

RESORTQUEST INTERNATIONAL INC

Form 425

August 05, 2003

## Edgar Filing: RESORTQUEST INTERNATIONAL INC - Form 425

Filed by Gaylord Entertainment Company  
Pursuant to Rule 425 under the Securities Act of 1933  
Subject Company: ResortQuest International, Inc.  
Commission File No.: 001-14115

This document is being filed pursuant to Rule 425 under the Securities Act of 1933 and is deemed filed pursuant to Rule 14a-12 under the Securities Exchange Act of 1934.

This filing relates to the proposed merger pursuant to the terms of that certain Agreement and Plan of Merger, dated as of August 4, 2003 (the Merger Agreement ), among Gaylord Entertainment Company ( Gaylord ), GET Merger Sub, Inc. and ResortQuest International, Inc ( ResortQuest ). The Merger Agreement is on file with the Securities and Exchange Commission as an exhibit to the Current Report on Form 8-K filed by Gaylord on August 5, 2003, and is incorporated by reference into this filing.

### **Additional Information About This Information**

This communication is not a solicitation of a proxy from any security holder of Gaylord or ResortQuest. Gaylord and ResortQuest intend to file a registration statement on Form S-4 with the SEC in connection with the merger. The Form S-4 will contain a prospectus, a proxy statement and other documents for the stockholders meetings of Gaylord and ResortQuest at which time the proposed transaction will be considered. Gaylord and ResortQuest plan to mail the proxy statement and prospectus contained in the Form S-4 to their respective stockholders. The Form S-4, proxy statement and prospectus will contain important information about Gaylord, ResortQuest, the merger and related matters. Investors and stockholders should read the Form S-4, the proxy statement and prospectus and the other documents filed with the SEC in connection with the merger carefully before they make any decision with respect to the merger. The Form S-4, proxy statement and prospectus, and all other documents filed with the SEC in connection with the merger will be available when filed free of charge at the SEC's web site, [www.sec.gov](http://www.sec.gov). In addition, all documents filed with the SEC by Gaylord in connection with the merger will be made available to investors free of charge by writing to: Gaylord Entertainment Company, One Gaylord Drive, Nashville, Tennessee 37214, Attn: Investor Relations. All documents filed with the SEC by ResortQuest in connection with the merger will be made available to investors free of charge by writing to: ResortQuest International, Inc., Suite 203, 8955 Highway 98 West, Destin, Florida 32550, Attn: Investor Relations.

Gaylord, ResortQuest, their respective directors and executive officers may be deemed participants in the solicitation of proxies from Gaylord's stockholders and ResortQuest's stockholders. Information concerning Gaylord's directors and certain executive officers and their direct and indirect interests in Gaylord is contained in its proxy statement for its 2003 annual meeting of stockholders. Information concerning ResortQuest's directors and certain executive officers and their direct and indirect interests in ResortQuest is contained in its proxy statement for its 2003 annual meeting of stockholders. Additional information regarding the interests of these participants in the merger will be available in

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the proxy statement regarding the merger. Investors can obtain free copies of these documents from the SEC's website, Gaylord and ResortQuest using the contact information above.

The following documents are filed herewith pursuant to Rule 425 under the Securities Act of 1933:

Presentation to analysts and investors on August 5, 2003.

Script of analyst conference call, which was webcast on August 5, 2003, with certain members of management of Gaylord and ResortQuest discussing the business combination.

Press Release of Gaylord and ResortQuest dated August 5, 2003.

Press Release of ResortQuest dated August 5, 2003.

E-mail sent August 5, 2003 to employees of Gaylord regarding announcement of business combination.

Transcript of voicemail announcement, on August 5, 2003, sent to employees of Gaylord.

Presentation, on August 5, 2003, to Gaylord Leadership Team.

Presentation, on August 5, 2003, to management of ResortQuest.

Letter, dated August 5, 2003, to employees of ResortQuest regarding announcement of business combination.

Letter, dated August 5, 2003, to ResortQuest homeowners.

Letter, dated August 5, 2003, to ResortQuest travel partners.

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**Presentation to analysts and investors**

**August 5, 2003**

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**Script of analyst conference call**

**August 5, 2003**

**GAYLORD ENTERTAINMENT  
CONFERENCE CALL SCRIPT**

**OPERATOR:**

Welcome to the Gaylord Entertainment conference call to discuss the announced acquisition of ResortQuest International.

Hosting the call today from Gaylord Entertainment is Colin Reed, president and chief executive officer, and David Kloeppe, chief financial officer. They are joined by Jim Olin, CEO of ResortQuest. Also with us today is Carter Todd, Gaylord's general counsel.

All lines have been placed on a listen-only mode. The floor will be open for your questions and comments following the presentation.

It is now my pleasure to turn the call over to, Mr. Carter Todd, general counsel. Sir, the floor is yours.

**CARTER TODD, GENERAL COUNSEL:**

Good morning. My name is Carter Todd and I am the General Counsel and Senior Vice President for Gaylord Entertainment Company. Thank you for joining us today.

A release regarding Gaylord Entertainment's acquisition of ResortQuest was disseminated this morning via Business Wire. A copy of this release is also available on the Gaylord Entertainment Web site at [www.gaylordentertainment.com](http://www.gaylordentertainment.com).

You should be aware this conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements, among others, regarding Gaylord Entertainment's expected future financial

performance. For this purpose, any statements made during this call that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as believes, anticipates, plans, expects and similar expressions are intended to identify forward-looking statements. You are hereby cautioned these statements may be affected by the important factors, among others set forth in Gaylord Entertainment's filings with the Securities and Exchange Commission and in the press release relating to this merger. And consequently, actual operations and results may differ materially from the results discussed in the forward-looking statements. Gaylord Entertainment undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not a solicitation of a proxy from any security holder of Gaylord Entertainment Company or ResortQuest International, Inc. Gaylord and ResortQuest intend to file a

registration statement on Form S-4 with the SEC in connection with the merger. The Form S-4 will contain a prospectus, a proxy statement and other documents for the stockholders' meetings of Gaylord and ResortQuest at which time the proposed transaction will be considered. Gaylord and ResortQuest plan to mail the proxy statement and prospectus contained in the Form S-4 to their respective stockholders. The Form S-4, proxy statement and prospectus will contain important information about Gaylord, ResortQuest, the merger and related matters. Investors and stockholders should read the Form S-4, the proxy statement and prospectus and the other documents filed with the SEC in connection with the merger carefully before they make any decision with respect to the merger. The Form S-4, proxy statement and prospectus, and all other documents filed with the SEC in connection with the merger will be available when filed free of charge at the SEC's web site, [www.sec.gov](http://www.sec.gov). In addition, all documents filed with the SEC by Gaylord in connection with the merger will be made available to investors free of charge by

writing to: Gaylord Entertainment Company, One Gaylord Drive, Nashville, Tennessee 37214, Attn: Investor Relations. All documents filed with the SEC by ResortQuest in connection with the merger will be made available to investors free of charge by writing to: ResortQuest International, Inc., Suite 203, 8955 Highway 98 West, Destin, Florida 32550, Attn: Investor Relations.

Gaylord, ResortQuest, their respective directors and executive officers may be deemed participants in the solicitation of proxies from Gaylord's stockholders and ResortQuest's stockholders. Information concerning Gaylord's directors and certain executive officers and their direct and indirect interests in Gaylord is contained in its proxy statement for its 2003 annual meeting of stockholders. Information concerning ResortQuest's directors and certain executive officers and their direct and indirect interests in ResortQuest is contained in its proxy statement for its 2003 annual meeting of stockholders. Additional information regarding the



interests of these participants in the merger will be available in the proxy statement regarding the merger. Investors can obtain free copies of these documents from the SEC's website, Gaylor and ResortQuest using the contact information above.

At this time, I'd like to turn the call over to our Chief Executive Officer Colin Reed.

**COLIN REED, PRESIDENT/CEO:**

THANK YOU, CARTER.

GOOD MORNING TO YOU ALL.

I AM VERY PLEASED TO REPORT THAT THIS MORNING WE ANNOUNCED OUR AGREEMENT TO ACQUIRE RESORTQUEST INTERNATIONAL, THE NATION'S LARGEST VACATION PROPERTY RENTAL MANAGEMENT COMPANY.

THIS IS A VERY EXCITING OPPORTUNITY AND THERE ARE MANY REASONS WHY WE FEEL THIS ACQUISITION IS STRATEGICALLY COMPELLING FOR BOTH GAYLORD AND RESORTQUEST SHAREHOLDERS.

I WILL DISCUSS THIS SUBJECT IN A COUPLE OF MINUTES. BUT BEFORE THAT, LET ME SET THE STAGE BEHIND WHY WE HAVE EMBARKED ON THIS ACQUISITION. WHY THE DEAL FITS NICELY WITH GAYLORD'S CURRENT STRATEGY AND WHY NOW IS THE TIME FOR US TO ACQUIRE RESORTQUEST.

I WILL ALSO, FOR THE SAKE OF GAYLORD SHAREHOLDERS, DESCRIBE THE RESORT VACATION RENTAL BUSINESS, AND WHY THIS INDUSTRY HOLDS SUCH PROMISE, AND OF COURSE, I WILL DESCRIBE RESORTQUESTS' CURRENT POSITIONING IN THE INDUSTRY.

I WILL ALSO TOUCH ON WHY RESORTQUEST HAS NOT TO DATE REACHED ITS POTENTIAL, WHERE WE WANT TO TAKE IT, AND WILL THEN COVER THE MANY BENEFITS OF THE TRANSACTION.

I WILL AT THAT POINT HAND OVER TO OUR CHIEF FINANCIAL OFFICER, DAVE KLOEPEL, WHO WILL ADDRESS THE FINANCIAL IMPLICATIONS OF THE TRANSACTION.

LAST BUT NOT LEAST, WE WILL HEAR FROM JIM OLIN, RESORTQUEST'S CEO, WHO WILL PROVIDE HIS VIEWS ON THE TRANSACTION, AS WELL AS COMMENT ON SOME OF THE HIGHLIGHTS OF RESORTQUEST'S SECOND QUARTER HIGHLIGHTS.

SO LET'S BEGIN.

OVER THE LAST TWO YEARS WE, AT GAYLORD, HAVE ASSEMBLED A VERY TALENTED SENIOR MANAGEMENT TEAM WHOSE ROOTS ARE IN BUILDING GREAT BRANDS, PARTICULARLY IN THE HOSPITALITY AND LEISURE INDUSTRY. THIS MANAGEMENT TEAM IS EXPERIENCED, KNOWLEDGEABLE AND HIGHLY ENERGETIC.

WE HAVE BEEN HARD AT WORK.

OVER THE LAST TWO YEARS OUR TEAM HAS ACCOMPLISHED MUCH ..... SELLING MANY NON-STRATEGIC BUSINESSES AND RAISING MUCH NEEDED CAPITAL TO OPEN OUR GREAT HOTEL IN FLORIDA, AND TO CONTINUE TO CONSTRUCT OUR NEW HOTEL IN DALLAS, TEXAS.

WE HAVE ALSO REFINANCED THE BUSINESS A COUPLE OF TIMES, IN ORDER TO PROVIDE SUFFICIENT CAPITAL TO COMPLETE OUR HOTEL DEVELOPMENTS.

WE HAVE RE-BRANDED OUR HOTEL BUSINESS TO GAYLORD HOTELS AND BUILT MANY BRAND SYSTEMS THAT HAVE PROPELLED OUR HOTEL BUSINESS IN MANY WAYS.

