Great Wolf Resorts, Inc.
Form 10-Q
August 14, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _________ to _________

Commission File Number 001-35458

GREAT WOLF RESORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0510250**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
525 Junction Road, Suite 6000 South	
Madison, Wisconsin 53717	**53717**
(Address of principal executive offices)	**(Zip Code)**

(608) 662-4700

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of shares outstanding of the issuer s common stock was 200 as of August 14, 2013.

Table of Contents

Great Wolf Resorts, Inc.

Quarterly Report on Form 10-Q

For the Quarter Ended June 30, 2013

INDEX

Table of Contents

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report, and in other information we file with the Securities and Exchange Commission, or the SEC, are or may be deemed to be 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, and are subject to the safe harbor created by the Private Securities Litigation Act of 1995. All statements, other than statements of historical facts, including, among others, statements regarding our future financial results or position, business strategy, projected levels of growth, projected costs and projected performance and financing needs, are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of Great Wolf Resorts, Inc. and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as may, might, will, could, plan, objective, predict, project, potential, continue, ongoing, seeks, anticipates, believes, estimates, expects, plans, intends, expressions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that actual results may differ materially from those contemplated by such forward-looking statements. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to:

- competition in our markets;
- changes in family vacation patterns and consumer spending habits;
- regional or national economic downturns;
- our ability to attract a significant number of guests from our target markets;
- economic conditions in our target markets;
- the impact of fuel costs and other operating costs;
- our ability to develop new resorts in desirable markets or further develop and improve existing resorts on a timely and cost efficient basis;
- our ability to manage growth, including the expansion of our infrastructure and systems necessary to support growth;
- our ability to manage cash and obtain additional cash required for growth;
- the general tightening in the U.S. lending markets;
- potential accidents or injuries at our resorts;
- decreases in travel due to pandemic or other widespread illness;

- our ability to achieve or sustain profitability;
- downturns in our industry segment;
- extreme weather conditions;
- reductions in the availability of credit to indoor waterpark resorts generally or to us and our subsidiaries;
- uninsured losses or losses in excess of our insurance coverage;
- our ability to protect our intellectual property, trade secrets and the value of our brands; and
- current and possible future legal restrictions and requirements.

Further descriptions of these risks, uncertainties, and other matters can be found in our annual report and other reports filed from time to time with the SEC, including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2012. We caution that the foregoing list of important factors is not complete, and we assume no obligation to update any forward-looking statement that we may make.

We believe these forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements, which are based on current expectations. All written and oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by these cautionary statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time unless otherwise required by law. Past financial or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. ***FINANCIAL STATEMENTS***

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited; dollars in thousands, except share and per share data)

	June 30, 2013	December 31, 2012 (as revised)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,926	$ 28,124
Restricted cash	6,119	4,159
Escrows	5,093	7,022
Accounts receivable, net of allowance for doubtful accounts of $11 and $0	5,865	7,620
Accounts receivable affiliates	5,157	5,145
Inventory	7,556	7,203
Other current assets	4,826	4,284
Total current assets	61,542	63,557
Property and equipment, net of accumulated depreciation of $52,674 and $30,737	604,835	615,055
Investments in and advances to unconsolidated affiliates	33,236	25,697
Other assets	7,261	5,406
Goodwill	124,435	124,435
Intangible assets, net of accumulated amortization of $797 and $456	47,229	47,444
Total assets	$ 878,538	$ 881,594
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 65,881	$ 66,768
Accounts payable	7,681	7,459
Accounts payable affiliates	2,402	1,741
Accrued interest payable	7,793	7,858
Accrued expenses	24,395	24,934
Advance deposits	13,790	8,360
Gift certificates payable	5,266	6,882
Other current liabilities	535	1,655
Total current liabilities	127,743	125,657
Mortgage debt	390,919	396,012
Other long-term debt	61,164	60,984
Deferred tax liability, net	43,840	43,713
Deferred compensation liability	2,616	2,164
Total liabilities	626,282	628,530
Commitments and contingencies (NOTE 8)		
Stockholders equity:		
Common stock, $0.01 par value; 1,000 shares authorized; 200 shares issued and outstanding	0	0
Additional paid-in-capital	267,514	267,112

Accumulated deficit	(15,258)	(14,048)
Total stockholders equity	252,256	253,064
Total liabilities and stockholders equity	$ 878,538	$ 881,594

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; dollars in thousands)

	Successor		Predecessor	Successor		Predecessor
	Three months ended June 30, 2013	Period May 5, 2012 through June 30, 2012	Period April 1, 2012 through May 4, 2012	Six months ended June 30, 2013	Period May 5, 2012 through June 30, 2012	Period January 1, 2012 through May 4, 2012
Revenues:						
Rooms	$ 46,113	$ 28,054	$ 18,368	$ 95,096	$ 28,054	$ 63,793
Food and beverage	12,449	8,121	4,726	25,003	8,121	17,273
Other	12,044	7,267	4,615	24,525	7,267	15,920
Management and other fees	887	480	701	1,914	480	1,398
Management and other fees affiliates	1,050	535	441	2,077	535	1,414
Total operating revenues	72,543	44,457	28,851	148,615	44,457	99,798
Other revenue from managed properties	3,212	1,878	1,123	6,391	1,878	4,193
Other revenue from managed properties affiliates	3,007	1,729	1,129	5,927	1,729	3,901
Total revenues	78,762	48,064	31,103	160,933	48,064	107,892
Operating expenses by department:						
Rooms	6,858	4,222	2,518	13,554	4,222	9,458
Food and beverage	9,352	6,129	3,492	18,359	6,129	12,946
Other	9,514	6,585	3,718	19,985	6,585	13,450
Other operating expenses:						
Selling, general and administrative (including $702, $0, $0, $1,613, $0 and $0 to affiliates, respectively)	18,502	13,376	19,626	37,492	13,376	42,205
Property operating costs	9,114	4,874	3,611	18,089	4,874	11,347
Depreciation and amortization	10,461	7,779	4,450	22,336	7,779	16,469
Loss on disposition of assets	68	0	47	170	0	47
Total operating expenses	63,869	42,965	37,462	129,985	42,965	105,922
Other expenses from managed properties	3,212	1,878	1,123	6,391	1,878	4,193
Other expenses from managed properties affiliates	3,007	1,729	1,129	5,927	1,729	3,901
Total expenses	70,088	46,572	39,714	142,303	46,572	114,016
Net operating income (loss)	8,674	1,492	(8,611)	18,630	1,492	(6,124)
Investment income affiliates	405	137	83	648	137	303
Interest income	55	31	24	119	31	82
Interest expense	(9,664)	(6,259)	(4,359)	(19,363)	(6,259)	(16,016)
Equity in unconsolidated affiliates	(262)	(423)	461	(1,504)	(423)	558
Loss from continuing operations before income taxes	(792)	(5,022)	(12,402)	(1,470)	(5,022)	(21,197)
Income tax benefit (expense)	428	(258)	103	260	(258)	(276)
Net loss from continuing operations	(364)	(5,280)	(12,299)	(1,210)	(5,280)	(21,473)
Discontinued operations, net of tax	0	7	13	0	7	(23)
Net loss	(364)	(5,273)	(12,286)	(1,210)	(5,273)	(21,496)
	0	11	3	0	11	15

