, which was funded by borrowings under the Company's revolving credit facility. In addition, the Company settled \$1.2 million of Convertible Notes that were converted by a holder. After these transactions, \$304.1 million in principal amount of the Convertible Notes remain outstanding. As a result of these transactions, the Company expects to record a loss on extinguishment of debt of approximately \$3.0 million in the third quarter of 2013.

In connection with the Company's repurchase of the Convertible Notes, the Company entered into agreements with the note-hedge counterparties to proportionately reduce the number of Purchased Options and the warrants entered into separately and concurrently with the Purchased Options. In consideration for the agreements, the counterparties paid the Company approximately 0.2 million shares of the Company's common stock, which were subsequently cancelled by the Company. As a result of these transactions, the number of shares of the Company's common stock underlying the Purchased Options and the warrants was reduced to approximately 13.9 million shares.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Ryman Hospitality Properties, Inc. is a Delaware corporation that conducts its operations so as to qualify as a real estate investment trust (REIT) for federal income tax purposes. The Company conducts its business through an umbrella partnership REIT, in which its assets are held by, and operations are conducted through, RHP Hotel Properties, LP, a subsidiary operating partnership (the Operating Partnership). In this report, we use the terms, the Company, we or our to refer to Ryman Hospitality Properties, Inc. and its subsidiaries unless the context indicates otherwise.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report and our audited consolidated financial statements and related notes for the year ended December 31, 2012, appearing in our Annual Report on Form 10-K that was filed with the Securities and Exchange Commission (SEC) on February 27, 2013.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements concern our goals, beliefs, expectations, strategies, objectives, plans, future operating results and underlying assumptions, and other statements that are not necessarily based on historical facts. Without limitation, you can identify these statements by the fact that they do not relate strictly to historical or current facts, and these statements may contain words such as may, will, could, might, projects, expects, believes, anticipates, intends, plans, continue, or other variations thereof or comparable terms. In particular, they include statements relating to, among other things, future actions, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results. These also include statements regarding (i) the effect of our election to be taxed as a REIT for federal income tax purposes effective for the year ending December 31, 2013; (ii) the anticipated benefits of the REIT conversion and our sale of the Gaylord Hotels brand and rights to manage our Gaylord Hotels properties to Marriott International, Inc., including potential increases in revenue and anticipated cost synergies; (iii) estimated costs related to the REIT conversion and anticipated federal income taxes, including those associated with the receipt of the purchase price in the Marriott sale transaction and other transactions related to the REIT conversion; (iv) the holding of our non-qualifying REIT assets in one or more taxable REIT subsidiaries; (v) our announced dividend policy, including the frequency and amount of any dividend we may pay; (vi) potential growth opportunities, including future expansion of our existing asset portfolio through acquisitions; (vii) the anticipated pace of recovery in demand for products and services provided by the lodging industry relative to general economic conditions; (viii) Marriott's ability to effectively manage our hotels and other properties; (ix) our anticipated capital expenditures; (x) the potential operating and financial restrictions imposed on our activities under existing and future financing agreements and other contractual arrangements with third-parties, including management agreements with Marriott; and (xi) any other business or operational matters. We have based these forward-looking statements on our current expectations and projections about future events.

We caution the reader that forward-looking statements involve risks and uncertainties that cannot be predicted or quantified, and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, among other things, the risks and uncertainties associated with economic conditions affecting the hospitality business generally, the geographic concentration of our hotel properties, business levels at our hotels, the effect of our election to be taxed as a REIT for federal income tax purposes effective for the year ending December 31, 2013, our ability to remain qualified as a REIT, our ability to execute our strategic goals as a REIT, the effects of business disruption related to the Marriott management transition and the REIT conversion, our ability to realize cost savings and revenue enhancements from the REIT conversion and the Marriott transaction, our ability to generate cash flows to support dividends, future board determinations

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regarding the timing and amount of dividends and changes to the dividend policy, our ability to borrow funds pursuant to our credit agreements and to refinance indebtedness, and those factors described in our Annual Report on Form 10-K for the year ended December 31, 2012, in this Quarterly Report on Form 10-Q, or described from time to time in our other reports filed with the SEC.

Any forward-looking statement made in this Quarterly Report on Form 10-Q speaks only as of the date on which the statement is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements we make in this Quarterly Report on Form 10-Q, except as may be required by law.