SOME OF YOU MAY HAVE LISTENED TO OUR EARNINGS CALL LAST WEEK, AND LEARNED THAT OUR INFANT WORLD CLASS FLORIDA PROPERTY HAS ALREADY ACCOMPLISHED THE STATUS OF THE NUMBER ONE REVPAR RANKING AMONG OUR COMPETITIVE SET OF CONVENTION HOTEL PROPERTIES FOR THE FIRST SIX MONTHS OF THIS YEAR.

THIS IS A TREMENDOUS ACHIEVEMENT AND A TESTAMENT TO OUR ABILITY TO BUILD A BUSINESS THAT CLEARLY COMMUNICATES WITH ITS CUSTOMERS, THAT IS SUPERIOR TO ITS COMPETITORS AND PROVIDES GREAT VALUE. UNLIKE MOST OTHER COMPANIES IN THE HOSPITALITY BUSINESS, OUR HOTEL BUSINESS HAS POSTED VERY GOOD REV PAR GROWTH THIS YEAR.

IN SHORT, THE GAYLORD HOTELS BRAND HAS MADE HUGE STRIDES; CUSTOMERS ARE LEAVING HIGHLY SATISFIED, ADVANCE RESERVATIONS ARE BUILDING AND CASH FLOWS ARE GROWING.

OUR NEXT PHASE OF GROWTH WILL BE THE OPENING OF OUR TEXAS HOTEL, SCHEDULED TO OPEN NEXT APRIL, AND WE ARE CONFIDENT THAT THIS HOTEL, JUST LIKE ITS SISTER IN FLORIDA, WILL BE THE

NUMBER ONE CONVENTION HOTEL IN THE REGION. (PAUSE)

THE OTHER BRAND WE OWN OUTRIGHT IS THE GRAND OLE OPRY, AND WE ARE TRULY EXCITED ABOUT THE POTENTIAL OF THIS BUSINESS. IN THE LAST YEAR, WE MADE TREMENDOUS PROGRESS IN EXTENDING THE DISTRIBUTION OF THE GRAND OLE OPRY BRAND AND CONTENT THROUGH VARIOUS SYNDICATION AND DISTRIBUTION DEALS, INCLUDING THOSE WITH CUMULUS MEDIA, SIRIUS SATELLITE AND WESTWOOD ONE. THESE DEALS HAVE ENABLED US TO REACH A MUCH WIDER, NATIONAL AUDIENCE THAN WE HAVE EVER BEFORE.

IN FACT, THE GRAND OLE OPRY IS WITHOUT QUESTION THE MOST RECOGNIZED BRAND IN THE

COUNTRY LIFESTYLE ARENA, AND THIS IS VERY IMPORTANT TO THE OVERALL STRATEGY OF GROWING THE RESORTQUEST BRAND. I WILL ELABORATE ON THIS IN A MOMENT.

SO AS OUR BUSINESSES HAVE DEVELOPED AND SUBSTANTIALLY IMPROVED THROUGHOUT THE LAST COUPLE OF YEARS, AND THE COMPLEXITY THAT EXISTED IN OUR COMPANY TWO YEARS AGO HAS BEEN ERADICATED, WE HAVE BEEN HARD AT WORK STUDYING WAYS TO CAPITALIZE ON THE MANY RESOURCES OUR ORGANIZATION POSSESSES TO ACCELERATE GROWTH IN THE COMPANY.

TODAY OUR GAYLORD HOTELS BRAND HAS THE OPPORTUNITY TO ORGANICALLY GROW AS OUR OCCUPANCIES GROW AND TEXAS OPENS, AND, AS MANY OF YOU KNOW, WE HAVE BEEN WORKING ON A



VERY GOOD PROJECT IN THE WASHINGTON DC AREA WHICH, PENDING RESOLUTION OF ZONING ISSUES AND CONTRACTUAL ISSUES, WE WILL PROBABLY MOVE AHEAD WITH.

THE CHALLENGE, HOWEVER, IS THAT THESE PROJECTS, ALTHOUGH PRODUCING VERY GOOD CASH FLOW ONCE UP AND RUNNING, ARE VERY CAPITAL INTENSIVE THROUGH CONSTRUCTION, AND THE REALITY IS THAT FOR A COMPANY OF OUR PRESENT SIZE, IT IS ONLY PRACTICAL TO CONSTRUCT THESE PROJECTS ONE AT A TIME, ALLOWING US TO RECYCLE OUR CAPITAL FROM OUR EXISTING ASSETS TO NEW PROJECTS, WHICH ENABLES US TO ACCELERATE GROWTH IN THE HOTEL BUSINESS WITHOUT TAKING ON SIGNIFICANT DEBT. WE ARE, OF COURSE, WORKING ON THIS.

AT THE SAME TIME, OUR MANAGEMENT TEAM HAS BEEN STUDYING WAYS TO LEVERAGE THE EXTENSIVE RESOURCES OF OUR COMPANY AND CREATE GROWTH THAT WILL NOT REQUIRE THE SAME AMOUNT OF CAPITAL THAT OUR LARGE HOTEL PROJECTS CONSUME, THIS BRINGS ME TO RESORTQUEST AND TODAY'S ANNOUNCEMENT.

RESORTQUEST IS IN THE VACATION RENTAL MANAGEMENT BUSINESS. SIMPLY SAID, IT MANAGES HOMES FOR INDIVIDUALS AND HOMEOWNERS ASSOCIATIONS AND RENTS THEM TO FOLKS LIKE YOU AND ME FOR VACATION BREAKS, RANGING FROM SEVERAL DAYS UP TO A WEEK OR MORE. TYPICALLY, THE PROPERTIES ARE IN THE MOUNTAINS, AT THE BEACH OR IN THE DESERT.

THE UNITS CAN RANGE FROM ONE TO TWO BEDROOM CONDOS, TO VERY EXPENSIVE MULTI-BEDROOM LUXURY VILLAS.

FOR THEIR EFFORTS, RESORTQUEST RECEIVES UP TO 35% OF THE RENTAL INCOME.

THE INDUSTRY TODAY IS VERY LARGE AND IS ESTIMATED TO BE AT ABOUT \$10 BILLION IN REVENUES.

THIS IS A VERY GOOD BUSINESS AND THE INTERESTING NEWS IS THAT WITH THE BABY BOOMER GENERATION AGING, SECOND HOME OWNERSHIP IS PREDICTED TO GROW PRETTY STEADILY OVER THE NEXT FEW YEARS AND THIS IS VERY GOOD FOR RESORTQUEST.

THERE ARE OTHER TRENDS THAT ARE POSITIVE FOR THE INDUSTRY AS WELL SUCH AS THE NATION S PREFERENCE TO STAY CLOSER TO HOME RATHER THAN RISK THE PERILS AND ORDEALS OF TRAVELING INTERNATIONALLY.

TODAY RESORTQUEST MANAGES ABOUT 20,000 UNITS OR SECOND HOMES, WHICH REPRESENTS APPROXIMATELY 4% OF THE INDUSTRY. FURTHERMORE, IT IS THE ONLY PUBLIC COMPANY FOCUSING EXCLUSIVELY ON THIS INDUSTRY AND IS ABOUT FIVE TIMES AS BIG AS THE NEXT LARGEST PRIVATE COMPANY IN THIS INDUSTRY.

THE REST OF THE INDUSTRY IS PRIMARILY RUN BY MOM & POP OPERATORS.

SO, IF RESORTQUEST IS ABLE TO ENHANCE ITS DELIVERY SYSTEM TO FILL ITS UNITS, THEREBY PRODUCING HIGHER RETURNS TO THE HOMEOWNERS, IT WILL BE ABLE TO ATTRACT ADDITIONAL HOMEOWNERS TO MIGRATE TO RESORTQUEST MANAGEMENT OR CONVINCED THE MOM & POP OPERATORS TO AFFILIATE WITH RESORTQUEST THROUGH POSSIBLE FRANCHISING, OR BY DIRECTLY PLUGGING THEM INTO THE TECHNOLOGY SYSTEMS THAT RESORTQUEST OWNS OR WILL DEVELOP.

NOW YOU MAY ASK IF IT'S THIS SIMPLE WHY HASN'T RESORTQUEST ACCOMPLISHED THIS BEFORE NOW.

HERE'S MY ANSWER TO THIS KEY QUESTION. RESORTQUEST WAS FORMED ABOUT 5 YEARS AGO AS A ROLL UP OF MANY SMALL OPERATORS.

INITIALLY THE BOARD NUMBERED MORE THAN 20 MEMBERS AND WAS EXTREMELY DIVERSE.

THE INITIAL INTENT WAS TO BUILD CONSISTENT SYSTEMS THAT WOULD HAVE ALLOWED THE BRAND TO EMERGE, BUT EARLY RELUCTANCE TO MOVE LOCAL OPERATING COMPANIES UNDER THE RESORTQUEST FLAG, AND THE LACK OF COHERENT BRAND SYSTEMS AND THE CONSTRAINTS IMPOSED BY THE DEBT INCURRED TO FUND ACQUISITIONS CAUSED THE BRAND TO STALL.

THROUGH THE 2000 TO 2002 PERIOD, THE COMPANY, UNDER PREVIOUS MANAGEMENT WAS TOO SHORT TERM FOCUSED AND THE BRAND S EVOLUTION SUFFERED.

IT MUST BE SAID THAT THE BUSINESS PERFORMS PRETTY WELL AND IT CERTAINLY DOES A GOOD JOB WITH THE CUSTOMER, BUT THE REAL OPPORTUNITY LIES IN THE SYSTEMIC BRAND DEVELOPMENT.

LATE LAST YEAR THE BOARD OF RESORTQUEST DECIDED IT WAS TIME TO MOVE THE COMPANY IN A DIFFERENT DIRECTION AND AS A RESULT JIM OLIN WAS PROMOTED TO CEO, AND OTHER CHANGES WERE MADE IN MOST FUNCTIONAL AREAS OF THE COMPANY.

JIM AND HIS TEAM HAVE SPENT THIS YEAR RELOCATING THE COMPANY TO DESTIN, CLEANING HOUSE AND CONSOLIDATING VARIOUS OFFICES AROUND THE COMPANY AND DEALING WITH THE BALANCE SHEET ISSUES, WHICH THEY INHERITED FROM PREVIOUS MANAGEMENT.

I HAVE THE UTMOST RESPECT FOR JIM AND HIS TEAM AND THEY HAVE ACCOMPLISHED MUCH OVER THE LAST 9 MONTHS, AND I AM CONFIDENT THAT THEY CAN AND WILL BUILD RESORTQUEST INTO A GREAT BRAND WITH ADDITIONAL SUPPORT AND RESOURCES FROM GAYLORD.

THE BOTTOM LINE IS THAT THE BUSINESS OVER THE LAST FEW YEARS HAS LACKED THE RESOURCES NECESSARY TO BUILD THE BRAND AND REALIZE ITS FULL POTENTIAL.

SO HOW DO WE NOW BUILD THE BRAND, AND WHY IS GAYLORD AN INTEGRAL PART OF THE STORY.

(PAUSE)



I THINK ABOUT THE VALUE WE BRING AS FALLING INTO THREE BUCKETS:

BUCKET ONE WOULD BE THE INTELLECTUAL CAPITAL WE BRING TO THE TABLE.

A NUMBER OF GAYLORD S MANAGEMENT TEAM, INCLUDING CHAIRMAN MIKE ROSE AND I, HAVE BEEN INVOLVED IN LAUNCHING AND BUILDING SOME OF THE NATION S LARGEST AND MOST SUCCESSFUL HOSPITALITY AND LEISURE BRANDS.

WE KNOW HOW TO ADD VALUE BY ESTABLISHING INDUSTRY-LEADING EMPLOYEE PRACTICES, SERVICE STANDARDS AND MARKETING PROGRAMS THAT RESULT IN A FAVORABLE BRAND IMAGE, WHICH TRANSLATES INTO CONSUMER LOYALTY, WHICH CREATES VALUE.