Net income attributable to noncontrolling interest, net of tax						
Net loss attributable to Great Wolf Resorts, Inc.	$ (364)	$ (5,262)	$ (12,283)	$ (1,210)	$ (5,262)	$ (21,481)

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; dollars in thousands)

	Successor		Predecessor
	Six months ended June 30, 2013	Period May 5, 2012 through June 30, 2012	Period January 1, 2012 through May 4, 2012
Operating activities:			
Net loss	$ (1,210)	$ (5,273)	$ (21,496)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	22,336	7,779	16,469
Bad debt expense	42	9	26
Amortization of debt fair value	(2,469)	(887)	0
Non-cash share-based compensation expense	508	868	3,348
Loss on disposition of assets	170	0	47
Equity in unconsolidated affiliates	1,504	423	(558)
Deferred tax (benefit) expense	(101)	36	73
Changes in operating assets and liabilities:			
Accounts receivable and other assets	277	(1,221)	(1,304)
Accounts payable, accrued expenses and other liabilities	1,689	(882)	3,694
Affiliate receivables and payables, net	655	93	1,379
Net cash provided by operating activities	23,401	945	1,678
Investing activities:			
Capital expenditures for property and equipment	(11,341)	(3,264)	(2,237)
Investment in unconsolidated affiliates	(6,712)	0	0
Investment in development	(2,775)	(14)	(75)
Proceeds from sale of assets	15	0	3
Increase in restricted cash and escrows	(31)	(1,279)	(3,464)
Net cash used in investing activities	(20,844)	(4,557)	(5,773)
Financing activities:			
Principal payments on debt	(3,331)	(392)	(1,777)
Payment of loan costs	(296)	(4)	(120)
Repurchase of stock for restricted stock tax withholding	(128)	0	0
Capital contribution	0	1,091	0
Net cash (used in) provided by financing activities	(3,755)	695	(1,897)
Net decrease in cash and cash equivalents	(1,198)	(2,917)	(5,992)
Cash and cash equivalents, beginning of period	28,124	27,775	33,767
Cash and cash equivalents, end of period	$ 26,926	$ 24,858	$ 27,775
Supplemental Cash Flow Information:			
Cash paid for interest	$ 21,897	$ 2,177	$ 20,499
Cash paid for income taxes, net of refunds	$ 606	$ 423	$ 211
Non-cash investing activities:			

Accrued capital expenditures	$	706	$	0	$	0

See accompanying notes to the condensed consolidated financial statements.

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited; dollars in thousands, except otherwise specified)

1. ORGANIZATION

The terms Great Wolf Resorts, us, we, and our are used in this report to refer to Great Wolf Resorts, Inc.® and its consolidated subsidiaries.

Business Summary

We are a family entertainment resort company that provides our guests with a high quality vacation at an affordable price. We are the largest owner, licensor, operator and developer in North America of drive-to destination family resorts featuring indoor waterparks and other family-oriented entertainment activities. Each of our resorts features approximately 300 to 600 family suites, each of which sleeps from six to ten people and includes a wet bar, microwave oven, refrigerator and dining and sitting area. We provide a full-service entertainment resort experience to our primary target customer base: families with children ranging in ages from 2 to 12 years old that live within a convenient driving distance of our resorts. Several of our resorts have significant meeting space or conference centers, allowing us to also attract groups in addition to our leisure guests. Our resorts are open year-round and provide a consistent, comfortable environment where our guests can enjoy our various amenities and activities. We operate and license resorts under our Great Wolf Lodge® brand name. We own and operate the majority of the resorts in our portfolio; we have also entered into licensing and management arrangements with third parties relating to the operation of resorts under the Great Wolf Lodge brand name.

Each of our Great Wolf Lodge resorts has a Northwoods lodge theme, designed with exposed timber beams, massive stone fireplaces, Northwoods creatures including mounted wolves and an animated two-story Clock Tower that provides theatrical entertainment for younger guests. We provide our guests with a self-contained vacation experience and focus on capturing a significant portion of their total vacation spending. We earn revenues through the sale of rooms (which includes admission to our indoor waterpark), and other revenue-generating resort amenities. Each of our resorts features a combination of the following revenue-generating amenities: themed restaurants, ice cream shop and confectionery, kid spa, game arcade, gift shop, miniature golf, interactive game attraction and meeting space. We also generate revenues from licensing fees, management fees and other fees with respect to our operation or development of properties owned in whole or in part by third parties.

On May 4, 2012, the Company merged (the Merger) with K-9 Acquisition, Inc., a Delaware corporation (Merger Sub) and subsidiary of a fund managed by an affiliate of Apollo Global Management, LLC (together with its subsidiaries, Apollo). Although the Company continued as the same legal entity after the Merger, the Company s capital structure changed significantly as a result of the Merger and our financial statement presentations distinguish between a Predecessor for periods prior to the Merger and a Successor for periods subsequent to the Merger. As a result of the application of the acquisition method of accounting as of the effective time of the Merger, the financial statements for the Predecessor period and for the Successor period are presented on different bases and are, therefore, not comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation We have prepared these unaudited condensed consolidated financial statements and related notes in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. The balance sheet as of December 31, 2012 was derived from the audited financial statements. Therefore, these interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, accompanying notes and other information included in our Annual Report on Form 10-K for the year ended December 31, 2012.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made. Our business is seasonal and for this and other reasons operating results for interim periods may not be indicative of our full year results or future performance.

Principles of Consolidation The accompanying unaudited condensed consolidated financial statements include all of the accounts of Great Wolf Resorts and our consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in the condensed consolidated financial statements.

Noncontrolling Interests. Creative Kingdoms, LLC (Creative Kingdoms) was a consolidated subsidiary with a noncontrolling interest through December 28, 2012, at which time we purchased the entire noncontrolling interest. Prior to that date, the net earnings attributable to the controlling and noncontrolling interests were included on the face of our condensed consolidated statements of income.

Table of Contents

Variable Interest Entities. A legal entity is referred to as a variable interest entity if, by design (1) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors that cannot make significant decisions about the entity s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. A variable interest entity must be consolidated if it is determined that we have both the (1) power to direct the activities of the variable interest entity that most significantly impact the entity s economic performance and (2) obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to the variable interest entity.

In accordance with the guidance for the consolidation of variable interest entities, we analyze our variable interests, including equity investments and management agreements, to determine if an entity in which we have a variable interest is a variable interest entity and whether we must consolidate that variable interest entity. Our analysis includes both quantitative and qualitative reviews. We based our quantitative analysis on the forecasted cash flows of the entity, and our qualitative analysis on a consideration of all facts and circumstances including, but not limited to, our role in establishing the variable interest entity, our ongoing rights and responsibilities, the organization structure, and relevant financial and other agreements.