Overview

On January 1, 2013, we began operating as a real estate investment trust (REIT) for federal income tax purposes, specializing in group-oriented, destination hotel assets in urban and resort markets. Our owned assets include a network of four upscale, meetings-focused resorts totaling 7,795 rooms that are managed by world-class lodging operator Marriott International, Inc. (Marriott) under the Gaylord Hotels brand. These four resorts, which we refer to as our Gaylord Hotels properties, consist of the Gaylord Opryland Resort & Convention Center in Nashville, Tennessee (Gaylord Opryland), the Gaylord Palms Resort & Convention Center near Orlando, Florida (Gaylord Palms), the Gaylord Texan Resort & Convention Center near Dallas, Texas (Gaylord Texan) and the Gaylord National Resort & Convention Center near Washington D.C. (Gaylord National). Our other owned assets managed by Marriott include Gaylord Springs Golf Links (Gaylord Springs), the Wildhorse Saloon, the General Jackson Showboat (General Jackson) and the Inn at Opryland (renamed from the Radisson Hotel at Opryland), a 303-room overflow hotel adjacent to Gaylord Opryland. We also own and operate a number of media and entertainment assets including the Grand Ole Opry, the legendary weekly showcase of country music's finest performers for nearly 90 years; the Ryman Auditorium, the storied former home of the Grand Ole Opry located in downtown Nashville; and WSM-AM, the Opry's radio home.

Each of our award-winning Gaylord Hotels properties incorporates not only high quality lodging, but also at least 400,000 square feet of meeting, convention and exhibition space, superb food and beverage options and retail and spa facilities within a single self-contained property. As a result, our Gaylord Hotels properties provide a convenient and entertaining environment for convention guests. Our Gaylord Hotels properties focus on the large group meetings market in the United States.

In 2012, we completed restructuring transactions to facilitate our qualification as a REIT for federal income tax purposes. Our goal is to become the nation's premier hospitality REIT for group-oriented meetings hotel assets located in urban and resort markets.

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. Recessionary conditions in the national economy, including U.S. government sequestration, have resulted in economic pressures on the hospitality industry generally, and on our properties.

As discussed below, on October 1, 2012, Marriott assumed responsibility for managing the day-to-day operations of our Gaylord Hotels properties. As a result, we now rely upon Marriott to generate occupancy and revenue levels at our hotel properties. However, there can be no assurance that Marriott will be able to increase occupancy and revenue levels at our hotel properties.

In recent months, our Gaylord Hotels properties have experienced difficulties in group sales booking levels, particularly with respect to 2013 stays, as overall weakness in the group sector and difficulties related to the management transition to Marriott have impacted our results. Lower than expected in-the-year, for-the-year bookings, cost synergies not being realized as quickly as anticipated, and operating cost inefficiencies from the transition to Marriott systems and procedures have adversely impacted our results. We and Marriott are working jointly to improve performance in key areas, including tailoring sales efforts, increasing sales staff, and focusing on cost savings initiatives.

See Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 27, 2013, and Part II, Item 1A., Risk Factors herein for important information regarding forward-looking statements made in this report and risks and uncertainties we face.

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REIT Conversion and Marriott Sale Transaction

As further described in our Annual Report on Form 10-K for the year ended December 31, 2012, after conducting a strategic review of our business, on May 30, 2012, our board of directors unanimously approved a plan to restructure our business operations to facilitate our qualification as a REIT for federal income tax purposes (the REIT conversion). We completed the REIT conversion during 2012 and will elect to be taxed as a REIT for the year ending December 31, 2013. As a REIT, we generally will not be subject to federal corporate income taxes on that portion of our capital gain or ordinary income from our REIT operations that is distributed to our stockholders. This treatment will substantially eliminate the federal double taxation on earnings from our REIT operations, or taxation once at the corporate level and again at the stockholder level, that generally results from investment in a regular C corporation. Our non-REIT operations, which consist of the activities of taxable REIT subsidiaries (TRSs) that will act as lessees of our hotels, as well as the businesses within our Opry and Attractions segment, will continue to be subject, as applicable, to federal corporate income taxes.