THE STRONG OPERATIONAL LEADERSHIP OF RESORTQUEST, COUPLED WITH THE LONG-TERM BRANDING LEADERSHIP OF GAYLORD, WILL PRODUCE A POWERFUL COMBINATION.

THE SECOND BUCKET OF VALUE WE BRING IS THE ACCESS TO LITERALLY MILLIONS OF CUSTOMERS (PAUSE)

GAYLORD WILL DELIVER NEW DEMAND INTO THE RESORTQUEST NETWORK BY CROSS-MARKETING RESORTQUEST'S VACATION PROPERTIES TO GAYLORD'S MILLIONS OF HOTEL CONVENTION-GOERS AND MILLIONS OF COUNTRY LIFESTYLE CONSUMERS, WHO FREQUENT THE GRAND OLE OPRY, WATCH IT ON TELEVISION OR LISTEN TO ITS RADIO PROGRAMS.

THIS WILL BUILD ADDITIONAL AWARENESS FOR THE RESORTQUEST BRAND, AND GENERATE ADDITIONAL OCCUPANCY AND REVENUE FOR BOTH THE COMBINED COMPANY AND THE INDIVIDUAL UNIT OWNERS.

GAYLORD HOTELS HAS APPROXIMATELY 2.5 MILLION CUSTOMERS, PRIMARILY CONVENTIONEERS, WHO MOVE THROUGH ITS PROPERTIES EVERY YEAR.

THROUGH OUR RESEARCH, WE KNOW MANY OF THESE CUSTOMERS RENT HOMES OR CONDOMINIUMS WHEN VACATIONING.

THESE ARE CAPTIVE CUSTOMERS IN THAT THEY TEND TO STAY WITH US FOR 2-3 DAYS AT A TIME.

THIS PROVIDES A WONDERFUL OPPORTUNITY TO MARKET VACATION ACCOMMODATIONS TO THEM.

WE WILL SET UP RESORTQUEST INFORMATION AND RESERVATION KIOSKS IN PUBLIC SPACES AND PUSH RESORTQUEST INFORMATION CONTENT THROUGH OUR PROPRIETARY IN-ROOM TECHNOLOGY SYSTEMS.

THIS IS IN ADDITION TO CONDUCTING DIRECT MARKETING CAMPAIGNS TO OUR CUSTOMER DATABASE OF OVER 2.1 MILLION PEOPLE.

WE BELIEVE THIS IS ONLY THE TIP OF THE ICEBERG IN TERMS OF THE LUCRATIVE OPPORTUNITIES TO TAP INTO THIS EXISTING HOSPITALITY CUSTOMER BASE.

THESE OPPORTUNITIES WILL ONLY GROW AS WE BROADEN OUR NETWORK OF GAYLORD HOTELS ACROSS THE COUNTRY.

WHILE OUR HOSPITALITY CUSTOMERS REPRESENT A VERY LARGE CROSS-SELLING OPPORTUNITY, WE BELIEVE THAT BY FAR THE GREATEST OPPORTUNITY FOR CUSTOMER DELIVERY RESIDES WITH THE COUNTRY LIFESTYLE CONSUMER THAT I MENTIONED EARLIER. LET ME EXPLAIN.

AS PART OF THE SIGNIFICANT RESEARCH WE UNDERTOOK OVER THE LAST YEAR, AND THROUGH OUR WORK IN BUILDING THE GRAND OLE OPRY BRAND, WE GAINED A FUNDAMENTAL UNDERSTANDING OF THE CUSTOMER WHO LISTENS TO OR WATCHES THE GRAND OLE OPRY.

WHAT WE DISCOVERED WAS THAT THERE IS A CONSUMER GROUP IN THE UNITED STATES COMPOSED OF APPROXIMATELY 70 MILLION ADULTS, AGES 16 TO 64, THAT HAVE A LIFESTYLE DESCRIBED AS COUNTRY .

THEY LIKE TO LISTEN TO COUNTRY MUSIC, FREQUENT CONCERTS AND ENJOY THE OUTDOORS. AMONG OTHER THINGS, THEY LISTEN TO AND WATCH THE GRAND OLE OPRY VIA OUR MANY DISTRIBUTION CHANNELS.

NOW, THE IMPORTANT FACT THAT WE HAVE LEARNED THROUGH THIS RESEARCH IS THAT THIS CUSTOMER GROUP HAS A DISPROPORTIONATELY HIGH PROPENSITY TO RENT HOMES OR CONDOMINIUMS FOR VACATIONS AT THE BEACH OR IN THE MOUNTAINS.

IN FACT, APPROXIMATELY 30% OF THIS CONSUMER GROUP, OR 21 MILLION PEOPLE WHEN ASKED, TOLD US THAT THEY HAVE STAYED IN RENTED VACATION HOMES OR CONDOMINIUMS AT LEAST ONCE EVERY TWO YEARS.

AS WE GROW THE REACH OF THE GRAND OLE OPRY THROUGH TERRESTRIAL AND SATELLITE RADIO SYNDICATION, WE WILL BE ABLE TO COMMUNICATE WITH LITERALLY MILLIONS OF CONSUMERS IN A UNIQUE WAY THE REASON.....WE CONTROL A CERTAIN AMOUNT OF ADVERTISING AROUND EACH OF OUR BROADCASTS.

TODAY, WE HAVE 76 FM RADIO STATIONS IN DIFFERENT MARKETS AROUND THE COUNTRY SIGNED UP TO OUR WESTWOOD ONE SYNDICATION AGREEMENT.

WE EXPECT THIS NUMBER TO APPROACH 200 STATIONS WITHIN A COUPLE OF YEARS. THROUGH THIS MEDIUM, WE WILL INCREASE AWARENESS OF THE RESORTQUEST BRAND AMONG HIGHLY RELEVANT CONSUMER GROUPS IN A COST-EFFECTIVE MANNER.

OUR GRAND OLE OPRY SHOW IS ALSO TELEVISED AND IS CURRENTLY AIRED ON CMT.

WEEKLY STATISTICS INDICATE APPROXIMATELY TWO MILLION FOLKS WATCH THE SHOW, AND AGAIN CAPTIVE ADVERTISING SPACE THAT WE HAVE, WILL BE USED TO MARKET RESORTQUEST TO KNOWN VACATION HOME USERS.



THIS WILL DRIVE GREATER OCCUPANCY AND REVENUE AT RESORTQUEST MANAGED PROPERTIES. GREATER OCCUPANCY EQUALS MORE VALUE FOR THE OWNERS AND SATISFIED OWNERS EQUALS GREATER MARKET SHARE.

WE WILL USE THE GRAND OLE OPRY PLATFORM AS AN ATTRACTION TOOL AND WE WILL PLUG THE CONSUMER WHO RENTS FROM RESORTQUEST INTO OUR EXPANDED PROPRIETARY RESORTQUEST DATA BASE THAT WE WILL USE FOR RETENTION MARKETING AND BRAND DEVELOPMENT.

WE ALSO BELIEVE THAT RESORTQUEST'S CURRENT CUSTOMER BASE WOULD VISIT OUR GREAT HOTELS IN NASHVILLE AND ORLANDO, AND VERY SOON TEXAS, AS LEISURE CUSTOMERS.

THE THIRD BUCKET OF VALUE WE BRING IS OUR BALANCE SHEET. OVER THE LAST FEW YEARS RESORTQUEST HAS BEEN CONSTRAINED BECAUSE OF ITS LACK OF CAPITAL. THIS HAS IMPEDED ITS ABILITY TO COMMIT RESOURCES TO INVEST IN THE BRAND AND THIS HAS ACTED AS A GOVERNOR TO GROWTH.

THERE ARE OTHER BENEFITS TO THE TRANSACTION, SOME OF WHICH WOULD INCLUDE:

THE TRANSACTION WILL HAVE A DE-LEVERAGING EFFECT ON THE COMBINED COMPANIES

IT WILL PRODUCE SIGNIFICANT COST SAVINGS AND

IT WILL INCREASE GAYLORD S PUBLIC FLOAT

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IN OUR PRESS RELEASE TODAY WE HAVE STATED THAT WE EXPECT PRE-TAX SYNERGIES TO AMOUNT TO \$2 MILLION IN 2004 AND \$5 MILLION IN 2005.

GIVEN OUR ELABORATE DESCRIPTION OF THE MANY OPPORTUNITIES, YOUR OBSERVATIONS MAY BE THAT THE LEVEL OF SYNERGIES WOULD SEEM MODEST AND MY ANSWER TO THAT WOULD BE YES .

WE EXPECT THAT AS WE BUILD THE PLANS FOR INTEGRATION, MORE REVENUE BENEFITS WILL EMERGE, AND FRANKLY WE HAVE EXCLUDED BRAND DEVELOPMENT BENEFITS SUCH AS FRANCHISING OR EXPANDED USE OF RESORTQUEST TECHNOLOGY FROM THESE NUMBERS.

I AM SURE I AM GOING TO BE ASKED WHY ARE YOU PREPARED TO ISSUE STOCK TO PAY FOR THE

TRANSACTION WHEN GAYLORD S STOCK IS TRADING WHERE IT IS?

THERE ARE MANY ANSWERS TO THE QUESTION BUT I BELIEVE THIS ANSWER IS THE MOST IMPORTANT. THE MANAGEMENT AND BOARD OF GAYLORD AND RESORTQUEST BELIEVE THE LONG TERM VALUE OPPORTUNITY TO BE SIGNIFICANT.

WE HAVE POSTED ON OUR WEB SITE A PRESENTATION DIRECTED TO OUR SHAREHOLDERS - PAGE 11 ILLUSTRATES WHAT HAPPENS TO THE PROFITABILITY OF RESORTQUEST AS MARKET SHARE GROWS AND MARGINS IMPROVE.

THE POINT I WOULD ASK YOU TO FOCUS ON IS THE SIGNIFICANT VALUE WE CAN CREATE OVER THE LONG TERM BY ACQUIRING RESORTQUEST.

SO LET S NOW SHIFT TO THE STRUCTURE OF THE DEAL.

IT GOES WITHOUT SAYING THAT WE ARE EXECUTING THIS AGREEMENT AT A TIME WHEN THE ECONOMY AND CORPORATE CONFIDENCE HAVE IMPACTED THE OVERALL MARKET, AS WELL AS RESORTQUEST S AND GAYLORD S EQUITY VALUES.

WE HAVE BEEN MINDFUL OF THE TIMING AND CIRCUMSTANCES AS WE HAVE NEGOTIATED THIS DEAL, BUT WE BELIEVE THE STRUCTURE AND VALUE TO BE APPROPRIATE AS YOU WILL HAVE READ FROM OUR JOINT PRESS RELEASE.

THIS IS AN ALL STOCK DEAL WHEREBY EACH RESORTQUEST SHARE WILL BE EXCHANGED FOR ..275 OF A

GAYLORD ENTERTAINMENT SHARE, WHICH IMPLIES A PREMIUM OF APPROXIMATELY 8.4% OVER RESORT QUEST'S CURRENT STOCK PRICE.

ONE OF THE FIRST QUESTIONS INVESTORS AND ANALYSTS MIGHT ASK IS, IS THE DEAL ACCRETIVE TO EARNINGS? , AND THE SIMPLE ANSWER IS YES .

WHAT I WOULD LIKE TO DO NOW IS HAND OVER TO DAVID KLOEPPEL, WHO WILL TAKE YOU THROUGH THE DETAILS OF THE TRANSACTION AND GIVE YOU A GLIMPSE OF WHAT THE MERGED COMPANIES LOOK LIKE FROM A FINANCIAL PERSPECTIVE.

**DAVID KLOEPPEL:**

Thanks, Colin.