We have equity investments in the joint ventures that own (i) the Great Wolf Lodge resort in Grand Mound, Washington (Grand Mound) and (ii) the Great Wolf Lodge resort which is to be developed in Garden Grove, California (Garden Grove) as described in Note 4. We manage each resort, and we have concluded that both joint ventures are variable interest entities due to the management contracts that provide us with certain rights. However, we have concluded that we are not the primary beneficiary because the majority equity owners of each joint venture have substantive participating rights over the activities that most significantly impact the economic performance of each joint venture. As a result, we have concluded that power is shared between us and the other equity investors in each joint venture. As we share power with the majority equity owners, we are not the primary beneficiary of either joint venture and, therefore, we do not consolidate these entities. Our maximum exposure to loss related to our involvement with each joint venture as of June 30, 2013 and December 31, 2012 is limited to the carrying value of our equity investment in the joint ventures and receivables as of those dates. Our exposure is limited because of the non-recourse nature of the borrowings of the joint ventures. The total carrying values of those items on our condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012 is $38,195 and $30,382, respectively, and are included in the Accounts receivable affiliates and Investments in and advances to unconsolidated affiliates line items on our condensed consolidated balance sheets.

Reclassifications We have reclassified (i) Affiliate receivables and payables, net in our 2012 condensed consolidated statements of cash flows on a separate line to present related party transactions on the face of the statement, and (ii) income tax expense from Equity in unconsolidated affiliates to Income tax expense in our 2012 condensed consolidated statements of income as equity in unconsolidated affiliates is presented within loss from continuing operations before income taxes and no longer presented net of tax, to conform to the 2013 presentation.

Discontinued Operations On March 24, 2011, we sold our Blue Harbor Resort. As a result of the sale, we have included the operations of the Blue Harbor Resort in discontinued operations for all prior periods presented. The operations and cash flows of the entity have been eliminated from the ongoing operations and we do not have any significant continuing involvement in the operations of the entity after the disposal transaction.

Income Taxes At the end of each interim reporting period, we estimate the effective tax rate expected to be applicable for the full fiscal year. We use that estimated effective tax rate in providing for income taxes on a year-to-date basis. We account for the tax effect of significant unusual or extraordinary items in the period in which they occur. We account for major changes in our valuation allowance within continuing operations in the period in which they occur.

New Accounting Pronouncements We have considered all recently issued accounting pronouncements and do not believe the adoption of such pronouncements will have a material impact on our condensed consolidated financial statements.

3. REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS

In connection with the preparation of our condensed consolidated financial statements for the first quarter of 2013, we identified an error in the timely recording for separation payments. In accordance with accounting guidance found in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, *Materiality*), we assessed the materiality of the error and concluded that the error was not material to any of our previously issued financial statements. In accordance with accounting guidance found in ASC 250-10 (SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*), we revised our previously issued financial statements to correct the effect of this error. As the revision relates to the fourth quarter of 2012, it will be reflected in future filings as applicable.

Table of Contents

The following table presents the effect of this correction on the Company s Consolidated Balance Sheet as of December 31, 2012 and on the Consolidated Statement of Income, Consolidated Statement of Equity and Consolidated Statement of Cash Flows for the successor period May 5, 2012 through December 31, 2012:

	As Previously Reported	Adjustment	As Revised
December 31, 2012			
Consolidated Balance Sheet			
Accrued expenses	$ 23,888	$ 1,046	$ 24,934
Total current liabilities	124,611	1,046	125,657
Total liabilities	627,484	1,046	628,530
Accumulated deficit	(13,002)	(1,046)	(14,048)
Total stockholders equity	254,110	(1,046)	253,064
Period May 5, 2012 through December 31, 2012			
Consolidated Statement of Income			
Selling, general and administrative	51,930	1,046	52,976
Total operating expenses	177,591	1,046	178,637
Total expenses	193,190	1,046	194,236
Net operating income	13,996	(1,046)	12,950
Loss from continuing operations before income taxes	(11,425)	(1,046)	(12,471)
Net loss from continuing operations	(13,094)	(1,046)	(14,140)
Net loss	(13,085)	(1,046)	(14,131)
Net loss attributable to Great Wolf Resorts, Inc.	(13,002)	(1,046)	(14,048)
Consolidated Statement of Equity			
Net loss attributable to Great Wolf Resorts, Inc.	(13,002)	(1,046)	(14,048)
Accumulated deficit	(13,002)	(1,046)	(14,048)
Consolidated Statement of Cash Flow			
Net loss	(13,085)	(1,046)	(14,131)
Accounts payable, accrued expenses and other liabilities	1,000	1,046	2,046

4. RELATED PARTY AND AFFILIATE TRANSACTIONS

Our related parties and affiliates include (i) members of the joint venture that own the Great Wolf Lodge resort in Grand Mound, Washington, (ii) members of the joint venture that own the Great Wolf Lodge which is to be developed in Garden Grove, California and (iii) Apollo, our indirect controlling shareholder.

Our unconsolidated joint venture with The Confederated Tribes of the Chehalis Reservation owns the Great Wolf Lodge resort and conference center on a 39-acre land parcel in Grand Mound, Washington. On March 21, 2013, each joint venture partner made an additional investment of $6,712 in preferred equity of the unconsolidated joint venture. Our ownership interest remains at 49%.

Our unconsolidated joint venture with an affiliate of McWhinney Real Estate Services, Inc. owns the Great Wolf Lodge resort and conference center to be developed on a 10.8-acre land parcel in Garden Grove, California. Our ownership interest in this joint venture is 15.28%.

We regularly transact business with our related parties and affiliates. The following summarizes our transactions:

	Successor		Predecessor	Successor		Predecessor
	Three months ended June 30, 2013	Period May 5, 2012 through June 30, 2012	Period April 1, 2012 through May 4, 2012	Six months ended June 30, 2013	Period May 5, 2012 through June 30, 2012	Period January 1, 2012 through May 4, 2012
Management and other fees	$ 1,050	$ 535	$ 441	$ 2,077	$ 535	$ 1,414
Other revenue from managed properties	3,007	1,729	1,129	5,927	1,729	3,901
Selling, general and administrative	702	0	0	1,613	0	0
Other expenses from managed properties	3,007	1,729	1,129	5,927	1,729	3,901

Investment income	405	137	83	648	137	303

10

Table of Contents

	June 30, 2013	December 31, 2012
Accounts receivable	$ 5,157	$ 5,145
Investments in and advances to unconsolidated affiliates	33,236	25,697
Accounts payable	2,402	1,741

5. DEBT

Debt consists of the following:

	Carrying Value June 30, 2013	Carrying Value December 31, 2012	Principal Amounts June 30, 2013
Mortgage Debt:			
Traverse City/Kansas City mortgage loan	$ 61,660	$ 62,215	$ 62,914
Pocono Mountains mortgage loan	92,244	93,114	90,984
Concord mortgage loan	47,440	49,158	47,285
First mortgage notes	255,456	258,293	230,000
Other Long-Term Debt:			
Junior subordinated debentures	61,164	60,984	80,545
	517,964	523,764	511,728
Less current portion of long-term debt	(65,881)	(66,768)	(65,881)
Total long-term debt	$ 452,083	$ 456,996	$ 445,847

The carrying value amounts as of June 30, 2013 and December 31, 2012, include net fair value adjustments that are amortized to interest expense over the life of each loan, using the effective interest rate method. The unamortized fair value adjustment as of June 30, 2013 and December 31, 2012 was $6,236 and $8,705, respectively.