Due to federal income tax laws that restrict REITs from operating and managing hotels, we no longer operate or manage any of our hotel properties. We lease or sublease our hotel properties to TRSs, and such TRSs engage Marriott pursuant to hotel management agreements. Marriott is responsible for managing the day-to-day operations of our hotel properties, including, but not limited to, implementing significant operating decisions, setting rates for rooms and meeting space, controlling revenue and expenditures, collecting accounts receivable, and recruiting, employing and supervising employees at the hotel properties. However, we continue to own our hotel properties.

On October 1, 2012, we sold the Gaylord Hotels brand and rights to manage our Gaylord Hotels properties for \$210.0 million in cash (the Marriott sale transaction), pursuant to that certain Purchase Agreement, dated May 30, 2012, by and among Gaylord Entertainment Company, Gaylord Hotels, Inc., Marriott Hotel Services, Inc., and Marriott. In connection with the Marriott sale transaction, each of our TRS lessees for our Gaylord Hotels properties is now a party to a management agreement (one for each of our Gaylord Hotels properties) and a pooling agreement with Marriott. Under the management agreements, on October 1, 2012, Marriott assumed responsibility for managing the day-to-day operations of our Gaylord Hotels properties. We do not have the authority to require Marriott to operate our Gaylord Hotels properties in a particular manner, although we do have consent and approval rights for certain matters under the hotel management agreements, subject to the limitations described therein. Each management agreement has a term expiring in 2047, with three automatic ten-year renewal periods (provided the applicable hotel has met certain performance thresholds). Each of the management agreements requires us to pay Marriott a base management fee of 2% of gross revenues from the applicable property for each fiscal year or portion thereof. Additionally, the pooling agreement provides for (i) the calculation of incentive management fees for the Gaylord Hotels properties on an aggregated basis; and (ii) the application of the limitations on secured debt on an aggregated basis. The incentive management fee is based on the profitability of our Gaylord Hotels properties calculated on a pooled basis.

In addition to the Marriott sale transaction, certain of our TRSs entered into additional management agreements with Marriott pursuant to which Marriott assumed responsibility for managing the day-to-day operations of the General Jackson, Gaylord Springs and the Wildhorse Saloon beginning October 1, 2012, and the Inn at Opryland beginning December 1, 2012.

We have segregated all costs related to these transactions from normal operations and reported these amounts as REIT conversion costs in the accompanying condensed consolidated statements of operations. During the three months and six months ended June 30, 2013, we incurred \$5.4 million and \$20.4 million, respectively, of various costs associated with these transactions. REIT conversion costs during the three months ended June 30, 2013 include employment and severance costs (\$2.7 million), professional fees (\$0.9 million), and various other transition costs (\$1.8 million). REIT conversion costs during the six months ended June 30, 2013 include employment and severance costs (\$13.9 million), professional fees (\$2.0 million), and various other transition costs (\$4.5 million). REIT conversion costs during the three months and six months ended June 30, 2012 were \$3.4 million and \$6.4 million, respectively, and were comprised almost exclusively of professional fees.

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Including the costs noted above, the Company currently estimates that it will incur approximately \$25.7 million in one-time costs during 2013 related to the REIT conversion. The Company also anticipates that it has incurred federal income taxes, including those associated with the receipt of the purchase price in the Marriott sale transaction and other transactions related to the REIT conversion, net of the effect of remaining net operating losses, of approximately \$5.0 million to \$7.0 million, which will be paid in 2013.

Dividend Policy and Share Repurchase Program

Pursuant to our current dividend policy, we plan to pay a quarterly cash dividend to shareholders in an amount equal to an annualized payment of at least 50% of adjusted funds from operations (as defined by us) or 100% of REIT taxable income, whichever is greater. On February 14, 2013, our board of directors declared our first quarterly cash dividend in the amount of \$0.50 per share of common stock, or an aggregate of approximately \$25.8 million in cash, which was paid on April 12, 2013 to stockholders of record as of the close of business on March 28, 2013. On June 3, 2013, our board of directors declared a quarterly cash dividend in the amount of \$0.50 per share of common stock, or an aggregate of approximately \$25.3 million in cash, which was paid on July 15, 2013 to stockholders of record as of the close of business on June 28, 2013. We currently plan to pay a quarterly cash dividend of \$0.50 per share in October 2013 and January 2014. The declaration, timing and amount of dividends will be determined by future action of our board of directors. Our dividend policy may be altered at any time by our board of directors.

On December 17, 2012, we announced th