I ll comment on the transaction structure and the financial implications of the deal to Gaylord Entertainment.

The transaction is structured as a stock-for-stock transaction, which is expected to be tax-free to both companies' stockholders, in which each share of ResortQuest is exchanged for 0.275 of a Gaylord Entertainment share. This is a fixed exchange ratio with no caps or floors. As a result of the transaction, current ResortQuest shareholders will own approximately 13.8% of the combined company. Upon closing, we will refinance all of the debt obligations of ResortQuest. More details on this to follow. In connection with this transaction, under certain circumstances, Gaylord will provide \$10 million of working capital availability for general corporate use to be accessed by ResortQuest between signing and closing.

The merger agreement limits ResortQuest's ability to solicit third-party acquisition proposals and calls for a break up fee of \$6 million under certain circumstances. We expect the transaction to close in early 2004. In addition to ResortQuest management's indication that they will vote in favor of the transaction, the boards of directors of both companies have already unanimously approved the deal. Also, certain GET affiliates, representing approximately 28% of GET's current outstanding shares, have agreed to vote in favor of the transaction.

Colin described the strategic merits of the transaction, now let me outline the financial implications for Gaylord. The deal has a positive impact on our earnings per share and our balance sheet.

From an income perspective, the acquisition of ResortQuest provides the opportunity to grow our cash flows substantially in a non-capital intensive manner. ResortQuest owns very little real property and its income stream is dependent on management



contracts rather than real estate. Through elimination of redundant corporate functions, public company costs and other expenses, and the inclusion of cross-selling synergies between the two companies, we expect to produce approximately \$2 million in synergies in the first year. And as we apply our marketing techniques to our combined customer bases and realize a full year's run rate effect of synergies, we expect to produce incremental EBITDA of approximately \$5 million per year thereafter.

As Colin indicated, the deal will be accretive to 2004 earnings per share.

This acquisition has favorable balance sheet implications as well. The acquisition de-leverages Gaylord in that it improves Gaylord's standalone debt / EBITDA(1) from 6.8x to 6.4x.

Now I'll turn the call back over to Colin.

**COLIN REED:**

THANKS, DAVID.

FOR THOSE OF YOU WHO KNOW MIKE ROSE AND ME, YOU KNOW THAT WE HAVE OPERATED AND BEEN VERY SUCCESSFUL IN A MULTI-BRANDED ENVIRONMENT. THIS MANAGEMENT TEAM KNOWS HOW TO APPLY BEST DEMONSTRATED PRACTICES TO MINIMIZE COST, AS WELL AS HOW TO BUILD SEPARATE BRAND STRATEGIES TO INCREASE THE GROWTH POTENTIAL OF EACH BRAND WE OPERATE.

RESORTQUEST IS AN EXCITING FIT AND ONE WE BELIEVE WILL CREATE GREAT VALUE TO OUR COMBINED SHAREHOLDER GROUP. WE KNOW AND UNDERSTAND THIS COMPANY AND WE BELIEVE IT HAS GREAT POTENTIAL.

I HAVE WITH ME THIS MORNING, JIM OLIN WHO IS CURRENTLY THE CHIEF EXECUTIVE OFFICER OF RESORTQUEST.

JIM IS A FIRST CLASS OPERATOR -

I AM A BIG FAN OF THIS GUY, AND I AM PLEASED TO SAY THAT ON THE CONSUMMATION OF THIS DEAL, JIM WILL BE THE PRESIDENT OF RESORTQUEST AND LEAD THIS BRAND, AND AT THE SAME TIME BECOME A SENIOR EXECUTIVE AND MEMBER OF GAYLORD S PARTNER GROUP.

I WOULD LIKE TO CALL ON JIM TO MAKE SOME COMMENTS ABOUT THIS MORNING S EVENTS AND PROVIDE SOME HIGHLIGHTS REGARDING RESORTQUEST S SECOND QUARTER RESULTS.

JIM ...

**JIM OLIN:**

Thanks Colin, I d like to start out by expressing my enthusiasm to be joining Gaylord Entertainment and for the prospects of the combined company. We think this acquisition will benefit our rental customers, property owners and shareholders alike. Let me share with you the major reasons why.

First, the Gaylord management team has extensive experience in creating well-known brands in the hospitality industry. We will be

able to leverage their experience to help solidify and build on the ResortQuest brand. By doing so, we will be able to attract additional units to our management service and at the same time generate incremental occupancy and revenues for the company and individual unit owners.

Second, under the Gaylord Entertainment umbrella, we will have a new level of access to millions of Gaylord conventioners as well as fans of the Grand Ole Opry and other entertainment offerings. From this group, we will be able to recruit new vacation homeowners to ResortQuest's management service, as well as new vacationers to its properties.

Third, this combination will give ResortQuest favorable access to the capital necessary to more efficiently manage its operations and take advantage of growth opportunities.

With these points in mind, I see a strong future for the combined company and I look forward to working with the Gaylord Entertainment management team.

Now let me take a few minutes to briefly review highlights of ResortQuest's second quarter.

I am pleased to report that after a rough beginning to the year, we came through the second quarter with great momentum, with three out of four regions experiencing positive growth in revenue per available unit over the previous year.

On the marketing front, we expanded the Tan Now/Ski Later promotional campaign to include all markets across our network and have renamed it Quest For America. This cross selling program resulted in \$8.4 million of gross lodging revenues for the first six months of this year. We also signed an alliance agreement

with AAA's Auto Club as we continue to expand our reach to potential vacationers.

We continually review our property inventory, and during the quarter we pared down sub-performing units in selective regions. As a result, we saw a 6.8% growth in average daily rates over the prior year and strong performance in the drive-to-markets.

As we move through the summer months, we expect our drive-to-markets to continue to perform well. However, industry-wide reduced booking lead times cause us to remain cautious in our outlook.

Now let me turn this back over to Colin for closing comments.

**COLIN REED:**

In conclusion, we are very excited about this acquisition, as it is in line with our goal to focus and expand our core hospitality business. We believe we are on our way to becoming a major presence in the hospitality business that caters not only to the convention-goer but also to other important segments of the hospitality and leisure population.

Thank you for joining us today. We will now open up the lines for your questions.



**Press Release of Gaylord and ResortQuest**

**August 5, 2003**

[GAYLORD ENTERTAINMENT LOGO]

[RESORT QUEST INTERNATIONAL RELAX LOGO]

**INFORMATION FOR RELEASE**

**GAYLORD ENTERTAINMENT TO ACQUIRE  
RESORTQUEST INTERNATIONAL**

*Accretive Acquisition Significantly Expands Hospitality Offerings*

**NASHVILLE, Tenn.** (Aug. 5, 2003) Gaylord Entertainment Company (NYSE: GET) today announced that it has agreed to acquire ResortQuest International (NYSE: RZT), the nation's largest vacation rental property management company. The purchase, which will be a stock-for-stock transaction using a fixed exchange ratio of 0.275 Gaylord Entertainment shares for each ResortQuest share, is expected to be tax free to ResortQuest shareholders. Based on Gaylord Entertainment's closing stock price on Aug. 4, 2003, the acquisition is estimated at approximately \$177 million, including approximately \$68 million of ResortQuest net debt (\$71 million in senior debt and \$3 million in unrestricted cash).

ResortQuest International holds the leading market position in the vacation rental property management industry, with an approximate 4% market share of an estimated \$10 billion market in the United States. ResortQuest manages the only nationwide branded network of properties representing approximately 20,000 vacation rental homes and condominiums, primarily at beach, mountain, and desert resorts. ResortQuest also offers real estate brokerage services to both management customers and other vacation home and condominium owners.

This acquisition will transform Gaylord Entertainment into a multi-product hospitality company that can offer a range of accommodations to convention, business and leisure travelers, said Colin Reed, president and chief executive officer of Gaylord Entertainment. Throughout the last year, we have been building a strategic plan to accelerate our growth in non-capital intensive ways by extending offerings to customers with whom we have a captive relationship through our hospitality and leisure businesses, while exploiting the skill set of our senior management team. Our extensive research has indicated that we have a substantial existing and target customer base that chooses to vacation at either beach or mountain rental accommodations. ResortQuest's high-quality

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vacation properties will be a valuable complement to both our meetings-focused Gaylord Hotels brand, and our country lifestyle Grand Ole Opry brand.

The transaction represents a significant opportunity to develop the ResortQuest brand more fully by leveraging the Gaylord management team's track record of building and growing brands. Gaylord will also deliver additional demand into the ResortQuest network by cross-marketing ResortQuest's vacation properties to Gaylord's millions of Gaylord Hotels convention-goers and millions of country lifestyle consumers who frequent the Grand Ole Opry, watch it on television or listen to its radio programs. This will build additional awareness for the ResortQuest brand, and generate additional occupancy and revenue for both the combined company and the individual unit owners. Additionally, Gaylord will reach new ResortQuest consumers to whom it will introduce its current array of hospitality and country lifestyle offerings.

This is an attractive deal for all of ResortQuest's stakeholders—our rental customers, property owners and shareholders, said ResortQuest chief executive officer Jim Olin. We believe that there are significant revenue opportunities with Gaylord, given its consumer reach. Our 1.6 million guest database will be combined with Gaylord's eight-plus million consumer reach, which should bode well for the rental income to our homeowners and provide us an additional significant competitive advantage in our resort markets. We are confident that the experienced management team at Gaylord will help ResortQuest solidify and build on our current brand. In addition, we can leverage the scale of Gaylord's financial platform to operate and grow more efficiently. With its customer base, commitment to technology and marketing and well-known hospitality reputation, Gaylord will significantly enhance the ResortQuest franchise.

Under certain circumstances Gaylord Entertainment will provide \$10 million of working capital for general corporate use to be accessed by ResortQuest between signing and closing. Gaylord intends to refinance all of ResortQuest's outstanding debt.

At the completion of the transaction, ResortQuest will continue to operate as a separate brand and will continue to be led by Jim Olin and other members of the existing senior management team. Gaylord plans to have ResortQuest continue to operate in Destin, FL, which is home to ResortQuest's fastest growing and most profitable region.

We believe ResortQuest has enormous untapped value, and with new marketing and branding initiatives along with Gaylord's strong and experienced leadership, we fully expect this acquisition to contribute significantly to the long-term financial prospects of our company, said David Kloepfel, Gaylord Entertainment chief financial officer. While there will be cost synergies as part of this acquisition, the majority of improved profitability is expected from increased revenues. Combined, we expect the transaction

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to be accretive to 2004 results excluding the impact of increased revenues and expense reductions, which we expect to add EBITDA(1) of approximately \$2 million in 2004 and approximately \$5 million in 2005.

Both companies remain comfortable with their prior guidance.

The transaction, which is subject to government, regulatory and shareholder approvals, is expected to close in early 2004. ResortQuest has agreed to pay a break-up fee of \$6 million if the proposed deal is not consummated under certain circumstances. Certain holders of Gaylord and ResortQuest common stock have agreed to vote in favor of the transaction. The transaction was approved unanimously by the boards of directors of both companies.

Deutsche Bank acted as financial advisor to Gaylord Entertainment, and Citigroup advised ResortQuest International.

#### **Conference Call Today**

Gaylord Entertainment will hold a joint conference call with ResortQuest International to discuss this announcement today at 11 a.m. EST. To participate on the call, please dial (973) 582-2706 and request the Gaylord/ResortQuest call (confirmation #4083269). A recording of the call will be available for seven days by dialing (973) 341-3080 and entering access code 4083269.

Investors can listen to the conference call over the Internet at [www.resortquest.com](http://www.resortquest.com), or at [www.gaylordentertainment.com](http://www.gaylordentertainment.com) under the Investor Relations \ Other Information tab. To listen to the live call, please go to the Investor Relations section of the Web site at least 15 minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be made available shortly after the call and will run for 30 days.