Traverse City/Kansas City Mortgage Loan This non-recourse loan is secured by our Traverse City and Kansas City resorts. The loan bears interest at a fixed rate of approximately 7.00%, is subject to a 25-year principal amortization schedule, and matures in January 2015. The loan has customary financial and operating debt compliance covenants. The loan also has customary restrictions on our ability to prepay the loan prior to maturity. We were in compliance with all covenants under this loan at June 30, 2013. While recourse under the loan is limited to the property owner s interest in the mortgaged property, we have provided limited guarantees with respect to certain customary non-recourse provisions and environmental indemnities relating to the loan.

In September 2010, the loan s master servicer implemented a lock-box cash management arrangement. The lock-box cash management arrangement requires substantially all cash receipts for the two resorts to be moved each day to a lender-controlled bank account, which the loan servicer then uses to fund debt service and operating expenses for the two resorts on a monthly basis, with excess cash flow being deposited in a reserve account and held as additional collateral for the loan. Therefore, we have classified the entire outstanding principal balance of the loan as a current liability as of June 30, 2013 and December 31, 2012, since the lock-box arrangement requires us to use the properties working capital to service the loan, and we do not presently have the ability to refinance this loan to a new, long-term loan. Although the entire principal balance of the loan is classified as a current liability as of June 30, 2013 and December 31, 2012, the loan is not in default, and the principal balance is not due currently.

Pocono Mountains Mortgage Loan This loan is secured by a mortgage on our Pocono Mountains resort. The loan bears interest at a fixed rate of 6.10% and matures in January 2017. The loan is currently subject to a 30-year principal amortization schedule. The loan has customary covenants associated with an individual mortgaged property. The loan also has customary restrictions on our ability to prepay the loan prior to maturity. We were in compliance with all covenants under this loan at June 30, 2013.

Concord Mortgage Loan This loan is secured by a mortgage on our Concord resort. This loan bears interest at a floating rate of 30-day LIBOR plus a spread of 500 basis points with a minimum rate of 6.00% per annum (effective rate of 6.00% at June 30, 2013 and December 31, 2012) and matures on December 31, 2016. This loan requires four quarterly principal payments of $375. We are required to provide interest rate protection on a portion of the loan amount through the loan s maturity date. Therefore, we executed interest rate caps that cap the loan at an

8.00% interest rate through December 2016. See Note 7 for additional discussion of the interest rate caps. We were in compliance with all covenants under this loan at June 30, 2013.

Table of Contents

First Mortgage Notes In April 2010, we completed, in a private placement followed by a registered exchange offer, an offering of $230,000 in aggregate principal amount of our 10.875% first mortgage notes (the Notes) due April 2017. The Notes were sold at a discount that provides an effective yield of 11.875% before transaction costs. The Notes are senior obligations of GWR Operating Partnership, L.L.L.P. and Great Wolf Finance Corp (Issuers). The Notes are guaranteed by Great Wolf Resorts and by our subsidiaries that own three of our resorts and those guarantees are secured by first priority mortgages on those three resorts. The Notes are also guaranteed by certain of our other subsidiaries on a senior unsecured basis.

Junior Subordinated Debentures In March 2005, we completed a private offering of $50,000 of trust preferred securities (TPS) through Great Wolf Capital Trust I (Trust I), a Delaware statutory trust which is our subsidiary. The securities pay holders cumulative cash distributions at an annual fixed rate of 7.80% through March 2015 and then at a floating annual rate of LIBOR plus a spread of 310 basis points thereafter. The securities mature in March 2035 and are callable at no premium after March 2010. In addition, we invested $1,550 in Trust I s common securities, representing 3% of the total capitalization of Trust I.

In March 2012, we completed an exchange through Great Wolf Capital Trust IV (Trust IV), a Delaware statutory trust which is our subsidiary, and issued $28,125 of TPS in exchange for all $28,125 of TPS of Great Wolf Capital Trust III (Trust III). The securities pay holders cumulative cash distributions at an annual fixed rate of 7.90% through July 2012 and at a floating annual rate equal to LIBOR plus 550 basis points thereafter (effective rate of 5.78% and 5.81% at June 30, 2013 and December 31, 2012, respectively). The securities mature in July 2017 and are callable at no premium after July 2012. In conjunction with this transaction, Trust IV issued to us 870 common securities, which are all of the issued and outstanding common securities of Trust IV, with a liquidation amount of $870. In addition, in conjunction with this transaction, we issued to Trust IV $28,995 of junior subordinated debentures with payment terms that mirror the distribution terms of the TPS of Trust IV.

Our condensed consolidated financial statements present the debentures issued to the Trusts as other long-term debt. Our investments in the Trusts are accounted for as cost investments and are included in other assets on our consolidated balance sheets. For financial reporting purposes, we record interest expense on the corresponding notes in our condensed consolidated statements of income.

For a description of the refinancing of certain of our debt that occurred after June 30, 2013, see the information provided under Note 11.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). GAAP outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Certain assets and liabilities must be measured at fair value, and disclosures are required for items measured at fair value.

We measure our financial instruments using inputs from the following three levels of the fair value hierarchy. The three levels are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (that is, interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability. We develop these inputs based on the best information available, including our own data.

Table of Contents

The following table summarizes our financial assets using the fair value hierarchy on a recurring basis:

June 30, 2013

	Level 1	Level 2	Level 3	Total
Interest rate caps	$ 0	$ 203	$ 0	$ 203

December 31, 2012

	Level 1	Level 2	Level 3	Total
Interest rate caps	$ 0	$ 115	$ 0	$ 115

Level 2 assets consist of our interest rate caps. To determine the estimated fair value of our interest rate caps we use market information provided by the banks from whom the interest rate caps were purchased.

As of June 30, 2013 and December 31, 2012, we estimate the total fair value of the interest rate caps described above to be approximately equal to their total carrying values. We based the fair value of the interest rate caps on available market data for similar securities, which would be categorized as Level 2 in the fair value hierarchy.

The carrying amounts for cash and cash equivalents, restricted cash, escrows, accounts receivable, other current assets, accounts payable, accrued expenses, gift certificates payable, advance deposits and other current liabilities approximate fair value because of the short-term nature of these instruments.

7. DERIVATIVE INSTRUMENTS

In connection with the refinancing of the Concord Mortgage loan, we were required to provide interest rate protection on a portion of the loan amount through the loan s maturity date. Therefore, we executed interest rate caps that cap the loan at an 8.00% interest rate through December 2016. The interest rate caps were not designated as hedges. We mark the interest rate caps to market and record the change to interest expense.

The following table summarizes the fair value of derivative instruments in our condensed consolidated balance sheets:

	Balance Sheet Classification	Fair Value as of June 30, 2013	Fair Value as of December 31, 2012
Derivatives not designated as hedging instruments			
Interest rate caps	Other assets	$ 203	$ 115

The following table summarizes the effect of derivatives not designated as hedging instruments in our condensed consolidated statements of income:

	Income Statement Classification	Gain (Loss) Recognized (Pre-tax): Three months ended June 30, 2013 Successor	Period May 5, 2012 through June 30, 2012 Successor	Period April 1, 2012 through May 4, 2012 Predecessor	Six months ended June 30, 2013 Successor	Period May 5, 2012 through June 30, 2012 Successor	Period January 1, 2012 through May 4, 2012 Predecessor
Derivatives not designated as hedging instruments							
Interest rate caps	Interest expense	$ 82	(144)	0	87	(144)	$ (34)

For a description of the settlement of these interest rate caps in connection with the refinancing of certain of our debt that occurred after June 30, 2013, see the information provided under Note 11.