#### **About Gaylord Entertainment**

Gaylord Entertainment, a leading hospitality and entertainment company based in Nashville, Tenn., owns and operates Gaylord Hotels branded properties, including the Gaylord Opryland Resort & Convention Center in Nashville and the Gaylord Palms Resort & Convention Center in Kissimmee, Fla., and the Radisson Opryland Hotel in Nashville. The company's entertainment brands include the Grand Ole Opry, the Ryman Auditorium, the General Jackson Showboat, the Springhouse Golf Club, the Wildhorse Saloon and WSM-AM. Gaylord Entertainment's stock is traded on the New York Stock Exchange under the symbol GET. For more information about the company, visit [www.gaylordentertainment.com](http://www.gaylordentertainment.com).

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## About ResortQuest International

ResortQuest International, the first brand name real-time online booking service (www.resortquest.com) in vacation condominium and home rentals and sales, provides a one-stop resource in over 50 premier resort destinations in the U.S. and Canada. ResortQuest is the nation's leading vacation rental property management company, based on a portfolio of approximately 20,000 vacation rental properties with a combined real estate value estimated in excess of \$7.0 billion.

<sup>1</sup> EBITDA (defined as earnings before interest, taxes, depreciation, amortization, pre-opening expense, non-cash lease and naming rights agreement expenses, as well as other non-recurring or non-cash items) is in the discussion of operating results because the Company believes it allows for a more complete analysis of operating performance by presenting an analysis of operations separate from the earnings impact of capital transactions. The Company also believes EBITDA provides an additional measure of our ability to service debt, fund capital expenditures and grow our business. Pre-opening expense, non-recurring and non-cash items, such as asset write-downs and impairment losses, are excluded from EBITDA as these items do not impact operating results on a recurring basis. EBITDA can be computed by adding depreciation, amortization, pre-opening expense, non-recurring and non-cash items to operating income from continuing operations. This information should not be considered as an alternative to any measure of performance as promulgated under accounting principles generally accepted in the United States (such as operating income, net income or cash from operations), nor should it be considered as an indicator of our overall financial performance. EBITDA does not fully consider the impact of investing or financing transactions, as it specifically excludes depreciation and interest charges, which should also be considered in the overall evaluation of our results of operations. Our method of calculating EBITDA may be different from the method used by other companies and therefore comparability may be limited.

This press release contains statements as to the company's beliefs and expectations of the outcome 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 that could cause actual results to differ materially from the statements made. These include the risks and uncertainties associated with economic conditions affecting the hospitality business generally, the timing of the opening of new hotel facilities, costs associated with developing new hotel facilities, costs associated with changes to the Company's historical financial statements, business levels at the company's hotels, the ability to complete potential divestitures successfully and the ability to consummate financing for new developments. Other factors that could cause operating and financial results to differ are described in the filings made from time to time by Gaylord Entertainment with the Securities and Exchange Commission.

Gaylord Entertainment does not undertake any obligation to release publicly any revisions to forward-looking statements made by it to reflect events or circumstances occurring after the date hereof or the occurrence of unanticipated events.

Factors that could cause ResortQuest's actual results to differ materially from the statements made include the risks associated with obtaining the necessary consents and approvals and meeting the other conditions necessary to consummate the merger with Gaylord Entertainment Company and obtain the associated credit line, continued acceptance of ResortQuest's First Resort software, the anticipated slowdown in reservation deposits, poor weather reducing the number of stays at ResortQuest's managed facilities, ResortQuest's ability to meet its cash needs with available sources of cash, successful integration of additional acquired companies, factors affecting internal growth and management of growth, ResortQuest's acquisition strategy and the availability of financing, the tour and travel industry, seasonality, quarterly fluctuations and general economic conditions, dependence on technology and travel providers, and other factors discussed from time to time in ResortQuest's Securities and Exchange Commission reports, including its annual report on Form 10-K for the year ended December 31, 2002.

This communication is not a solicitation of a proxy from any security holder of Gaylord Entertainment Company or ResortQuest International, Inc. Gaylord and ResortQuest intend to file a registration statement on Form S-4 with the SEC in connection with the merger. The Form S-4 will contain a

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prospectus, a proxy statement and other documents for the stockholders' meetings of Gaylord and ResortQuest at which time the proposed transaction will be considered. Gaylord and ResortQuest plan to mail the proxy statement and prospectus contained in the Form S-4 to their respective stockholders. The Form S-4, proxy statement and prospectus will contain important information about Gaylord, ResortQuest, the merger and related matters. Investors and stockholders should read the Form S-4, the proxy statement and prospectus and the other documents filed with the SEC in connection with the merger carefully before they make any decision with respect to the merger. The Form S-4, proxy statement and prospectus, and all other documents filed with the SEC in connection with the merger will be available when filed free of charge at the SEC's web site, [www.sec.gov](http://www.sec.gov). In addition, all documents filed with the SEC by Gaylord in connection with the merger will be made available to investors free of charge by writing to: Gaylord Entertainment Company, One Gaylord Drive, Nashville, Tennessee 37214, Attn: Investor Relations. All documents filed with the SEC by ResortQuest in connection with the merger will be made available to investors free of charge by writing to: ResortQuest International, Inc., Suite 203, 8955 Highway 98 West, Destin, Florida 32550, Attn: Investor Relations.

Gaylord, ResortQuest, their respective directors and executive officers may be deemed participants in the solicitation of proxies from Gaylord's stockholders and ResortQuest's stockholders. Information concerning Gaylord's directors and certain executive officers and their direct and indirect interests in Gaylord is contained in its proxy statement for its 2003 annual meeting of stockholders. Information concerning ResortQuest's directors and certain executive officers and their direct and indirect interests in ResortQuest is contained in its proxy statement for its 2003 annual meeting of stockholders. Additional information regarding the interests of these participants in the merger will be available in the proxy statement regarding the merger. Investors can obtain free copies of these documents from the SEC's website, Gaylord and ResortQuest using the contact information above.

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**Press Release of ResortQuest  
August 5, 2003**

**RESORTQUEST INTERNATIONAL ANNOUNCES SECOND QUARTER 2003 FINANCIAL RESULTS**

*-Company Realizes 3.8% Increase in RevPAU as EBITDA Stabilizes*

Destin, FL, August 5, 2003 ResortQuest International, Inc. (NYSE: RZT), the nation's leading property manager of vacation condos, homes and villas, today announced financial results for the second quarter ended June 30, 2003.

As previously announced today, ResortQuest has agreed to be acquired by Gaylord Entertainment Company (NYSE: GET) in a stock-for-stock acquisition estimated at \$177 million, including approximately \$68 million of ResortQuest net debt (\$71 million in senior debt and \$3 million in unrestricted cash). For additional information, please refer to today's joint release, which can be found on <http://www.resortquest.com>.

**Second Quarter Highlights**

The following are operational highlights from the second quarter:

Revenue per available unit ( RevPAU ) comparisons increased 3.8% in the second quarter 2003 as compared to prior year versus an 8.1% decline in the first quarter 2003 as compared to prior year.

Overall average daily rate ( ADR ) increased 6.8% in the second quarter 2003 versus a 2.1% increase in the first quarter 2003.

Continued strength in the Hawaii market evidenced by a 3.4% increase in gross lodging revenues.

Cross-selling of our guest database created 4%, or \$8.4 million, of the Company's gross lodging revenues for the first six months of 2003.

Portofino, ResortQuest's new marquee resort in Pensacola Beach, FL, officially opened and currently has approximately 135 units and an ADR for the summer in excess of \$200.

The launch of the Quest for America cross-selling promotional campaign builds off the success of the Tan Now/Ski Later, Free! Program.

ResortQuest/Wells Fargo mortgage origination joint venture officially began operations in June.

Signed an alliance with AAA's Auto Club Group, giving the group's 4.1 million members preferred rates on ResortQuest vacation rentals across North America.

Launched the second ResortQuest Specialist certification process for Travel Agents through Travel Agent Magazine's TA University.

**Second Quarter Results**

ResortQuest reported revenues of \$48.4 million for the second quarter of 2003, which are relatively flat from revenues of \$48.9 million for the prior year second quarter. Included in both periods is other revenue from managed entities that primarily relates to reimbursed payroll expense and related benefits. The Company reported net income for the second quarter of 2003 of \$1.3 million, compared to net income of \$2.2 million in 2002. This translates to diluted earnings per share of \$0.07 in the second quarter of 2003, as compared to diluted earnings per share of \$0.12 in the second quarter of 2002. Included in the second quarter of 2003 is \$366,000 of expenses related to the move of the Company's corporate office to Destin, Florida. As previously disclosed, relocation expenses are excluded from the Company's annual EBITDA(1) margin estimate.

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The Company reported EBITDA of \$5.9 million in the second quarter of 2003 compared to \$6.5 million in the second quarter of 2002, a 9.0% decline. EBITDA per diluted share was \$0.31 in the second quarter of 2003 as compared to \$0.33 in the second quarter of 2002. The number of ResortQuest diluted shares outstanding for the second quarter of 2002 and 2003 was 19.4 million and 19.3 million, respectively.

For the six months ended June 30, 2003, total revenues declined 3.0% to \$95.0 million. Net income for the six-month period was \$2.0 million, and diluted earnings per share was \$0.11. EBITDA declined 21.3% to \$10.6 million compared to \$13.5 million in the first six months of 2002. EBITDA per diluted share was \$0.55 versus \$0.70 in the comparable prior year period. Included in the first six months of 2003 is \$672,000 of expenses related to the move of the Company's corporate office to Destin, Florida. The Company estimates that the total cost of the move will be \$800,000 to \$900,000, which includes actual moving costs and related severance. Management anticipates that the relocation of its corporate office and the continued accounting consolidation from existing operations in Colorado and Hawaii will save ResortQuest over \$1 million annually beginning in the second half of 2003. Included in the first quarter of 2002 is \$502,000 of expenses related to professional fees resulting from certain employee-related matters and a study to explore financing and strategic growth alternatives. Additionally, in the first quarter of 2002, the Company recorded, upon the adoption of a new accounting principle, an after-tax non-cash goodwill charge of \$6.3 million related to its Desert resorts.

As anticipated, our business experienced a rebound in the second quarter after a challenging first quarter, said Jim Olin, President and Chief Executive Officer of ResortQuest. We are very pleased by the resilience of our business as we came through the unique challenges that our industry faced during the first part of this year. Our strategy of increasing our focus on the drive-to markets is paying off and we are seeing solid performance in these markets as we progress through the summer months. We are excited to be settled into our new headquarters in Destin, and we are already seeing the benefits of the consolidation of our operations.

### **Second Quarter Operating Highlights**

Total gross lodging revenues were \$99.8 million for the second quarter of 2003, compared to \$98.3 million in the second quarter of 2002 representing a 1.5% increase. Average daily rate for all lodging in the quarter increased 6.8% to \$146.96 as compared to \$137.55 in 2002. The Beach resorts, which include the majority of the drive-to destinations, experienced a 2.1% increase in gross lodging revenues to \$60.3 million driven by a 5.3% increase in ADR. The Hawaii resorts' gross lodging revenues increased 3.4% to \$34.0 million in the second quarter of 2003 from \$32.9 million in the second quarter of 2002 as Hawaii continued its strong rebound in May and June as the impact of SARS subsided. The Company experienced declines in gross lodging revenues in both its Desert and Mountain resorts primarily due to lower occupancy levels in fly-to markets during April. Total occupancy levels were down slightly from 49.3% in the second quarter of 2002 to 47.9% in the second quarter of 2003. The total number of exclusively managed units was down 3.9% to 17,854 in 2003 as the Company pared back lower-end units in markets where demand had softened enabling the Company to increase ADR by increasing the occupancy in higher yielding units. The Real Estate and Other income statement line item decreased 16.5% in the second quarter of 2003 from the second quarter in 2002 due to continued weakness in the overall high-end real-estate market.