8. COMMITMENTS AND CONTINGENCIES

Litigation On and after March 14, 2012, the Company and certain of its current and former officers and directors and, in some cases, some or all of K-9 Investors, L.P., Apollo Management VII, L.P., Apollo Global Management, LLC and K-9 and Merger Sub were named as defendants in five class action lawsuits filed in the Delaware Court of Chancery which were ultimately consolidated into a single class action (the Delaware Action). In the Delaware Action, the plaintiff, on behalf of a putative class of stockholders, sought to enjoin the proposed transaction that was the subject of the Merger Agreement. Other lawsuits were filed in Wisconsin state and federal court two in the Circuit Court, Civil Division for Dane County, one of which was dismissed by the plaintiff prior to settlement (the surviving action, Wisconsin State Court Action), and one in the United States District Court for the Western District of Wisconsin (the Wisconsin Federal Court Action).

Table of Contents

On April 25, 2012, the parties to the Delaware Action and the Wisconsin State Court Action reached an agreement in principle to settle those cases. The proposed settlement, which was subject to court approval, provided for, among other things, the dismissal with prejudice of plaintiffs complaints and of all claims asserted therein, that all parties granted all applicable releases of claims against all other parties, and that the parties to the Delaware Action and the Wisconsin State Court Action acknowledged that the plaintiffs and their counsel in those cases would petition the appropriate court or courts for an award of attorneys fees and expenses in connection with the cases. Any award of fees and expenses to plaintiffs counsel was subject to approval by the appropriate court or courts. Pursuant to an order from the Delaware Court of Chancery, notice to the class was mailed on October 19, 2012.

On April 30, 2012, the parties to the Wisconsin Federal Court Action agreed to settle that case, subject to court approval of the proposed class-wide settlement in the Delaware Action and entry of a final order dismissing the Delaware Action in its entirety. Pursuant to their agreement, the parties to the Wisconsin Federal Court Action filed with the court, on April 30, 2012, a stipulation providing that the Wisconsin Federal Court Action be voluntarily dismissed with respect to all defendants and that such dismissal would be with prejudice as to the plaintiff upon the consummation of the settlement of the Delaware Action.

On September 27, 2012, the parties to the Delaware Action agreed to settle that case. Pursuant to their agreement, the parties to the Delaware Action filed with the Delaware Court of Chancery on September 27, 2012, a stipulation providing that the Delaware Action be voluntarily dismissed with respect to all defendants and that such dismissal be with prejudice as to the plaintiff.

On December 18, 2012, the Delaware Court of Chancery approved the class-wide settlement in the Delaware Action and entered a final order dismissing the Delaware Action in its entirety. It awarded counsel for the plaintiffs in the Delaware Action fees and expenses in the amount of $1,940, which was paid in 2013.

The Company, the members of the Board of Directors, Apollo Management VII, L.P., Apollo Global Management, LLC, K-9 and Merger Sub each have denied, and continue to deny, that they committed or attempted to commit any violation of law or breach of fiduciary duty owed to the Company and/or its stockholders, aided or abetted any breach of fiduciary duty, or otherwise engaged in any of the wrongful acts alleged in all of these cases. All of the defendants expressly maintain that they complied with their fiduciary and other legal duties. However, in order to avoid the costs, disruption and distraction of further litigation, and without admitting the validity of any allegation made in the actions or any liability with respect thereto, the defendants concluded that it is desirable to settle the claims against them on the terms reflected in the settlements.

We are involved in litigation from time to time in the ordinary course of our business. We do not believe that the outcome of any pending or threatened litigation will have a material adverse effect on our financial condition or results of operations. However, as is inherent in legal proceedings where issues may be decided by finders of fact, there is a risk that unpredictable decisions, materially adverse to the Company, could occur.

9. SEGMENTS

We have two reportable segments:

- Resort ownership/operation aggregated operating results derived from our consolidated owned resorts; and
- Resort third-party management/licensing aggregated operating results derived from management, license and other related fees from unconsolidated managed resorts.

The Other items in the table below includes items that do not constitute a reportable segment and represent corporate-level activities and the activities of other operations not included in the Resort Ownership/Operation or Resort Third-Party Management/License segments. Total assets at the corporate level primarily consist of cash, our investment in affiliates, and intangibles. Total assets for all segments are located within the United States.

Table of Contents

The following summarizes significant financial information regarding our segments:

	Resort Ownership/ Operation	Resort Third-Party Management /License	Other	Totals per Financial Statements
Three months ended June 30, 2013 (Successor)				
Revenues	$ 69,544	$ 8,156	$ 1,062	$ 78,762
Depreciation and amortization	9,738		723	10,461
Net operating income (loss)	7,379	1,937	(642)	8,674
Investment income affiliates				405
Interest income				55
Interest expense				(9,664)
Equity in unconsolidated affiliates				(262)
Loss from continuing operations before income taxes				$ (792)
Additions to long-lived assets	9,334		388	$ 9,722

	Resort Ownership/ Operation	Resort Third-Party Management /License	Other	Totals per Financial Statements
Period May 5, 2012 through June 30, 2012 (Successor)				
Revenues	$ 42,664	$ 4,622	$ 778	$ 48,064
Depreciation and amortization	6,950		829	7,779
Net operating income (loss)	3,385	1,012	(2,905)	1,492
Investment income affiliates				137
Interest income				31
Interest expense				(6,259)
Equity in unconsolidated affiliates				(423)
Loss from continuing operations before income taxes				$ (5,022)
Additions to long-lived assets	3,258		6	$ 3,264
Total assets	758,652	1,207	109,836	$ 869,695

Table of Contents

	Resort Ownership/ Operation	Resort Third-Party Management /License	Other	Totals per Financial Statements
Period April 1, 2012 through May 4, 2012 (Predecessor)				
Revenues	$ 27,157	$ 3,394	$ 552	$ 31,103
Depreciation and amortization	4,179		271	4,450
Net operating income (loss)	3,280	1,143	(13,034)	(8,611)
Investment income affiliates				83
Interest income				24
Interest expense				(4,359)
Equity in unconsolidated affiliates				461
Loss from continuing operations before income taxes				$ (12,402)

	Resort Ownership/ Operation	Resort Third-Party Management /License	Other	Totals per Financial Statements
Six months ended June 30, 2013 (Successor)				
Revenues	$ 142,866	$ 16,309	$ 1,758	$ 160,933
Depreciation and amortization	20,392		1,944	22,336
Net operating income (loss)	19,579	3,991	(4,940)	18,630
Investment income affiliates				648
Interest income				119
Interest expense				(19,363)
Equity in unconsolidated affiliates				(1,504)
Loss from continuing operations before income taxes				$ (1,470)
Additions to long-lived assets	10,788		553	$ 11,341
Total assets	752,521	7,825	118,192	$ 878,538

	Resort Ownership/ Operation	Resort Third-Party Management /License	Other	Totals per Financial Statements
Period January 1, 2012 through May 4, 2012 (Predecessor)				
Revenues	$ 95,876	$ 10,906	$ 1,110	$ 107,892
Depreciation and amortization	15,476		993	16,469
Net operating income (loss)	11,070	2,813	(20,007)	(6,124)
Investment income affiliates				303
Interest income				82
Interest expense				(16,016)
Equity in unconsolidated affiliates				558
Loss from continuing operations before income taxes				$ (21,197)

Additions to long-lived assets	2,173	64	$ 2,237

16

Table of Contents

10. SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

On April 7, 2010, our subsidiaries, GWR Operating Partnership, L.L.L.P and Great Wolf Finance Corp. were co-issuers (the Issuers) with respect to $230,000 in principal amount of 10.875% first mortgage notes. In connection with the issuance, certain of our subsidiaries (the Subsidiary Guarantors) have guaranteed the first mortgage notes. Certain of our other subsidiaries (the Non-Guarantor Subsidiaries) have not guaranteed the first mortgage notes.

The following tables present the condensed consolidating balances sheets of the Company (Parent), the Issuers, the Subsidiary Guarantors and the Non-Guarantor Subsidiaries , the condensed consolidating statements of income for the three months ended June 30, 2013, period May 5, 2012 through June 30,2012, period April 1, 2012 through May 4, 2012, six months ended June 30, 2013 and period January 1, 2012 through May 4, 2012, and the condensed consolidating statements of cash flows for the six months ended June 30, 2013, period May 5, 2012 through June 1, 2012 and period January 1, 2012 through May 4, 2012. The Subsidiary Guarantors have guaranteed the first mortgage notes on a joint and several basis, and such guarantees are full and unconditional.

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, *Financial statements of guarantors and issuers of guaranteed securities registered or being registered*. Each of the Subsidiary Guarantors is 100% owned, directly or indirectly, by Great Wolf Resorts, Inc. There are significant restrictions on the Subsidiary Guarantors ability to pay dividends or obtain loans or advances. The Company s and the Issuers investments in their consolidated subsidiaries are presented under the equity method of accounting.

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

June 30, 2013

Successor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 9,334	$ 11,182	$ 1,359	$ 5,051	$ 0	$ 26,926
Restricted cash	1,026	0	0	5,093	0	6,119
Escrows	0	0	0	5,093	0	5,093
Accounts receivable, net	229	256	4,302	1,078	0	5,865
Accounts receivable affiliate	0	0	2,835	2,322	0	5,157
Accounts receivable consolidating entities	281,844	617,244	593,752	89,314	(1,582,154)	0
Inventory	0	0	3,625	3,931	0	7,556
Other current assets	1,247	8	1,778	1,793	0	4,826
Total current assets	293,680	628,690	607,651	113,675	(1,582,154)	61,542
Property and equipment, net	0	0	321,241	283,594	0	604,835
Investments in consolidating entities	263,304	286,760	0	0	(550,064)	0
Investments in and advances to affiliates	0	3,143	0	30,093	0	33,236
Other assets	2,476	229	4,342	214	0	7,261
Goodwill	0	0	55,468	68,967	0	124,435
Intangible assets, net	0	0	47,103	126	0	47,229
Total assets	$ 559,460	$ 918,822	$ 1,035,805	$ 496,669	$ (2,132,218)	$ 878,538
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Current portion of long-term debt	$ 0	$ 0	$ 0	$ 65,881	$ 0	$ 65,881
Accounts payable	15	2,116	3,289	2,261	0	7,681
Accounts payable affiliate	41	2,351	10	0	0	2,402
Accounts payable consolidating entities	194,906	389,132	772,401	225,715	(1,582,154)	0
Accrued interest payable	619	6,253	0	921	0	7,793
Accrued expenses	3,147	210	13,299	7,739	0	24,395
Advance deposits	0	0	7,391	6,399	0	13,790
Gift certificates payable	3,472	0	791	1,003	0	5,266
Other current liabilities	0	0	315	220	0	535
Total current liabilities	202,200	400,062	797,496	310,139	(1,582,154)	127,743
Mortgage debt	0	255,456	0	135,463	0	390,919
Other long-term debt	61,164	0	0	0	0	61,164
Deferred tax liability, net	43,840	0	0	0	0	43,840
Deferred compensation liability	0	0	2,616	0	0	2,616
Total liabilities	307,204	655,518	800,112	445,602	(1,582,154)	626,282
Commitments and contingencies						
Stockholders equity:						
Common stock	0	0	0	0	0	0
Additional paid-in-capital	267,514	262,773	207,615	55,158	(525,546)	267,514

Accumulated deficit	(15,258)	531	28,078	(4,091)	(24,518)	(15,258)
Total equity	252,256	263,304	235,693	51,067	(550,064)	252,256
Total liabilities and equity	$ 559,460	$ 918,822	$ 1,035,805	$ 496,669	$ (2,132,218)	$ 878,538

Table of Contents

CONSOLIDATING BALANCE SHEET

December 31, 2012

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 10,188	$ 7,524	$ 1,260	$ 9,152	$ 0	$ 28,124
Restricted cash	1,026	0	0	3,133	0	4,159
Escrows	0	0	0	7,022	0	7,022
Accounts receivable, net	1,510	0	3,593	2,517	0	7,620
Accounts receivable affiliates	1	0	3,475	1,669	0	5,145
Accounts receivable consolidating entities	286,950	516,074	532,841	72,650	(1,408,515)	0
Inventory	0	0	2,809	4,394	0	7,203
Other current assets	149	0	2,249	1,886	0	4,284
Total current assets	299,824	523,598	546,227	102,423	(1,408,515)	63,557
Property and equipment, net	0	0	327,346	287,709	0	615,055
Investment in consolidating entities	259,419	272,492	0	0	(531,911)	0
Investment in and advances to affiliates	0	0	1,476	24,221	0	25,697
Other assets	2,472	1	2,789	144	0	5,406
Goodwill	0	0	55,468	68,967	0	124,435
Intangible assets, net	0	0	47,444	0	0	47,444
Total assets	$ 561,715	$ 796,091	$ 980,750	$ 483,464	$ (1,940,426)	$ 881,594
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Current portion of long-term debt	$ 0	$ 0	$ 0	$ 66,768	$ 0	$ 66,768
Accounts payable	0	1,773	3,146	2,633	(93)	7,459
Accounts payable affiliates	0	1,739	2	0	0	1,741
Accounts payable consolidating entities	194,546	268,601	734,219	210,327	(1,407,693)	0
Accrued interest payable	625	6,253	0	980	0	7,858
Accrued expenses	3,301	13	14,593	7,027	0	24,934
Advance deposits	0	0	3,220	5,140	0	8,360
Gift certificates payable	4,687	0	960	1,235	0	6,882
Other current liabilities	795	0	278	1,311	(729)	1,655
Total current liabilities	203,954	278,379	756,418	295,421	(1,408,515)	125,657
Mortgage debt	0	258,293	0	137,719	0	396,012
Other long-term debt	60,984	0	0	0	0	60,984
Deferred tax liability, net	43,713	0	0	0	0	43,713
Deferred compensation liability	0	0	2,164	0	0	2,164
Total liabilities	308,651	536,672	758,582	433,140	(1,408,515)	628,530
Commitments and contingencies						
Stockholders equity:						
Common stock	0	0	0	0	0	0
Additional paid-in-capital	267,112	262,773	207,615	55,158	(525,546)	267,112
Accumulated deficit	(14,048)	(3,354)	14,553	(4,834)	(6,365)	(14,048)