As we refine the makeup of our property inventory to better meet the demands of our customers and react to market dynamics, we are pleased that three out of our four regions experienced positive RevPAU growth in the quarter, said Park Brady, Senior Vice President and Chief Operating Officer. By focusing on higher performing units, we are seeing a positive impact to ADR, which rose 6.8% in the quarter over the previous year.

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In our effort to more effectively cross-sell our network of properties, we have renamed our successful, long-running Ski Now/Tan Later marketing promotion Quest for America and expanded its scope to include all markets across our network, added Olin. This strategy is definitely beginning to reap benefits, as we generated cross-selling gross lodging revenues of over \$8 million for the six months ended June 30, 2003. As part of our on-going strategy to standardize and improve the customer experience, we have opened our new management training center in Fort Walton, Florida, where all new managers will receive a consistent and formalized training experience before deployment to the field. While we are encouraged with the upward trends in our property management business as we enter the third quarter, we are also pleased to report that it has been a breakthrough quarter for our First Resort Software unit. We are continuing to experience high market acceptance and sales of not only our flagship software, V12, but also our full range of technology services. These factors, in conjunction with the restructuring of First Resort at the end of 2002, are resulting in a significantly positive impact on the profitability of this operation.

### **Balance Sheet**

As previously discussed, the Company plans to merge with Gaylord Entertainment Company in a stock-for-stock acquisition estimated at \$177 million, including approximately \$68 million of ResortQuest net debt (\$71 million in senior debt and \$3 million in unrestricted cash). As part of this transaction, Gaylord will provide the Company, subject to the approval of ResortQuest's lenders, a working capital line of credit of up to \$10 million. This line of credit, if utilized, will bear interest at 10.5% per annum and will remain outstanding until the earliest to occur of the closing of the acquisition, August 4, 2005, or the termination of the merger agreement. Given the Company's need to fund certain fixed costs during its off season coupled with an anticipated slow down in reservation deposits in October and November due to recently experienced shorter reservation lead times, the Company may be required to utilize this line of credit. The utilization of the line of credit is subject to the consent of ResortQuest's lenders by September 8, 2003.

At June 30, 2003, the Company had \$36.9 million in total cash and total debt of \$70.5 million, which generated a debt to total capitalization of 35%.

### **Outlook**

The following information is based on current information as of August 5, 2003. The Company does not expect to update full year guidance until next quarter's earnings release; however, the Company may update the full business outlook or any portion thereof at any time for any reason.

The Company expects a continued challenging economic environment for the lodging industry although it is pleased with the drive-to market performance thus far this summer as consumers stay closer to home when taking leisure trips. ResortQuest is benefiting from this situation given its significant inventory in these primarily drive-to markets. The Company's expectations for 2003 are revenues, excluding other revenue from managed properties, of \$150-\$155 million with EBITDA margin in the 12% range.

### **CONFERENCE CALL**

The previously announced earnings call will now be jointly hosted by ResortQuest International and Gaylord Entertainment and will address today's acquisition announcement. The call will take place today, August 5, 2003 at 11:00 a.m. (EDT). To participate on the call, please dial (973) 582-2706 and request the ResortQuest conference call. A recording of the call will be available for 7 days by dialing (973) 341-3080 and entering access code 4083269. The call will be simultaneously broadcast over the Internet and will be available thereafter at [www.resortquest.com](http://www.resortquest.com).

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- (1) EBITDA, defined as earnings before interest, taxes, depreciation and amortization, is presented as supplemental information in the discussion of operating results above and in the accompanied financial tables because the Company believes that analysis of EBITDA (a non-GAAP measure), along with other GAAP measurements, provides a more comprehensive representation of the Company's financial performance. EBITDA is commonly used in the lodging industry as a measure of performance and as a basis for valuation of lodging Companies. EBITDA should not be regarded as an alternative or replacement to any GAAP measurement of performance. All companies do not calculate EBITDA in the same manner. As a result, EBITDA as presented by our Company may not be comparable to similar titles presented by other companies. See the following reconciliation of EBITDA to operating income.

Reconciliation of EBITDA to Net Income:

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2003
EBITDA	\$6,471	\$5,890	\$13,505	\$10,627
Depreciation	1,533	1,669	2,963	3,334
Interest and other expense, net	1,364	2,031	2,830	3,844
Income taxes	1,340	902	2,892	1,419
Change in acct principle, net			6,280	
Net income	\$2,234	\$1,288	\$ (1,460)	\$ 2,030
Corporate Relocation Detail:				
Corporate Relocation Expense	\$	\$ 366	\$	\$ 672

### About ResortQuest International

ResortQuest International, the first brand name real-time online booking service ([www.resortquest.com](http://www.resortquest.com)) in vacation condominium and home rentals and sales, provides a one-stop resource in over 50 premier resort destinations in the U.S. and Canada. ResortQuest is the nation's leading vacation rental property management company, based on a portfolio of approximately 20,000 vacation rental properties with a combined real estate value estimated in excess of \$7.0 billion.

*This news release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of ResortQuest and its consolidated subsidiaries to differ materially from those expressed or implied by such forward looking statements. In addition to the factors discussed above, other factors that could cause actual results to differ materially include the risks associated with obtaining the necessary consents and approvals and meeting the other conditions necessary to consummate the merger with Gaylord Entertainment Company and obtain the associated credit line, continued acceptance of the Company's First Resort software, the anticipated slowdown in reservation deposits, poor weather reducing the number of stays at Company managed facilities, the Company's ability to meet its cash needs with available sources of cash, successful integration of additional acquired companies, factors affecting*

*internal growth and management of growth, ResortQuest's acquisition strategy and the availability of financing, the tour and travel industry, seasonality, quarterly fluctuations and general economic conditions, dependence on technology and travel providers, and other factors discussed from time to time in ResortQuest's Securities and Exchange Commission reports, including its annual report on Form 10-K for the year ended December 31, 2002.*

*Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and, therefore, there can be no assurance that the forward-looking statements included in this filing will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by ResortQuest or any other person that the objectives and plans of the Company will be achieved. The company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or any other reason.*

*This communication is not a solicitation of a proxy from any security holder of Gaylord Entertainment Company or ResortQuest International, Inc. Gaylord and ResortQuest intend to file a registration statement on Form S-4 with the SEC in connection with the merger. The Form S-4 will contain a prospectus, a proxy statement and other documents for the stockholders' meetings of Gaylord and ResortQuest at which time the proposed transaction will be considered. Gaylord and ResortQuest plan to mail the proxy statement and prospectus contained in the Form S-4 to their respective stockholders. The Form S-4, proxy statement and prospectus will contain important information about Gaylord, ResortQuest, the merger and related matters. Investors and stockholders should read the Form S-4, the proxy statement and prospectus and the other documents filed with the SEC in connection with the merger carefully before they make any decision with respect to the merger. The Form S-4, proxy statement and prospectus, and all other documents filed with the SEC in connection with the merger will be available when filed free of charge at the SEC's web site, [www.sec.gov](http://www.sec.gov). In addition, all documents filed with the SEC by Gaylord in connection with the merger will be made available to investors free of charge by writing to: Gaylord Entertainment Company, One Gaylord Drive, Nashville, Tennessee 37214, Attn: Investor Relations. All documents filed with the SEC by ResortQuest in connection with the merger will be made available to investors free of charge by writing to: ResortQuest International, Inc., Suite 203, 8955 Highway 98 West, Destin, Florida 32550, Attn: Investor Relations.*

*Gaylord, ResortQuest, their respective directors and executive officers may be deemed participants in the solicitation of proxies from Gaylord's stockholders and ResortQuest's stockholders. Information concerning Gaylord's directors and certain executive officers and their direct and indirect interests in Gaylord is contained in its proxy statement for its 2003 annual meeting of stockholders. Information concerning ResortQuest's directors and certain executive officers and their direct and indirect interests in ResortQuest is contained in its proxy statement for its 2003 annual meeting of stockholders. Additional information regarding the interests of these participants in the merger will be available in the proxy statement regarding the merger. Investors can obtain free copies of these documents from the SEC's website, Gaylord and ResortQuest using the .none none none none;style-template-id:0;">*

Autocallable Market-Linked Step Up Notes

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Autocallable Market-Linked Step Up Notes

Linked to the Energy Select Sector Index, due October 26, 2018

**Redemption Amount Calculation Examples**

**Example 1**

The Ending Value is 90.00, or 90.00% of the Starting Value:

Starting Value: 100.00

Threshold Value: 100.00

Ending Value: 90.00

Redemption Amount per unit

**Example 2**

The Ending Value is 110.00, or 110.00% of the Starting Value:

Starting Value: 100.00

Step Up Value: 130.00

Ending Value: 110.00

Redemption Amount per unit, *the principal amount plus the Step Up Payment, since the Ending Value is equal to or greater than the Starting Value, but less than the Step Up Value.*

**Example 3**

The Ending Value is 143.00, or 143.00% of the Starting Value:

Starting Value: 100.00

Step Up Value: 130.00

Ending Value: 143.00

Redemption Amount per unit

Autocallable Market-Linked Step Up Notes

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Autocallable Market-Linked Step Up Notes

Linked to the Energy Select Sector Index, due October 26, 2018

Risk Factors

*There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the Risk Factors sections beginning on page PS-7 of product supplement EQUITY INDICES SUN-1, page S-5 of the Series L MTN prospectus supplement, and page 9 of the prospectus identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.*

If the notes are not automatically called, depending on the performance of the Index as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.

Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.

Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.

If the notes are called, your investment return is limited to the return represented by the Call Premium.

Your investment return may be less than a comparable investment directly in the stocks included in the Index.

The initial estimated value of the notes is an estimate only, determined as of a particular point in time by reference to our and our affiliates' pricing models. These pricing models consider certain assumptions and variables, including our credit spreads, our internal funding rate on the pricing date, mid-market terms on hedging transactions, expectations on interest rates and volatility, price-sensitivity analysis, and the expected term of the notes. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. The public offering price you pay for the notes exceeds the initial estimated value. If you attempt to sell the notes prior to maturity, their market value may be lower than the price you paid for them and lower than the initial estimated value. This is due to, among other things, changes in the level of the Index, our internal funding rate, and the inclusion in the public offering price of the underwriting discount and the hedging related charge, all as further described in Structuring the Notes on page TS-14. These factors, together with various credit, market and economic factors over the term of the notes, are expected to reduce the price at which you may be able to sell the notes in any secondary market and will affect the value of the notes in complex and unpredictable ways.

The initial estimated value does not represent a minimum or maximum price at which we, MLPF&S or any of our affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time. The value of your notes at any time after issuance will vary based on many factors that cannot be predicted with accuracy, including the performance of the Index, our creditworthiness and changes in market conditions.

A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

Our business activities as a full service financial institution, including our commercial and investment banking activities, our hedging and trading activities (including trades in shares of companies included in the Index) and any hedging and trading activities we engage in for our clients' accounts, may affect the market value and return of the notes and may create conflicts of interest with you.

The Index sponsor may adjust the Index in a way that affects its level, and has no obligation to consider your interests.

You will have no rights of a holder of the securities represented by the Index, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

While we or our affiliates may from time to time own securities of companies included in the Index we do not control any company included in the Index, and are not responsible for any disclosure made by any other company.

There may be potential conflicts of interest involving the calculation agent, which is an affiliate of ours. We have the right to appoint and remove the calculation agent.

The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. See Summary Tax Consequences below and U.S. Federal Income Tax Summary beginning on page PS-26 of product supplement EQUITY INDICES SUN-1.

Autocallable Market-Linked Step Up Notes

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Autocallable Market-Linked Step Up Notes

Linked to the Energy Select Sector Index, due October 26, 2018

Additional Risk Factors

**MLPF&S, acting as the Index Compilation Agent, determines the composition of the Index based on the sector classification methodology of S&P Dow Jones Indices (as defined below).**

The stocks included in the Index are selected by MLPF&S (the Index Compilation Agent). The Index Compilation Agent assigns a company's stock to the Index based on S&P Dow Jones Indices's sector classification methodology as set forth in its Global Industry Classification Standard. S&P Dow Jones Indices has sole control over the removal of stocks from the S&P 500® Index and the selection of replacement stocks to be added to the S&P 500® Index. The Index Compilation Agent will compile the Index without regard to the notes. The Index Compilation Agent has no obligation to take the interests of the holders of the notes into consideration in compiling the Index.

**S&P Dow Jones Indices may cause an adjustment to the S&P 500® Index in a way that affects its level, and has no obligation to consider your interests.**

S&P Dow Jones Indices is responsible for calculating and maintaining the S&P 500® Index, from which the stocks included in the Index are selected. S&P Dow Jones Indices can add, delete, or substitute the stocks included in the S&P 500® Index or make other methodological changes that could change the level of the S&P 500® Index and therefore the composition and level of the Index. Changing the companies included in the Index may affect the level of the Index, as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, S&P Dow Jones Indices may alter, discontinue or suspend calculation or dissemination of the S&P 500® Index, any of which could adversely affect the value of the notes. S&P Dow Jones Indices has no obligation to consider your interests in calculating or revising the S&P 500® Index.

**The stocks included in the Index are concentrated in one sector.**

All of the stocks included in the Index are issued by companies in the energy sector. As a result, the stocks that will determine the performance of the notes are concentrated in one sector. Although an investment in the notes will not give holders any ownership or other direct interests in the stocks underlying the Index, the return on an investment in the notes will be subject to certain risks associated with a direct equity investment in companies in the energy sector. Accordingly, by investing in the notes, you will not benefit from the diversification which could result from an investment linked to companies that operate in multiple sectors.

**A limited number of Index components may affect the Index level and the Index is not necessarily representative of the energy sector.**

As of September 28, 2016, the top three Index components constituted 39.81% of the total weight of the Index. Any reduction in the market price of those securities is likely to have a substantial adverse impact on the level of the Index and the value of the notes.

While the securities included in the Index are common stocks of companies generally considered to be involved in various segments of the energy sector, the securities included in the Index may not follow the price movements of the entire energy sector generally. If the securities included in the Index decline in value, the Index will decline in value even if security prices in the energy sector generally increase in value.

**The stocks of companies in the energy sector are subject to swift price fluctuations.**

The issuers of the stocks included in the Index develop and produce, among other things, crude oil and natural gas, and provide, among other things, drilling services and other services related to energy resources production and distribution. Stock prices for these types of companies are affected by supply and demand both for their specific product or service and for energy products in general. The price of oil and gas, exploration and production spending, government regulation, world events and economic conditions will likewise affect the performance of these companies. Correspondingly, the stocks of companies in the energy sector are subject to swift price fluctuations caused by events relating to international politics, energy conservation, the success of exploration projects and tax and other governmental regulatory policies. Weak demand for the companies' products or services or for energy products and services in general, as well as negative developments in these other areas, would adversely impact the value of the stocks included in the Index and, therefore, the level of the Index and the value of the notes.



## Autocallable Market-Linked Step Up Notes

Linked to the Energy Select Sector Index, due October 26, 2018

## The Index

All disclosures contained in this term sheet regarding the Index, the Select Sector Indices, and the S&P 500<sup>®</sup> Index, including, without limitation, their make-up, method of their calculation, and changes in their components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC and MLPF&S, as described in this section and in the sections Risk Factors and Additional Risk Factors above. The consequences of any discontinuance of the Index are discussed in the section entitled Description of the Notes Discontinuance of an Index beginning on page PS-21 of product supplement EQUITY INDICES SUN-1. None of us, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance, or publication of the Index or any successor index.

**The Select Sector Indices**

The Index is one of the Select Sector Indices. The Select Sector Indices are sub-indices of the S&P 500<sup>®</sup> Index. Each stock in the S&P 500<sup>®</sup> Index is allocated to only one Select Sector Index, and the combined companies of the eleven Select Sector Indices represent all of the companies in the S&P 500<sup>®</sup> Index. The industry indices are sub-categories within each Select Sector Index and represent a specific industry segment of the overall Select Sector Index. The eleven Select Sector Indices seek to represent the ten S&P 500<sup>®</sup> Index sectors. The S&P 500<sup>®</sup> Index sectors, with the approximate percentage of the market capitalization of the S&P 500<sup>®</sup> Index included in each sector as of September 30, 2016 indicated in parentheses: Consumer Discretionary (12.5%); Consumer Staples (9.9%); Energy (7.3%); Financials (12.8%); Health Care (14.7%); Industrials (9.7%); Information Technology (21.2%); Materials (2.9%); Telecommunication Services (3.1%); and Utilities (2.6%). MLPF&S, acting as the Index Compilation Agent, determines the composition of the Select Sector Indices based on S&P's sector classification methodology.

Each Select Sector Index was developed and is maintained in accordance with the following criteria:

Each of the component stocks in a Select Sector Index (the Component Stocks ) is a constituent company of the S&P 500<sup>®</sup> Index.

The nine Select Sector Indices together will include all of the companies represented in the S&P 500<sup>®</sup> Index and each of the stocks in the S&P 500<sup>®</sup> Index will be allocated to one and only one of the Select Sector Indices.

The Index Compilation Agent assigns each constituent stock of the S&P 500<sup>®</sup> Index to a Select Sector Index. The Index Compilation Agent assigns a company's stock to a particular Select Sector Index based on S&P Dow Jones Indices's sector classification methodology as set forth in its Global Industry Classification Standard.

Each Select Sector Index is calculated by S&P Dow Jones Indices using a modified market capitalization methodology. This design ensures that each of the component stocks within a Select Sector Index is represented in a proportion consistent with its percentage with respect to the total market capitalization of that Select Sector Index. However, under certain conditions, the number of shares of a component stock within the Select Sector Index may be adjusted to conform to Internal Revenue Code requirements.

For reweighting purposes, each Select Sector Index is rebalanced quarterly after the close of business on the second to last calculation day of March, June, September and December using the following procedures: (1) The rebalancing reference date is two business days prior to the last calculation day of each quarter; (2) With prices reflected on the rebalancing reference date, and membership, shares outstanding, additional weight factor (capping factor) and investable weight factors (as described in the section Computation of the S&P 500 Index below) as of the rebalancing effective date, each company is weighted using the modified market capitalization methodology. Modifications are made as defined below.

- (i) The indices are first evaluated to ensure none of the indices breach the maximum allowable limits defined in rules (ii) and (v) below. If any of the allowable limits are breached, the component stocks are reweighted based on their float-adjusted market capitalization weights.
- (ii) If any component stock has a weight greater than 24%, that component stock has its float-adjusted market capitalization weight capped at 23%. The 23% weight cap creates a 2% buffer to ensure that no component stock exceeds 25% as of the quarter-end diversification requirement date.



- (iii) All excess weight is equally redistributed to all uncapped component stocks within the relevant Select Sector Index.
- (iv) After this redistribution, if the float-adjusted market capitalization weight of any other component stock(s) then breaches 23%, the process is repeated iteratively until no component stock s breaches the 23% weight cap.
- (v) The sum of the component stocks with weight greater than 4.8% cannot exceed 50% of the total index weight. These caps are set to allow for a buffer below the 5% limit.
- (vi) If the rule in step (v) is breached, all the component stocks are ranked in descending order of their float-adjusted market capitalization weights and the first component stock that causes the 50% limit to be breached has its weight reduced to 4.6%.
- (vii) This excess weight is equally redistributed to all component stocks with weights below 4.6%. This process is repeated iteratively until step (v) is satisfied.

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## Autocallable Market-Linked Step Up Notes

Linked to the Energy Select Sector Index, due October 26, 2018

(viii) Index share amounts are assigned to each component stock to arrive at the weights calculated above. Since index shares are assigned based on prices one business day prior to rebalancing, the actual weight of each component stock at the rebalancing differs somewhat from these weights due to market movements.

(ix) If necessary, the reweighting process may take place more than once prior to the close on the last business day of March, June, September or December to ensure conformity with all diversification requirements.

Each Select Sector Index is calculated using the same methodology utilized by S&P Dow Jones Indices in calculating the S&P 500<sup>®</sup> Index, using a base-weighted aggregate methodology. The daily calculation of each Select Sector Index is computed by dividing the total market value of the companies in the Select Sector Index by a number called the index divisor.

The Index Compilation Agent at any time may determine that a Component Stock which has been assigned to one Select Sector Index has undergone such a transformation in the composition of its business, and should be removed from that Select Sector Index and assigned to a different Select Sector Index. In the event that the Index Compilation Agent notifies S&P Dow Jones Indices that a Component Stock's Select Sector Index assignment should be changed, S&P Dow Jones Indices will disseminate notice of the change following its standard procedure for announcing index changes and will implement the change in the affected Select Sector Indices on a date no less than one week after the initial dissemination of information on the sector change to the maximum extent practicable. It is not anticipated that Component Stocks will change sectors frequently.

Component Stocks removed from and added to the S&P 500<sup>®</sup> Index will be deleted from and added to the appropriate Select Sector Index on the same schedule used by S&P Dow Jones Indices for additions and deletions from the S&P 500<sup>®</sup> Index insofar as practicable.

### **The Index**

The Index (Index symbol: IXE ) is a modified market capitalization-based index. The Index is intended to track the movements of companies that are components of the S&P 500<sup>®</sup> Index and are involved in the development or production of energy products. The Index includes companies from the oil, gas and consumable fuels industry, as well as the energy equipment and services industry. The Index, which serves as a benchmark for the Energy Select Sector SPDR Fund (Index fund symbol: XLE ), was established with a value of 250 on June 30, 1998.

### **The S&P 500<sup>®</sup> Index**

The S&P 500<sup>®</sup> Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the S&P 500<sup>®</sup> Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943.

S&P Dow Jones Indices chooses companies for inclusion in the S&P 500<sup>®</sup> Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of its Stock Guide Database of over 10,000 companies, which S&P Dow Jones Indices uses as an assumed model for the composition of the total market. Relevant criteria employed by S&P Dow Jones Indices include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock generally is responsive to changes in the affairs of the respective industry, and the market value and trading activity of the common stock of that company.

S&P Dow Jones Indices from time to time, in its sole discretion, may add companies to, or delete companies from, the S&P 500<sup>®</sup> Index to achieve the objectives stated above.

S&P Dow Jones Indices calculates the S&P 500<sup>®</sup> Index by reference to the prices of the constituent stocks of the S&P 500<sup>®</sup> Index without taking account of the value of dividends paid on those stocks. As a result, the return on the notes will not reflect the return you would realize if you actually owned the S&P 500<sup>®</sup> Index constituent stocks and received the dividends paid on those stocks.

### **Computation of the S&P 500<sup>®</sup> Index**

While S&P Dow Jones Indices currently employs the following methodology to calculate the S&P 500<sup>®</sup> Index, no assurance can be given that S&P Dow Jones Indices will not modify or change this methodology in a manner that may

affect the Redemption Amount.

Historically, the market value of any component stock of the S&P 500<sup>®</sup> Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, S&P Dow Jones Indices began shifting the S&P 500<sup>®</sup> Index halfway from a market capitalization weighted formula to a float-adjusted formula, before moving the S&P 500<sup>®</sup> Index to full float adjustment on September 16, 2005. S&P Dow Jones Indices's criteria for selecting stocks for the S&P 500<sup>®</sup> Index did not change with the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500<sup>®</sup> Index.