Total equity	253,064	259,419	222,168	50,324	(531,911)	253,064
Total liabilities and equity	$ 561,715	$ 796,091	$ 980,750	$ 483,464	$ (1,940,426)	$ 881,594

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Three months ended June 30, 2013

Successor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:						
Rooms	$ 0	$ 0	$ 23,762	$ 22,351	$ 0	$ 46,113
Food and beverage	0	0	6,456	5,993	0	12,449
Other	0	0	5,612	6,432	0	12,044
Management and other fees	100	0	3,458	26	(2,697)	887
Management and other fees affiliates	0	0	1,050	0	0	1,050
Total operating revenues	100	0	40,338	34,802	(2,697)	72,543
Other revenue from managed properties	0	0	3,212	0	0	3,212
Other revenue from managed properties affiliates	0	0	3,007	0	0	3,007
Total revenues	100	0	46,557	34,802	(2,697)	78,762
Operating expenses by department:						
Rooms	0	0	3,439	3,868	(449)	6,858
Food and beverage	0	0	4,976	4,376	0	9,352
Other	0	0	4,576	4,938	0	9,514
Other operating expenses:						
Selling, general and administrative	2,002	233	10,276	8,239	(2,248)	18,502
Property operating costs	0	0	3,991	5,123	0	9,114
Depreciation and amortization	0	0	5,660	4,801	0	10,461
Loss on disposition of assets	0	0	0	68	0	68
Total operating expenses	2,002	233	32,918	31,413	(2,697)	63,869
Other expenses from managed properties	0	0	3,212	0	0	3,212
Other expenses from managed properties affiliates	0	0	3,007	0	0	3,007
Total expenses	2,002	233	39,137	31,413	(2,697)	70,088
Net operating (loss) income	(1,902)	(233)	7,420	3,389	0	8,674
Investment income affiliates	0	0	0	405	0	405
Interest income	45	3	0	7	0	55
Interest expense	(1,531)	(4,858)	0	(3,275)	0	(9,664)
Equity in unconsolidated affiliates	2,398	7,486	0	(262)	(9,884)	(262)
(Loss) income from continuing operations before income taxes	(990)	2,398	7,420	264	(9,884)	(792)
Income tax benefit (expense)	626	0	(24)	(174)	0	428
Net (loss) income attributable to Great Wolf Resorts, Inc.	$ (364)	$ 2,398	$ 7,396	$ 90	$ (9,884)	$ (364)

20

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Period May 5, 2012 through June 30, 2012

Successor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:						
Rooms	$ 0	$ 0	$ 15,258	$ 12,796	$ 0	$ 28,054
Food and beverage	0	0	4,291	3,830	0	8,121
Other	0	0	3,433	3,834	0	7,267
Management and other fees	52	0	3,830	3	(3,405)	480
Management and other fees affiliates	0	0	535	0	0	535
Total operating revenues	52	0	27,347	20,463	(3,405)	44,457
Other revenue from managed properties	0	0	1,878	0	0	1,878
Other revenue from managed properties affiliates	0	0	1,729	0	0	1,729
Total revenues	52	0	30,954	20,463	(3,405)	48,064
Operating expenses by department:						
Rooms	0	0	2,391	2,394	(563)	4,222
Food and beverage	0	0	3,323	2,806	0	6,129
Other	0	0	2,923	3,662	0	6,585
Other operating expenses:						
Selling, general and administrative	1,349	20	9,795	5,054	(2,842)	13,376
Property operating costs	0	0	2,653	2,221	0	4,874
Depreciation and amortization	0	0	3,827	3,952	0	7,779
Total operating expenses	1,349	20	24,912	20,089	(3,405)	42,965
Other expenses from managed properties	0	0	1,878	0	0	1,878
Other expenses from managed properties affiliates	0	0	1,729	0	0	1,729
Total expenses	1,349	20	28,519	20,089	(3,405)	46,572
Net operating (loss) income	(1,297)	(20)	2,435	374	0	1,492
Investment income affiliates	0	0	0	137	0	137
Interest income	31	0	0	0	0	31
Interest expense	(931)	(3,009)	0	(2,319)	0	(6,259)
Equity in unconsolidated affiliates	(3,009)	20	0	(423)	2,989	(423)
(Loss) income from continuing operations before income taxes	(5,206)	(3,029)	2,435	(2,231)	0	(5,022)
Income tax expense	(56)	0	(94)	(108)	0	(258)
Net (loss) income from continuing operations	(5,262)	(3,009)	2,341	(2,339)	2,989	(5,280)
Discontinued operations, net of tax	0	0	0	7	0	7
Net (loss) income	(5,262)	(3,009)	2,341	(2,332)	2,989	(5,273)
	0	0	0	11	0	11

Net income attributable to noncontrolling interest, net of tax						
Net (loss) income attributable to Great Wolf Resorts, Inc.	$ (5,262)	$ (3,009)	$ 2,341	$ (2,321)	$ 2,989	$ (5,262)

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Period April 1, 2012 through May 4, 2012

Predecessor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:						
Rooms	$ 0	$ 0	$ 8,714	$ 9,654	$ 0	$ 18,368
Food and beverage	0	0	2,225	2,501	0	4,726
Other	0	0	1,918	2,697	0	4,615
Management and other fees	30	0	2,506	2	(1,837)	701
Management and other fees affiliates	0	0	441	0	0	441
Total operating revenues	30	0	15,804	14,854	(1,837)	28,851
Other revenue from managed properties	0	0	1,123	0	0	1,123
Other revenue from managed properties affiliates	0	0	1,129	0	0	1,129
Total revenues	30	0	18,056	14,854	(1,837)	31,103
Operating expenses by department:						
Rooms	0	0	1,442	1,444	(368)	2,518
Food and beverage	0	0	1,734	1,758	0	3,492
Other	0	0	1,580	2,138	0	3,718
Other operating expenses:						
Selling, general and administrative	9,857	13	7,279	3,946	(1,469)	19,626
Property operating costs	0	0	1,531	2,080	0	3,611
Depreciation and amortization	15	131	2,265	2,039	0	4,450
Loss on disposition of assets	0	0	47	0	0	47
Total operating expenses	9,872	144	15,878	13,405	(1,837)	37,462
Other expenses from managed properties	0	0	1,123	0	0	1,123
Other expenses from managed properties affiliates	0	0	1,129	0	0	1,129
Total expenses	9,872	144	18,130	13,405	(1,837)	39,714
Net operating (loss) income	(9,842)	(144)	(74)	1,449	0	(8,611)
Investment income affiliates	0	0	0	83	0	83
Interest income	21	4	0	(1)	0	24
Interest expense	(595)	(2,500)	0	(1,264)	0	(4,359)
Equity in unconsolidated affiliates	(1,849)	791	0	461	1,058	461
(Loss) income from continuing operations before income taxes	(12,265)	(1,849)	(74)	728	1,058	(12,402)
Income tax (expense) benefit	(18)	0	(14)	135	0	103
Net (loss) income from continuing operations	(12,283)	(1,849)	(88)	863	1,058	(12,299)
Discontinued operations, net of tax	0	0	0	13	0	13
Net (loss) income	(12,283)	(1,849)	(88)	876	1,058	(12,286)