Under float adjustment, the share counts used in calculating the S&P 500<sup>®</sup> Index reflect only those shares that are available to investors, not all of a company's outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

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On September 21, 2012, all shareholdings with a position greater than 5% of a stock's outstanding shares, other than holdings by block owners, were removed from the float for purposes of calculating the S&P 500 Index. Generally, these control holders will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, ESOPs, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock or government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. Holdings by block owners, such as depositary banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float. Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in a trust to allow investors in countries outside the country of domicile (e.g., ADRs, CDIs and Canadian exchangeable shares) are normally part of the float unless those shares form a control block. If a company has more than one class of stock outstanding, shares in an unlisted or non-traded class are treated as a control block.

For each stock, an investable weight factor ( IWF ) is calculated by dividing (i) the available float shares by (ii) the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. For companies with multiple classes of stock, S&P Dow Jones Indices calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

The S&P 500<sup>®</sup> Index is calculated using a base-weighted aggregate methodology. The level of the S&P 500<sup>®</sup> Index reflects the total market value of all 500 component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941-43 = 10. In practice, the daily calculation of the S&P 500<sup>®</sup> Index is computed by dividing the total market value of the component stocks by the index divisor. By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the S&P 500<sup>®</sup> Index, it serves as a link to the original base period level of the S&P 500<sup>®</sup> Index. The index divisor keeps the S&P 500<sup>®</sup> Index comparable over time and is the manipulation point for all adjustments to the S&P 500<sup>®</sup> Index, which is index maintenance.

### **Maintenance of the S&P 500<sup>®</sup> Index**

Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends, require changes in the common shares outstanding and the stock prices of the companies in the S&P 500<sup>®</sup> Index, and do not require index divisor adjustments.

To prevent the level of the S&P 500<sup>®</sup> Index from changing due to corporate actions, corporate actions which affect the total market value of the S&P 500<sup>®</sup> Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the S&P 500<sup>®</sup> Index remains constant and does not reflect the corporate actions of individual companies in the S&P 500<sup>®</sup> Index. Index divisor adjustments are made after the close of trading and after the calculation of the S&P 500<sup>®</sup> Index closing level.

Changes in a company's shares outstanding of 5.00% or more due to mergers, acquisitions, public offerings, tender offers, Dutch auctions, or exchange offers are made as soon as reasonably possible. All other changes of 5.00% or more (due to, for example, company stock repurchases, private placements, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participation units, at the market offerings, or other recapitalizations) are made weekly and are announced on Fridays for implementation after the close of trading on the following Friday. Changes of less than 5.00% due to a company's acquisition of another company in the S&P 500<sup>®</sup> Index are made as soon as reasonably possible. All other changes of less than 5.00% are accumulated and made

quarterly on the third Friday of March, June, September, and December, and are usually announced two to five days prior.

Changes in IWFs of more than five percentage points caused by corporate actions (such as merger and acquisition activity, restructurings, or spinoffs) will be made as soon as reasonably possible. Other changes in IWFs will be made annually when IWFs are reviewed.

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*The following graph shows the daily historical performance of the Index in the period from January 1, 2008 through October 27, 2016. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On the pricing date, the closing level of the Index was 697.98.*

#### **Historical Performance of the Index**

*This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the notes may be. Any historical upward or downward trend in the level of the Index during any period set forth above is not an indication that the level of the Index is more or less likely to increase or decrease at any time over the term of the notes.*

Before investing in the notes, you should consult publicly available sources for the levels of the Index.

#### **License Agreement and Trademarks**

We have entered into a non-exclusive license agreement with MLPF&S with respect to the Index. The Index is determined, composed and calculated by MLPF&S without regard to us, the notes or the holders of the notes.

MLPF&S has no obligation to take our needs or the needs of holders of the notes into consideration in determining, composing or calculating the Index.

MLPF&S DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA INCLUDED THEREIN AND MLPF&S SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, UNAVAILABILITY, OR INTERRUPTIONS THEREIN. MLPF&S MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY US, HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF THE INDICES OR ANY DATA INCLUDED THEREIN. MLPF&S MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MLPF&S, IN ITS CAPACITY AS LICENSOR, HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL, CONSEQUENTIAL DAMAGES, OR LOST PROFITS, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Energy Select Sector Index or Select Sector Indices are trademarks of MLPF&S or its affiliates and will be licensed for use by us. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ( S&P ); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ( Dow Jones ); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC and its affiliates. The S&P 500® Index is a product of S&P Dow Jones Indices LLC. The notes are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P, any of their respective affiliates (collectively, S&P Dow Jones Indices ). S&P Dow Jones Indices make no representation or warranty, express or implied, to the holders of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the S&P 500® Index to track general market performance. S&P Dow Jones Indices' only relationship to MLPF&S and to us with respect to the S&P 500® Index is the use of the S&P 500® Index and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its third party licensors. The S&P 500® Index is determined, composed and calculated by S&P Dow Jones Indices without regard to MLPF&S, us, or the notes. S&P Dow Jones Indices have no obligation to take our needs or the needs of MLPF&S or the holders of the notes into consideration in determining, composing or calculating the S&P 500® Index. S&P Dow Jones Indices are not responsible for and have not participated in the determination of the prices, and amount of the notes or the timing of the issuance or sale of the notes or in the determination or calculation of the equation by which the notes are to be converted into cash. S&P Dow Jones Indices have no obligation or liability in connection with the administration, marketing or trading of the notes. There is no assurance that investment products based on the S&P 500® Index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor.

Inclusion of a security within the S&P 500® Index is not a recommendation by S&P Dow Jones Indices to buy, sell,

or hold such security, nor is it considered to be investment advice. Notwithstanding the foregoing, CME Group Inc. and its affiliates may independently issue and/or sponsor financial products unrelated to the notes currently being issued by us, but which may be similar to and competitive with the notes. In addition, CME Group Inc. and Autocallable Market-Linked Step Up Notes

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its affiliates may trade financial products which are linked to the performance of the S&P 500<sup>®</sup> Index. It is possible that this trading activity will affect the value of the S&P 500<sup>®</sup> Index and the notes.

S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE S&P 500<sup>®</sup> INDEX OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY MLPF&S, US, HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500<sup>®</sup> INDEX OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE.

Supplement to the Plan of Distribution; Conflicts of Interest

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

MLPF&S, a broker-dealer subsidiary of BAC, is a member of the Financial Industry Regulatory Authority, Inc. ( FINRA ) and will participate as selling agent in the distribution of the notes. Accordingly, offerings of the notes will conform to the requirements of Rule 5121 applicable to FINRA members. MLPF&S may not make sales in this offering to any of its discretionary accounts without the prior written approval of the account holder.

We will deliver the notes against payment therefor in New York, New York on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Index and the remaining term of the notes. However, neither we nor any of our affiliates is obligated to purchase your notes at any price, or at any time, and we cannot assure you that we or any of our affiliates will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

The value of the notes shown on your account statement will be based on MLPF&S's estimate of the value of the notes if MLPF&S or another of our affiliates were to make a market in the notes, which it is not obligated to do. That estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the initial estimated value of the notes.



An investor's household, as referenced on the cover of this term sheet, will generally include accounts held by any of the following, as determined by MLPF&S in its discretion and acting in good faith based upon information then available to MLPF&S:

the investor's spouse (including a domestic partner), siblings, parents, grandparents, spouse's parents, children and grandchildren, but excluding accounts held by aunts, uncles, cousins, nieces, nephews or any other family relationship not directly above or below the individual investor;

a family investment vehicle, including foundations, limited partnerships and personal holding companies, but only if the beneficial owners of the vehicle consist solely of the investor or members of the investor's household as described above; and

a trust where the grantors and/or beneficiaries of the trust consist solely of the investor or members of the investor's household as described above; provided that, purchases of the notes by a trust generally cannot be aggregated together with any purchases made by a trustee's personal account.

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Purchases in retirement accounts will not be considered part of the same household as an individual investor's personal or other non-retirement account, except for individual retirement accounts ( IRAs ), simplified employee pension plans ( SEPs ), savings incentive match plan for employees ( SIMPLEs ), and single-participant or owners only accounts (i.e., retirement accounts held by self-employed individuals, business owners or partners with no employees other than their spouses).

Please contact your Merrill Lynch financial advisor if you have any questions about the application of these provisions to your specific circumstances or think you are eligible.

### Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Index. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because market-linked notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security. This rate, which we refer to in this term sheet as our internal funding rate, is typically lower than the rate we would pay when we issue conventional fixed or floating rate debt securities. This generally relatively lower internal funding rate, which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, resulted in the initial estimated value of the notes on the pricing date being less than their public offering price.

Payments on the notes, including the amount you receive at maturity or upon an automatic call, will be calculated based on the \$10 per unit principal amount, and will depend on the performance of the Index. In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, including MLPF&S and its affiliates, and take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Index, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see Risk Factors—General Risks Relating to the Notes beginning on page PS-7 and Use of Proceeds on page PS-16 of product supplement EQUITY INDICES SUN-1.

### Summary Tax Consequences

You should consider the U.S. federal income tax consequences of an investment in the notes, including the following:

There is no statutory, judicial, or administrative authority directly addressing the characterization of the notes.

You agree with us (in the absence of an administrative determination, or judicial ruling to the contrary) to characterize and treat the notes for all tax purposes as a callable single financial contract with respect to the Index. Under this characterization and tax treatment of the notes, a U.S. Holder (as defined beginning on page 99 of the prospectus) generally will recognize capital gain or loss upon maturity or upon a sale, exchange, or redemption of the notes prior to maturity. This capital gain or loss generally will be long-term capital gain or loss if you held the notes for more than one year.

No assurance can be given that the IRS or any court will agree with this characterization and tax treatment.

**You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any**

**state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws. You should review carefully the discussion under the section entitled U.S. Federal Income Tax Summary beginning on page PS-26 of product supplement EQUITY INDICES SUN-1.**

Validity of the Notes

In the opinion of McGuireWoods LLP, as counsel to BAC, when the trustee has made an appropriate entry on Schedule 1 to the Master Registered Global Senior Note, dated May 1, 2015 (the Master Note ) identifying the notes offered hereby as supplemental obligations thereunder in accordance with the instructions of BAC and the notes have been delivered against payment therefor as contemplated in this Note Prospectus, all in accordance with the provisions of the indenture governing the notes, such notes will be legal, valid and binding obligations of BAC, subject to the effect of applicable bankruptcy, insolvency (including laws related to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium, and other similar laws affecting creditors' rights generally, and to general principles of equity. This opinion is given as of the date hereof and is limited to the laws of the State of New York and the Delaware General Corporation Law (including the statutory provisions, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting the foregoing). In addition, this opinion is subject to the assumption that the trustee's certificate of

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authentication of the Master Note has been manually signed by one of the trustee's authorized officers and to customary assumptions about the trustee's authorization, execution and delivery of the indenture governing the notes, the validity, binding nature and enforceability of the indenture governing the notes with respect to the trustee, the legal capacity of natural persons, the genuineness of signatures, the authenticity of all documents submitted to McGuireWoods LLP as originals, the conformity to original documents of all documents submitted to McGuireWoods LLP as copies thereof, the authenticity of the originals of such copies and certain factual matters, all as stated in the letter of McGuireWoods LLP dated February 27, 2015, which has been filed as an exhibit to BAC's Registration Statement relating to the notes filed with the Securities and Exchange Commission on February 27, 2015.

#### Where You Can Find More Information

We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

#### Market-Linked Investments Classification

*MLPF&S classifies certain market-linked investments (the Market-Linked Investments ) into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.*

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.

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