Net income attributable to noncontrolling interest, net of tax	0	0	0	3	0	3
Net (loss) income attributable to Great Wolf Resorts, Inc.	$ (12,283)	$ (1,849)	$ (88)	$ 879	$ 1,058	$ (12,283)

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Six months ended June 30, 2013

Successor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:						
Rooms	$ 0	$ 0	$ 47,544	$ 47,552	$ 0	$ 95,096
Food and beverage	0	0	12,569	12,434	0	25,003
Other	0	0	11,428	13,097	0	24,525
Management and other fees	271	0	7,346	10	(5,713)	1,914
Management and other fees affiliates	0	0	2,077	0	0	2,077
Total operating revenues	271	0	80,964	73,093	(5,713)	148,615
Other revenue from managed properties	0	0	6,391	0	0	6,391
Other revenue from managed properties affiliates	0	0	5,927	0	0	5,927
Total revenues	271	0	93,282	73,093	(5,713)	160,933
Operating expenses by department:						
Rooms	0	0	6,879	7,630	(955)	13,554
Food and beverage	0	0	9,613	8,746	0	18,359
Other	0	0	9,123	10,862	0	19,985
Other operating expenses:						
Selling, general and administrative	3,087	679	21,833	16,651	(4,758)	37,492
Property operating costs	0	0	8,301	9,788	0	18,089
Depreciation and amortization	0	0	11,546	10,790	0	22,336
Loss on disposition of assets	0	0	0	170	0	170
Total operating revenues	3,087	679	67,295	64,637	(5,713)	129,985
Other expenses from managed properties	0	0	6,391	0	0	6,391
Other expenses from managed properties affiliates	0	0	5,927	0	0	5,927
Total expenses	3,087	679	79,613	64,637	(5,713)	142,303
Net operating (loss) income	(2,816)	(679)	13,669	8,456	0	18,630
Investment income affiliates	0	0	0	648	0	648
Interest income	91	8	15	5	0	119
Interest expense	(3,039)	(9,712)	0	(6,612)	0	(19,363)
Equity in unconsolidated affiliates	3,885	14,268	0	(1,504)	(18,153)	(1,504)
(Loss) income from continuing operations before income taxes	(1,879)	3,885	13,684	993	(18,153)	(1,470)
Income tax benefit (expense)	669	0	(159)	(250)	0	260
Net (loss) income attributable to Great Wolf Resorts, Inc.	$ (1,210)	$ 3,885	$ 13,525	$ 743	$ (18,153)	$ (1,210)

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Period January 1, 2012 through May 4, 2012

Predecessor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:						
Rooms	$ 0	$ 0	$ 30,243	$ 33,550	$ 0	$ 63,793
Food and beverage	0	0	8,399	8,874	0	17,273
Other	0	0	7,206	8,714	0	15,920
Management and other fees	191	0	8,872	7	(7,672)	1,398
Management and other fees affiliates	0	0	1,414	0	0	1,414
Total operating revenues	191	0	56,134	51,145	(7,672)	99,798
Other revenue from managed properties	0	0	4,193	0	0	4,193
Other revenue from managed properties affiliates	0	0	3,901	0	0	3,901
Total revenues	191	0	64,228	51,145	(7,672)	107,892
Operating expenses by department:						
Rooms	0	0	5,325	5,412	(1,279)	9,458
Food and beverage	0	0	6,466	6,480	0	12,946
Other	0	0	5,908	7,542	0	13,450
Other operating expenses:						
Selling, general and administrative	15,470	59	20,803	12,266	(6,393)	42,205
Property operating costs	0	0	5,266	6,081	0	11,347
Depreciation and amortization	53	480	8,391	7,545	0	16,469
Loss on disposition of assets	0	0	47	0	0	47
Total operating expenses	15,523	539	52,206	45,326	(7,672)	105,922
Other expenses from managed properties	0	0	4,193	0	0	4,193
Other expenses from managed properties affiliates	0	0	3,901	0	0	3,901
Total expenses	15,523	539	60,300	45,326	(7,672)	114,016
Net operating (loss) income	(15,332)	(539)	3,928	5,819	0	(6,124)
Investment income affiliates	0	0	0	303	0	303
Interest income	74	7	0	1	0	82
Interest expense	(2,179)	(9,136)	0	(4,701)	0	(16,016)
Equity in unconsolidated affiliates	(3,978)	5,690	0	558	(1,712)	558
(Loss) income from continuing operations before income taxes	(21,415)	(3,978)	3,928	1,980	(1,712)	(21,197)
Income tax expense	(66)	0	(141)	(69)	0	(276)
Net (loss) income from continuing operations	(21,481)	(3,978)	3,787	1,911	(1,712)	(21,473)
Discontinued operations, net of tax	0	0	0	(23)	0	(23)
Net (loss) income	(21,481)	(3,978)	3,787	1,888	(1,712)	(21,496)

Net income attributable to noncontrolling interest, net of tax	0	0	0	15	0	15
Net (loss) income attributable to Great Wolf Resorts, Inc.	$ (21,481)	$ (3,978)	$ 3,787	$ 1,903	$ (1,712)	$ (21,481)

Table of Contents

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Six months ended June 30, 2013

Successor

(Dollars in thousands)

	Parent	Issuers	Subsidiary Guarantors	Non Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating activities:						
Net (loss) income	$ (1,210)	$ 3,885	$ 13,525	$ 743	$ (18,153)	$ (1,210)
Adjustment to reconcile net (loss) income to net cash provided by (used in) operating activities:						
Depreciation and amortization	0	0	11,546	10,790	0	22,336
Bad debt expense	0	0	7	35	0	42
Amortization of debt fair value	180	(2,838)	0	189	0	(2,469)
Non-cash share-based compensation expense	0	0	508	0	0	508
Loss on disposition of assets	0	0	0	170	0	170
Equity in unconsolidated affiliates	(3,885)	(14,268)	0	1,504	18,153	1,504
Deferred tax benefit	(101)	0	0	0	0	(101)
Changes in operating assets and liabilities	(2,799)	(1,521)	5,458	661	822	2,621
Net cash (used in) provided by operating activities	(7,815)	(14,742)	31,044	14,092	822	23,401
Investing activities:						
Capital expenditures for property and equipment	(4)	0	(4,747)	(6,590)	0	(11,341)
Investment in unconsolidated related party	0	0	0	(6,712)	0	(6,712)
Investment in development	0	0	(2,775)	0	0	(2,775)
Proceeds from sale of assets	0	0	11	4	0	15
Increase in restricted cash	0	0	(705)	674	0	(31)
Net cash used in investing activities	(4)	0	(8,216)	(12,624)	0	(20,844)
Financing activities:						
Principal payments on debt	0	0	0	(3,331)	0	(3,331)
Payment of loan costs	(8)	(271)	0	(17)	0	(296)
Repurchase of stock for restricted stock tax withholding	(128)	0	0	0	0	(128)
Advances from (to) consolidating entities, net	7,101	18,671	(22,729)	(2,221)	(822)	0
Net cash provided by (used in) financing activities	6,965	18,400	(22,729)	(5,569)	(822)	(3,755)
Net (decrease) increase in cash and cash equivalents	(854)	3,658	99	(4,101)		